Since 1918

PALMDALE WATER DISTRICT

2029 East Avenue Q • Palmdale, California 93550 • Telephone (661) 947-4111
Fax (661) 947-8604
www.palmdalewater.org
Facebook: palmdalewaterdistrict
Twitter: @palmdaleH20

April 21, 2016

Agenda for Regular Meeting of the Board of Directors of the Palmdale Water District to be held at the District's office at 2029 East Avenue Q, Palmdale

Wednesday, April 27, 2016

7:00 p.m.

NOTE: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 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) Pledge of Allegiance.
2) Roll Call.
3) Adoption of Agenda.
4) Public comments for non-agenda items.
5) Presentations:

5.1) Westside Christian School regarding Leslie O. Carter Water Treatment Plant tour. (West Curry)

5.2) Drought Report-Review of "Water Conservation and Reduction in Water Demand Efforts Report as of March, 2016." (PIO/Conservation Director McNutt)

6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)

6.1) Approval of minutes of regular meeting held April 13, 2016.

6.2) Payment of bills for April 27, 2016.

6.3) Approval of 2016 Membership in the Water Research Foundation. ($13,629.00 – Budgeted – Operations Manager Masaya)

7) Action Items – Action Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)

7.1) Presentation, consideration, and possible action on receiving and filing of 2015 Audit and Management Report. (The Pun Group/Financial Advisor Egan/Finance Manager Williams/Finance Committee)

7.2) Consideration and possible action on Outreach activities. (PIO/Conservation Director McNutt)

a) Rebates/Cash for Grass Program

b) AguaPalooza Music Contest

c) High Desert Water Summit

d) Palmdale Chamber activities

e) Calendar of upcoming events

f) Board media training

g) Outreach Board input

7.3) Discussion and possible action on options for making third party water transfers easier for the State Water Contractors. (Director Mac Laren)

7.4) Discussion of letter received from Director Estes regarding the Board's seating arrangement. (Director Mac Laren)

7.5) Consideration and possible action on authorization of the following conferences, seminars, and training sessions for Board and staff attendance within budget amounts previously approved in the 2016 Budget:

a) None at this time.

8) Information Items:

8.1) Reports of Directors:

a) Meetings/General Report.

b) Standing Committee/Assignment Reports (Chair):

1) Special Finance Committee.

8.2) Report of General Manager.

a) April, 2016 written report of activities through March, 2016.

8.3) Report of General Counsel.

9) Public comments on closed session agenda matters.

10) Break prior to closed session.

11) Closed session under:

11.1) Conference with Legal Counsel – Existing Litigation: A closed session will be held, pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding pending litigation to which the District is a party. The title of such litigation is as follows: *Antelope Valley Ground Water Cases.*

11.2) Conference with Legal Counsel – Existing Litigation: A closed session will be held, pursuant to Government Code §54956.9 (d)(1), to confer with District General Counsel regarding pending litigation to which the District is a party. The title of such litigation is as follows: *Palmdale Water District v. Lagerlof, et al, Los Angeles County Superior Court Case No. BC 605450.*

11.3) Conference with Legal Counsel – Potential Litigation: A closed session will be held, pursuant to Government Code §54956.9 (d)(4), to confer with District General Counsel to consider whether to initiate litigation, one case.

12) Public report of any action taken in closed session.

13) Board members' requests for future agenda items.

14) Adjournment.

Dennis D. LaMoreaux

DENNIS D. LaMOREAUX,
General Manager

DDL/dd

Water Conservation

- 4 Appeal letters submitted
- 23 Citations issued starting in March
- Citation breakdown:

CHG	Water Waste 1st Notice	$50.00	$1,050.00
CHG	Water Waste 2nd Notice	$250.00	$0.00
CHG	Water Waste 3rd Notice	$500.00	$0.00
CHG	Water Waste 4th Notice	$1,000.00	$0.00
		Grand Total	$1,050.00

- Cumulative water savings through March = 27.9%
- Gallons per capita per day for March = 76.2
- March Drought Surcharge Revenue = $37,514
- Cumulative water savings since June 1, 2015 = 24.5%

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	April 20, 2016	**April 27, 2016**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Mynor V. Masaya, Operations Manager	
VIA:	Mr. Dennis LaMoreaux, General Manager Mr. Matthew Knudson, Assistant General Manager	
RE:	***AGENDA ITEM NO. 6.3 – APPROVAL OF 2016 MEMBERSHIP IN THE WATER RESEARCH FOUNDATION.***	

Recommendation:

Staff recommends the Board approve renewal of the District's membership in the Water Research Foundation for 2016.

Financial Impacts:

The Annual Commitment based on total million gallons delivered in 2015 is $13,629.00. (Budgeted under Administration, Memberships and Subscriptions, 1-02-4165-000)

Background:

The District has been an American Water Works Association Research Foundation/Water Research Foundation (AwwaRF/WRF) subscriber for many years. In 2004, the District was able to receive $100,000.00 in funds to conduct an AwwaRF Tailored Collaboration Study entitled "DBP Control in High Bromide Water While Using Free Chlorine During Distribution" (Project No. 3075). The project was completed by Carollo Engineering in March of 2005, was reviewed by PWD and AwwaRF staff, and the final report became available in August of 2006. The total cost of the project was $375,392.00.

Information gathered from this study was instrumental to District staff in the decision making process regarding which technologies would provide the greatest benefit and should be included in upgrades to the District's water treatment plant.

In 2013, the District was a co-funding and participating member in a study to determine the most effective technologies for removing or reducing Chromium VI. The results of this study are helping the water community assess the best available options for treatment in light of the new Chromium VI regulation passed by the California Department of Public Health.

In 2016-2017, staff plans to request and utilize reports and studies from the following areas: asset management, treatment technologies, and energy management.

It is through the combined support of membership agencies like Palmdale Water District that research on the most important and emerging water issues can be carried out. In addition to contributing to the research effort, membership provides the District with the opportunity to influence the direction of research projects and full access to all reports from past and current studies.

Strategic Plan Initiative:

Membership in this organization relates to Strategic Initiative No. 3 – Systems Efficiency.

Supporting Documents:

- March 10, 2016 letter from Water Research Foundation and 2016 Invoice

Water Research Foundation℠

P 303.347.6100 F 303.730.0851

www.WaterRF.org

6666 W. Quincy Ave., Denver CO 80235-3098

March 10, 2016

Dennis D. LaMoreaux
General Manager
Palmdale Water District
2029 East Ave Q
Palmdale, CA 93550-4038

RECEIVED
MAR 21 2016

Dear Mr. LaMoreaux:

The Water Research Foundation (WRF) thanks you for your continued support. Our research cooperative helps ensure that you and other organizations throughout the water community continue to deliver safe, sustainable, and affordable water regardless of source to the communities you serve. As a WRF subscriber, you can have absolute confidence that your investment contributes to the development and delivery of scientifically sound research solutions that you can depend on.

As has been previously communicated, WRF's Board of Trustees elected to marginally increase subscription rates for 2016 by 2.5%. This decision was not made lightly and is being implemented in conjunction with cost saving measures. Be assured that WRF is committed to managing your research investment judiciously and that this small increase will have a significant impact on our ability to provide the research solutions you need.

Enclosed is your 2016 subscription program worksheet and subscription invoice. Please complete the worksheet with updated water delivery numbers so an accurate commitment rate can be calculated. You may request a revised invoice by emailing your updated worksheet calculations to Patricia Schrader at pschrader@waterrf.org.

WRF's cooperative investment approach is more relevant and powerful than ever before. The flexibility of these unrestricted funds is essential for sponsoring a utility-focused research agenda that addresses the multitude of managerial, operational, and regulatory issues you and your organization face every day. Here are just a few key resources and recent enhancements to our subscriber benefits package:

- Expanded research agenda that addresses the full complement of integrated water management issues.
- Improved Website that provides easy access to our research information — www.waterrf.org
- Growing collection of diverse resources including Webcasts, presentation slides and videos, case studies, and state-of-the-science documents — www.waterrf.org/resources
- Additional online Knowledge Portals (with more to come!) — topic-specific resource areas containing synthesized information and key resources on top industry issues — www.waterrf.org/knowledge

Please feel free to contact me at 303-734-3413 or jalbert@WaterRF.org or your WRF Account Manager with any questions, suggestions, or concerns.

Sincerely yours,

John Albert
Subscriber Services Manager

Water Research Foundation

2016 INVOICE

6666 W. Quincy Ave., Denver, CO 80235-3098
P 303.347.6128 F 303.734.0196
pschrader@WaterRF.org

	Date March 10, 2016
Subscriber Number 0003981	**Foundation Tax ID** 13-6211384
Subscriber Since 05/01/88	**Invoice Number** RF2016-0003981

Palmdale Water District
ATTN: Dennis D. LaMoreaux, General Manager
2029 East Ave Q
Palmdale, CA 93550-4038

ITEM NO.	DESCRIPTION	COMMITMENT AMOUNT
RF2016	May 2016 through April 2017 Subscription to the Water Research Foundation Program 4/21/16 OK. TO PAY M.K.	~~$14,398.00~~ $13,629.00 $13,629.00
	Amount Due (USD Preferred):	~~$14,398.00~~

Water Research Foundation

Detach and return with payment and completed worksheet in the enclosed envelope
Please make check payable to: **Water Research Foundation**

6666 W. Quincy Ave, Denver, CO 80235-3098
P 303.347.6128 F 303.734.0196
pschrader@WaterRF.org

	Date March 10, 2016
Subscriber Number 0003981	**Invoice Number** RF2016-0003981

ITEM NO.	DESCRIPTION	AMOUNT DUE
RF2016	Subscription to the Water Research Foundation Program	~~$14,398.00~~ $13,629 – USD Preferred
REVISED INVOICE REQUESTED ☑ Yes ☐ No		**AMOUNT ENCLOSED** $13,629 –

Palmdale Water District
ATTN: Dennis D. LaMoreaux, General Manager
2029 East Ave Q
Palmdale, CA 93550-4038

Water Research Foundation℠
advancing the science of water

Date 4/21/16

2016 Utility Subscription Program

Total water produced per year (includes wholesale & retail)

Total water produced per year is defined as the total volume of water produced by the utility, whether or not it is revenue-generating, as well as any water that the utility sells (wholesale) or purchases (retail), during the most recent twelve month period for which the utility has complete data.

5,540.15 million gallons x $2.46 = $ 13,629 –

OR

_________ acre feet x $0.84 = $ _________

Credits:

To be eligible for this credit, your wholesaler must be a Water Research Foundation subscriber. For a complete list of subscribers, visit our Web site at www.waterrf.org/the-foundation/our-subscribers/Pages/subscriber-list.aspx

A. If you purchase water from a subscribing wholesaler, enter the amount purchased the previous year and attach a list of those wholesalers.

_________ million gallons x $1.48 = $ _________

OR

_________ acre feet x $0.48 = $ _________

B. If you sell water to other utilities and **would like to sponsor** their subscription, enter the amount sold and attach a list of your retail customers. Also include a primary contact and the annual volume sold to each retail customer.

If you sell water to other utilities and **do NOT want to sponsor** their subscription, enter the amount sold below. (No list is needed)

_________ million gallons x $0.98 = $ _________

OR

_________ acre feet x $0.36 = $ _________

Total credits (A + B) $ _________

Total annual research commitment $ 13,629 –
(total water produced minus total credits)

MAXIMUM Payment: $ 561,073 per year
MINIMUM Payment: $ 1,090 per year

continued on back

P A L M D A L E W A T E R D I S T R I C T

B O A R D M E M O R A N D U M

DATE:	April 20, 2016	**April 27, 2016**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Mr. Michael Williams, Finance Manager	
VIA:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	***AGENDA ITEM NO. 7.1 – PRESENTATION, CONSIDERATION, AND POSSIBLE ACTION ON RECEIVING AND FILING OF 2015 AUDIT AND MANAGEMENT REPORT. (THE PUN GROUP/FINANCIAL ADVISOR EGAN/FINANCE MANAGER WILLIAMS)***	

Recommendation:

Staff recommends the Board receive and file the 2015 Audit and Management Report. This item was presented to the Finance Committee at their April 25, 2016 special meeting.

Alternative Options:

There are no alternative options. The District is required to conduct an annual audit, and it must be received and filed by the Board.

Background:

The District engaged The Pun Group to audit the District's statements of net position as of December 31, 2015 along with related statements of revenues, expenses, changes in net position, cash flows and related notes to financial statements. Their objective in the engagement is to express their opinion as to whether the District's financial statements are fairly presented in conformity with U.S. generally accepted accounting principles.

Strategic Plan Initiative:

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

Budget:

The cost to prepare the annual audit is $18,000, which is budgeted under Budget Item No. 1-02-4150-000

Supporting Documents:

- Final 2015 Audit and Management Report

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

March 31, 2016

To the Board of Directors
of the Palmdale Water District
Palmdale, California

We have audited the financial statements of the business-type activities of the Palmdale Water District (District) for the year ended December 31, 2015, and have issued our report thereon dated March 31, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated February 1, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the District. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management's Discussion and Analysis, Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Contributions – Pension Plan, and the Schedules of Funding Progress – Other Post-Employment Benefits Plan, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriations of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

New Accounting Standards

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27).* This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 13 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended December 31, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This statement establishes standards relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 13 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. This statement becomes effective for periods beginning after June 15, 2015. The District has adopted an earlier application. See Note 2.

No other new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

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

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the annual other post-employment benefit (OPEB) cost is based on the actuarial valuation. We evaluated the key factors and assumptions used to develop the annual OPEB cost in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the aggregate net pension liability is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for the CalPERS plan. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 5 – Capital Assets, net
- Note 9 – Net Other Post-Employment Benefits Obligation
- Note 10 – Aggregate Net Pension Liability
- Note 16 – Commitments and Contingencies

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Contributions – Pension Plan, and the Schedules of Funding Progress – Other Post-Employment Benefits Plan, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

The Pun Group, LLP

Santa Ana, California

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Palmdale Water District

Palmdale, California

Annual Financial Report

For the Year Ended December 31, 2015

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Palmdale Water District
Annual Financial Report
For the Year Ended December 31, 2015

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Palmdale Water District
Palmdale, California

Report on the Financial Statements

We have audited the accompanying financial statements of Palmdale Water District (District), which comprise the balance sheet as of , 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Investment in Palmdale Recycled Water Agency (PRWA) which represents 0.12 percent, 0.22 percent and 0.50 percent of the assets, net position, and revenue, respectively, of the District. The financial statements of PRWA, as listed in Note 4 to the basic financial statements, was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Investment in PRWA, is based solely on the report of the other auditors. 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 District as of December 31, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of GASB Statements No. 68 and 71

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No, 27.* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.* The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 13 to the basic financial statements. In addition, the Net Pension Liability is reported in the Balance Sheet in the amount of $6,347,708 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

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 6 through 14 and the Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pension Plans, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 55 through 57, respectively, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedule of Debt Service Net Revenues Coverage on page 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors
of Palmdale Water District
Palmdale, California

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California
March 31, 2016

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*

Independent Auditors' Report

To the Board of Directors
of Palmdale Water District
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 balance sheet of Palmdale Water District (District) as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

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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.

Santa Ana, California
December 31, 2015

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Palmdale Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position decreased (3.25%) or $(3,436,611) from the prior year's net position of $105,637,337 to $102,200,726, as a result of this year's operations. Also, the District recorded a prior period adjustment of $(7,562,122) to account for the implementation of GASB Nos. 68 and 71 to record the District's net pension liability on the balance sheet.
- Operating revenues decreased by (8.97%) or $(2,093,217) from $23,341,636 to $21,248,419, from the prior year, primarily due to a decrease in water sales – commodity charge of $(1,330,750) due to the California drought crisis that mandates water conservation measures.
- Operating expenses before depreciation expense decreased by (6.39%) or $1,430,964 from $22,405,397 to $20,974,433, from the prior year, primarily due to a decrease in source of supply – water purchases or $(1,520,922) as a result of the decrease in water sales.

Required Financial Statements

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

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

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "*Is the District better off or worse off as a result of this year's activities*?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Condensed Balance Sheets

	December 31, 2015	December 31, 2014	Change
Assets:			
Current assets	$ 20,417,825	$ 26,345,253	$ (5,927,428)
Non-current assets	1,404,396	65,420	1,338,976
Capital assets, net	154,946,564	153,780,266	1,166,298
Total assets	176,768,785	180,190,939	(3,422,154)
Deferred outflows of resources	3,340,010	2,791,901	548,109
Total assets and deferred outflows of resources	$ 180,108,795	$ 182,982,840	$ (2,874,045)
Liabilities:			
Current liabilities	$ 11,366,484	$ 11,463,106	$ (96,622)
Non-current liabilities	72,219,082	65,882,397	6,336,685
Total liabilities	83,585,566	77,345,503	6,240,063
Deferred inflows of resources	1,884,625	-	1,884,625
Net position:			
Net investment in capital assets	103,361,934	103,774,107	(412,173)
Restricted	213,130	65,420	147,710
Unrestricted	(8,936,460)	1,797,810	(10,734,270)
Total net position	94,638,604	105,637,337	(10,998,733)
Total liabilities, deferred outflows of resources and net position	$ 180,108,795	$ 182,982,840	$ (2,874,045)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $94,638,604 and $105,637,337 as of December 31, 2015 and 2014, respectively.

By far the largest portion of the District's net position (109% as of December 31, 2015 and 98% as of December 31, 2014) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

The District implemented GASB Statements No. 68 and 71, which the District recognized an aggregate net pension liability of $6,347,708 as of December 31, 2015. See Notes 10 and 13 for further information.

Palmdale Water District
Management's Discussion and Analysis (Continued)(Unaudited)
For the Year Ended December 31, 2015

At the end of fiscal year 2015 the District showed a negative (deficit) balance in its unrestricted net position of $(8,936,460). At the end of fiscal year 2014 the District showed a positive balance in its unrestricted net position of $1,797,810.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	December 31, 2015	December 31, 2014	Change
Operating revenues	$ 21,248,419	$ 23,341,636	$ (2,093,217)
Operating expenses	(20,974,433)	(22,405,397)	1,430,964
Operating income before overhead absorption	273,986	936,239	(662,253)
Overhead absorption	26,134	508,818	(482,684)
Operating income before depreciation	300,120	1,445,057	(1,144,937)
Depreciation expense	(7,957,867)	(7,166,973)	(790,894)
Operating income(loss) after depreciation	(7,657,747)	(5,721,916)	(1,935,831)
Non-operating revenues(expenses), net	3,853,655	2,673,535	1,180,120
Net loss before capital contributions	(3,804,092)	(3,048,381)	(755,711)
Capital contributions	367,481	13,548	353,933
Change in net position	(3,436,611)	(3,034,833)	(401,778)
Net position:			
Beginning of year	105,637,337	108,672,170	(3,034,833)
Prior period adjustment	(7,562,122)	-	(7,562,122)
End of year	$ 94,638,604	$ 105,637,337	$ (10,998,733)

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position decreased from operations by $(3,436,611) and $(3,034,833) for the fiscal years ended December 31, 2015 and 2014, respectively.

Total Revenues

	December 31, 2015	December 31, 2014	Increase (Decrease)
Operating revenues:			
Water sales – commodity charge	$ 6,952,694	$ 8,283,444	$ (1,330,750)
Water sales – wholesale	142,749	218,627	(75,878)
Monthly meter service charge	11,658,904	11,321,843	337,061
Water quality fees	898,134	1,564,800	(666,666)
Elevation fees	369,899	477,654	(107,755)
Other charges for services	1,226,039	1,475,268	(249,229)
Total operating revenues	21,248,419	23,341,636	(2,093,217)
Non-operating:			
Property taxes – ad valorum	1,634,459	1,582,069	52,390
Property tax assessment for State Water Project	5,207,003	5,066,642	140,361
Successor agency component of property taxes	511,352	415,074	96,278
Investment earnings	42,705	50,469	(7,764)
Change in investment – PRWA	147,710	(34,580)	182,290
Legal and insurance refunds/settlements	198,613	(490,406)	689,019
Department of Water Resources – FCR	332,957	221,578	111,379
Other non-operating revenues	88,285	79,166	9,119
Total non-operating	8,163,084	6,890,012	1,273,072
Total revenues	$ 29,411,503	$ 30,231,648	$ (820,145)

In 2015, operating revenues decreased by (8.97%) or $(2,093,217) from $23,341,636 to $21,248,419, from the prior year, primarily due to a decrease in water sales – commodity charge of $(1,330,750) due to the California drought crisis that mandates water conservation measures. Non-operating revenues increased $1,273,072 from increases in various non-operating revenue categories.

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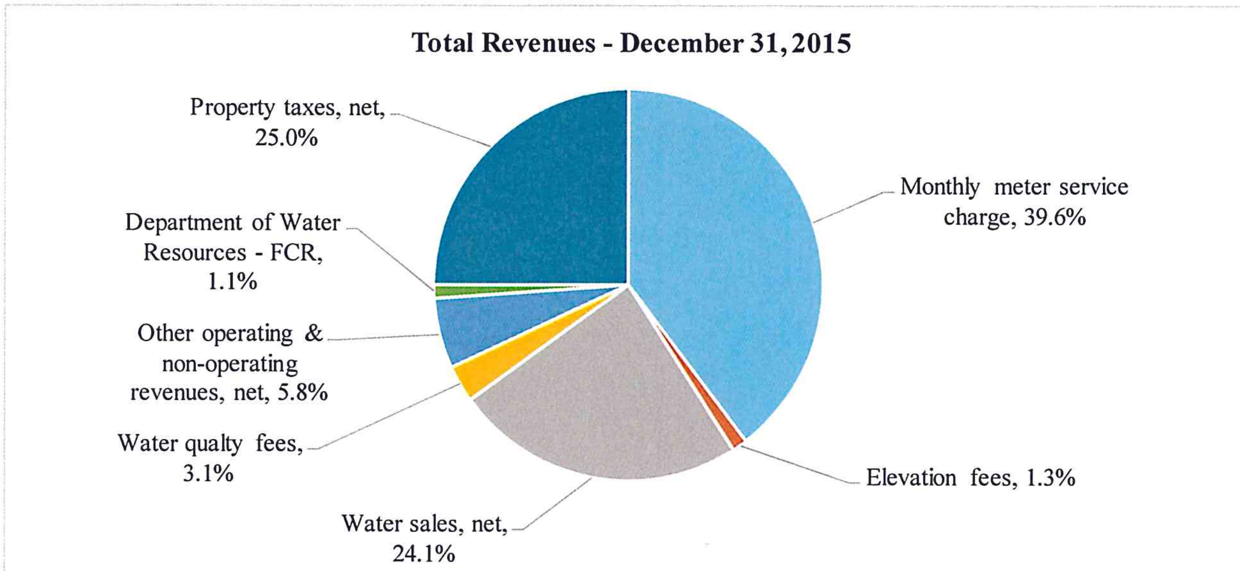
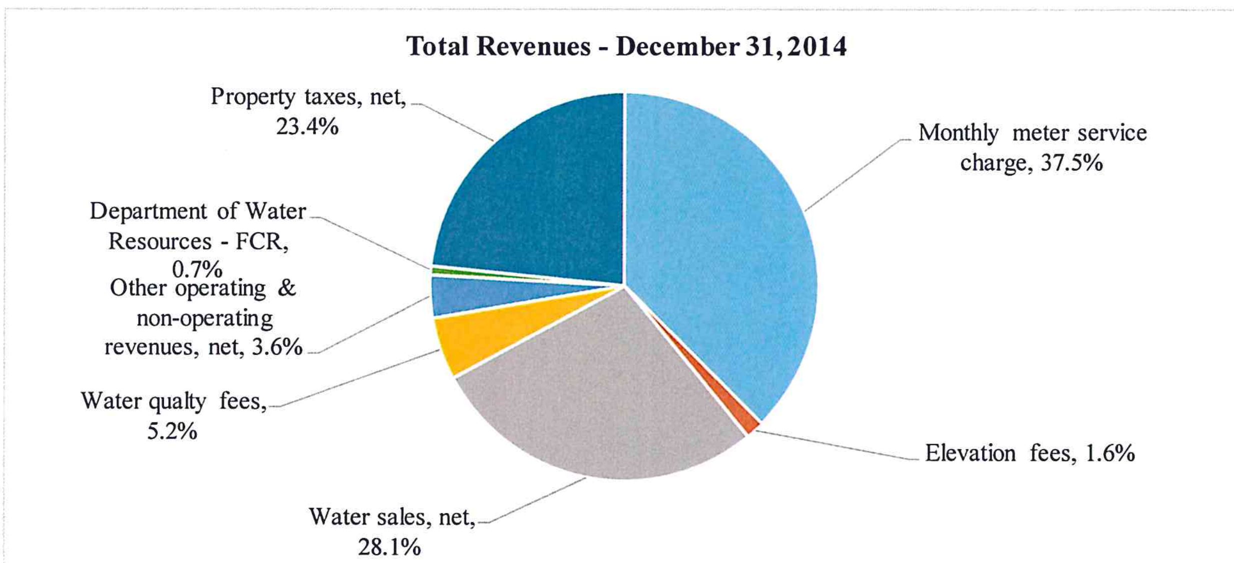
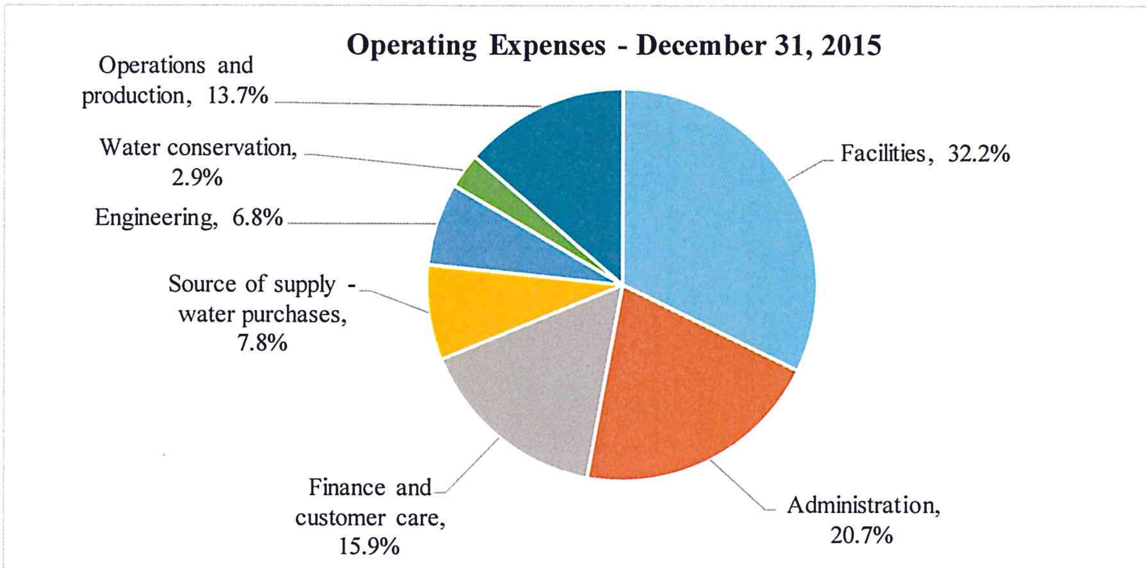


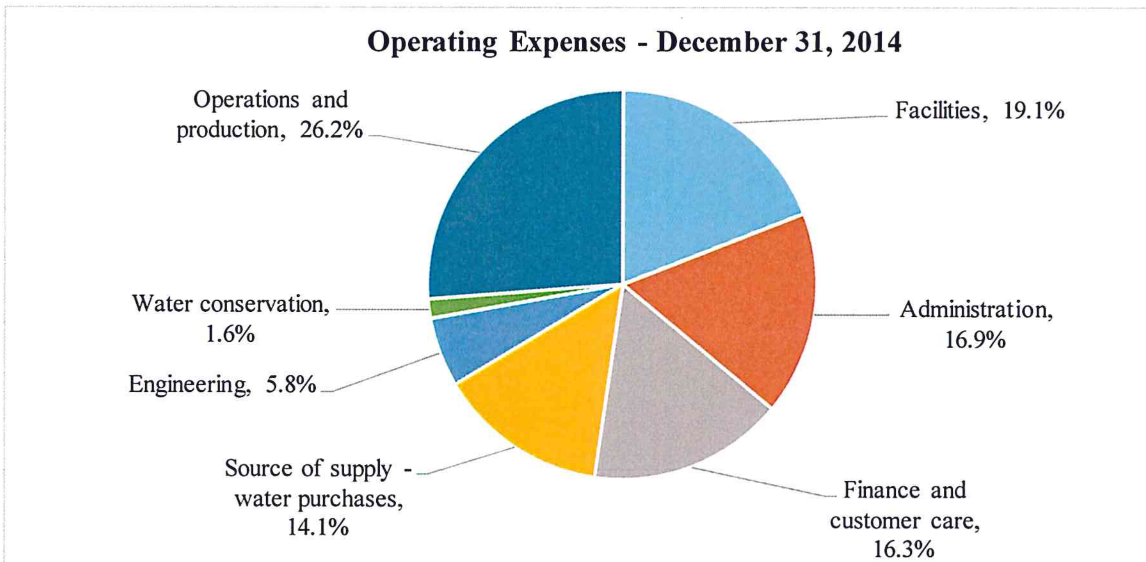


Total Expenses

	December 31, 2015	December 31, 2014	Increase (Decrease)
Operating expenses:			
Source of supply – water purchases	$ 1,643,115	$ 3,164,037	$ (1,520,922)
Operations and production	2,869,424	5,875,735	(3,006,311)
Facilities	6,751,843	4,270,413	2,481,430
Engineering	1,430,032	1,289,492	140,540
Water conservation	604,307	361,146	243,161
Administration	4,335,043	3,794,424	540,619
Finance and customer care	3,340,669	3,650,150	(309,481)
Operating expenses before overhead absorption	20,974,433	22,405,397	(1,430,964)
Overhead absorption	(26,134)	(508,818)	482,684
Operating expenses before depreciation	20,948,299	21,896,579	(948,280)
Depreciation	7,957,867	7,166,973	790,894
Total operating expenses	28,906,166	29,063,552	(157,386)
Non-operating expenses:			
State Water Project amortization expense	2,074,524	1,934,685	139,839
Interest expense – long-term debt	2,234,905	2,281,792	(46,887)
Total non-operating	4,309,429	4,216,477	92,952
Total expenses	$ 33,215,595	$ 33,280,029	$ (64,434)

In 2015, operating expenses before depreciation expense decreased by (6.39%) or $1,430,964 from $22,405,397 to $20,974,433, from the prior year, primarily due to a decrease in source of supply – water purchases or $(1,520,922) as a result of the decrease in water sales. Non-operating expenses increased $92,952 due to an increase in State Water Project amortization expense of $139,839.


Operating Expenses - December 31, 2015
Operations and production, 13.7%
Water conservation, 2.9%
Engineering, 6.8%
Source of supply - water purchases, 7.8%
Finance and customer care, 15.9%
Administration, 20.7%
Facilities, 32.2%


Operating Expenses - December 31, 2014
Operations and production, 26.2%
Water conservation, 1.6%
Engineering, 5.8%
Source of supply - water purchases, 14.1%
Finance and customer care, 16.3%
Administration, 16.9%
Facilities, 19.1%

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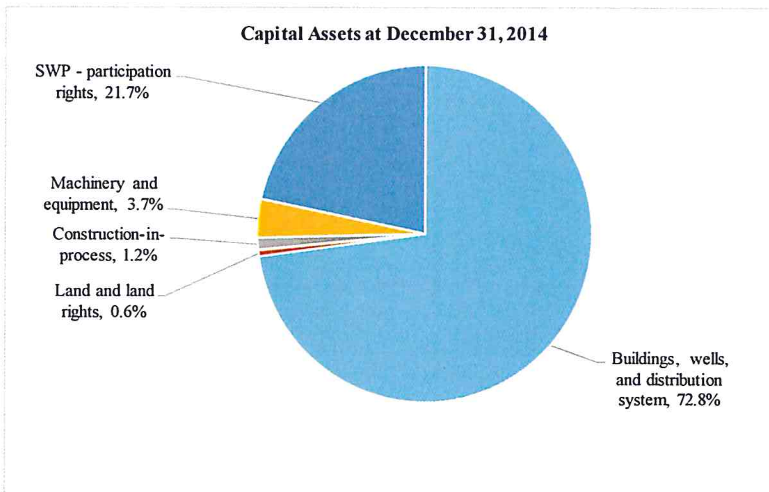
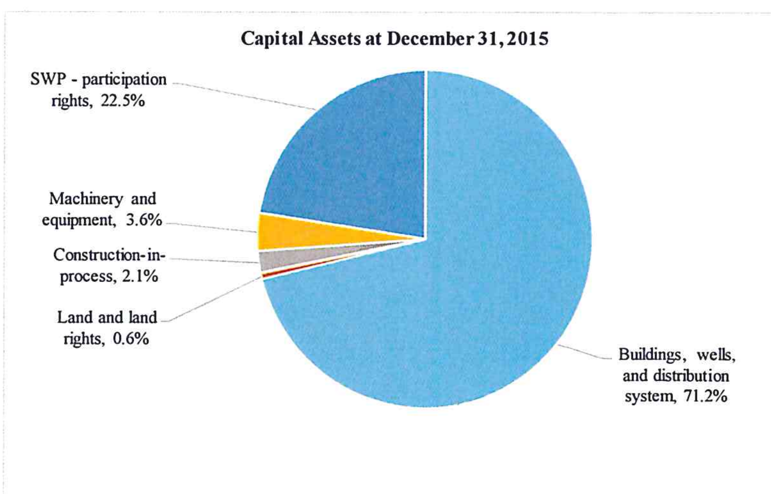
Capital Asset Administration

The District's capital assets are summarized below:

Capital assets:	Balance December 31, 2014	Balance December 31, 2015
Non-depreciable assets	$ 5,114,835	$ 7,961,504
Depreciable assets	281,811,326	288,486,356
Accumulated depreciation	(133,145,896)	(141,501,296)
Total capital assets, net	$ 153,780,265	$ 154,946,564

At the end of fiscal year 2014 and 2015, the District's investment in capital assets amounted to $153,780,266 and $154,946,564 (net of accumulated depreciation), respectively. Major capital asset additions during the year amounted to $11,198,689 for various projects and equipment. See Note 5 for further information.





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Debt Administration

The long-term debt position of the District is summarized below:

Long-term debt:	Balance December 31, 2014	Balance December 31, 2015
Capital lease payable – 2013	$ 408,930	$ 231,745
Certificates-of-participation, net – 2012	13,644,909	12,494,360
Revenue bonds payable – 2013	43,155,000	42,685,000
Total	$ 57,208,839	$ 55,411,105

Structured long-term debt items decreased by $(1,797,734) for the fiscal year ended December 31, 2015, due to regular principal payments on the District's structured long-term debt items. See Note 7 for further information.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Economic Conditions

- The District will continue to be required to enforce mandatory drought restrictions of 28% until October 2016 or until conditions change within the state.
- The District's board of directors placed a Stage 1 drought surcharge in effect to offset lost revenue related to drought restrictions.
- Billed water consumption for the year ended December 31, 2015 was at 14,781 acre feet compared to 18,048 for the year ended December 31, 2014.
- The District continued to see an uptick in new customer sign-ups for vacant properties brought about by the 2008 recession.
- Property development in the community served by the District is showing signs of recovery.
- The District's assessed valuation has increased to $1.66 billion for FY 2015/2016 from $1.57 billion from FY 2014/2015.
- The District received $2.14 million in ad valorum property tax revenue for 2015.

Requests for Information

This financial report is designed to provide the District's ratepayers and creditors with a general overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Palmdale Water District, Finance Department, at 2029 East Avenue Q, Palmdale, CA 93550 or (661) 947-4111.

BASIC FINANCIAL STATEMENTS

Palmdale Water District
Balance Sheet
December 31, 2015

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ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets:	
Cash and cash equivalents (note 2)	$ 7,835,005
Investments (note 2)	4,408,985
Accrued interest receivable	9,616
Accounts receivable – water sales and services, net (note 3)	1,409,262
Accounts receivable – property taxes and assessments	4,858,341
Accounts receivable – other	462,493
Materials and supplies inventory	822,866
Prepaid items	611,257
Total current assets	20,417,825
Non-current assets:	
Restricted – cash and cash equivalents (note 2)	1,191,266
Investment in Palmdale Recycled Water Authority (note 4)	213,130
Capital assets – not being depreciated (note 5)	7,961,504
Capital assets – being depreciated, net (note 5)	146,985,060
Total non-current assets	156,350,960
Total assets	176,768,785
Deferred outflows of resources:	
Deferred loss on debt defeasance, net (note 7)	2,635,209
Employer contributions to pension plan made after the measurement date (note 10)	686,081
Changes in employer contributions and differences between proportionate share of pension expense (note 10)	13,631
Recognized portion of adjustment due to differences in proportions (note 10)	5,089
Total deferred outflows of resources	3,340,010
Total assets and deferred outflows of resources	$ 180,108,795

Palmdale Water District
Balance Sheet (Continued)
December 31, 2015

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LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:	
Accounts payable and accrued expenses	$ 535,180
Customer deposits for water service	3,040,524
Construction and developer deposits	1,553,617
Unearned propety taxes and assessments	3,550,000
Accrued interest payable	542,424
Long-term liabilities – due within one year:	
Compensated absences (note 6)	318,368
Capital lease payable (note 7)	184,459
Certificates-of-participation (note 7)	1,082,553
Revenue bonds payable (note 7)	475,000
Pension related debt – CalPERS side-fund (note 8)	84,359
Total current liabilities	11,366,484
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (note 6)	106,123
Capital lease payable (note 7)	47,286
Certificates-of-participation, net (note 7)	11,411,807
Revenue bonds payable (note 7)	42,210,000
Pension related debt – CalPERS side-fund (note 8)	860,858
Net other post-employment benefits obligation (note 9)	11,235,300
Aggregate net pension liability (note 10)	6,347,708
Total non-current liabilities	72,219,082
Total liabilities	83,585,566
Deferred inflows of resources:	
Recognized net differences between projected and actual earnings on pension plan investments (note 10)	1,736,216
Changes in employer contributions and differences between proportionate share of pension expense (note 10)	66,272
Recognized portion of adjustment due to differences in proportions (note 10)	82,137
Total deferred inflows of resources	1,884,625
Net position:	
Net investment in capital assets (note 11)	103,361,934
Restricted – Palmdale Recycled Water Authority	213,130
Unrestricted (Deficit) (note 12)	(8,936,460)
Total net position	94,638,604
Total liabilities, deferred inflows of resources and net position	$ 180,108,795

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Palmdale Water District

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2015

Operating revenues:	
Water sales – commodity charge	$ 6,952,694
Water sales – wholesale	142,749
Monthly meter service charge	11,658,904
Water quality fees	898,134
Elevation fees	369,899
Other charges for services	1,226,039
Total operating revenues	21,248,419
Operating expenses:	
Source of supply – water purchases	1,643,115
Operations and production	2,869,424
Facilities	6,751,843
Engineering	1,430,032
Water conservation	604,307
Administration	4,335,043
Finance and customer care	3,340,669
Total operating expenses	20,974,433
Operating income(loss) before overhead absorption	273,986
Overhead absorption	26,134
Operating income(loss) before depreciation expense	300,120
Depreciation expense	(7,957,867)
Operating income(loss)	(7,657,747)
Non-operating revenues(expenses):	
Property taxes – ad valorum	1,634,459
Property tax assessment for State Water Project	5,207,003
Successor agency component of property taxes	511,352
Investment earnings	42,705
Change in investment – Palmdale Recycled Water Authority (note 4)	147,710
Legal and insurance refunds/settlements	198,613
Department of Water Resources – fixed charge recovery	332,957
Other non-operating revenues	88,285
State Water Project amortization expense	(2,074,524)
Interest expense – long-term debt	(2,234,905)
Total non-operating revenue(expense), net	3,853,655
Net income(loss) before capital contributions	(3,804,092)
Capital contributions:	
Capital improvement fees	367,481
Total capital contributions	367,481
Change in net position	(3,436,611)
Net position:	
Beginning of year, as previously reported	105,637,337
Prior period adjustment (note 13)	(7,562,122)
End of year	$ 94,638,604

Palmdale Water District

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Statement of Cash Flows

For the Year Ended December 31, 2015

Cash flows from operating activities:	
Cash receipts from water sales and services	$ 20,980,644
Cash receipts from others	619,855
Cash paid to employees for salaries and wages	(7,206,856)
Cash paid to vendors and suppliers for materials and services	(11,160,148)
Net cash provided by operating activities	3,233,495
Cash flows from non-capital financing activities:	
Proceeds from property taxes	7,144,574
Net cash provided by non-capital financing activities	7,144,574
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(11,198,690)
Proceeds from capital improvement fees	367,481
Principal paid on long-term debt	(1,695,606)
Interest paid on long-term debt	(1,852,406)
Net cash (used in) capital and related financing activities	(14,379,221)
Cash flows from investing activities:	
Purchase of investments, net	(647,071)
Investment earnings	43,573
Net cash provided by investing activities	(603,498)
Net increase(decrease) in cash and cash equivalents	(4,604,650)
Cash and cash equivalents:	
Beginning of year	13,630,921
End of year	$ 9,026,271
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents	$ 7,835,005
Restricted assets – cash and cash equivalents	1,191,266
Total cash and cash equivalents	$ 9,026,271

Palmdale Water District
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2015

Reconciliation of operating income(loss) to net cash provided by operating activities:	
Operating income(loss)	$ (7,657,747)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:	
Depreciation	7,957,867
Legal and insurance refunds/settlements	198,613
Department of Water Resources – fixed charge recovery	332,957
Other non-operating revenues	88,285
Change in assets – (increase)decrease:	
Accounts receivable – water sales and services, net	166,749
Accounts receivable – other	(461,987)
Materials and supplies inventory	749,832
Prepaid items	143,683
Change in deferred outflows of resources – (increase)decrease	
Employer contributions to pension plan made after the measurement date	(2,560)
Changes in employer contributions and differences between proportionate share of pension expense	4,868
Recognized portion of adjustment due to differences in	(5,089)
Change in liabilities – increase(decrease):	
Accounts payable and accrued expenses	(240,222)
Customer deposits for water service	177,457
Construction and developer deposits	(149,994)
Compensated absences	60,154
Net other post-employment benefits obligation	1,902,438
Aggregate net pension liability	(1,826,494)
Change in deferred inflows of resources – increase(decrease)	
Recognized net differences between projected and actual earnings on pension plan investments	1,736,216
Changes in employer contributions and differences between proportionate share of pension expense	(23,668)
Recognized portion of adjustment due to differences in	82,137
Total adjustments	10,891,242
Net cash provided by operating activities	$ 3,233,495
Non-cash investing, capital and financing transactions:	
Change in fair-value of investments	$ (3,081)
Amortization of deferred loss on refunding of revenue bonds	$ (156,692)

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity* (GASB Statement No. 61) The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

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

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (GASB) commonly referred to as accounting principles generally accepted in the United States of America (U.S. GAAP). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its 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 Financial Statements are reported using the *"economic resources"* measurement focus and 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. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* the Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

> ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as expense until that time.
>
> ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Accounting Changes

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27).* This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 13 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation.* This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended December 31, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This statement establishes standards relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 13 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. This statement becomes effective for periods beginning after June 15, 2015. The District has adopted an earlier application.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Restricted Assets

Restricted assets are cash and cash equivalents and investments whose use is limited by legal and debt covenant requirements such as debt payment, reserve balance maintenance and developer impact fees.

Receivables and Allowance for Uncollectible Accounts

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

Property Taxes

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

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

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

Materials and Supplies Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at $5,000, all of which must have an estimated useful life in excess of three years. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings, wells and distribution system	50 years
General plant	40 years
Machinery and equipment	3 to 20 years

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed.

State Water Project – Participation Rights

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

Customer Deposits for Water Service

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

Compensated Absences

The District's personnel policies provide for accumulation of vacation leave and compensatory time off. Liabilities for vacation leave and compensatory time off are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination. Although accrued and unused sick leave may be carried over to, and used during, subsequent years, as discussed above, sick pay does not vest which means no payment shall be made for unused sick leave on termination of employment.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 11). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS	
Valuation Date	December 31, 2013
Measurement Date	December 31, 2014
Measurement Period	July 1, 2013 to December 31, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

Net position represents the difference between all other elements in the balance sheet and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Water Sales

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

Capital Improvement Fees

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

Use of Estimates

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

Note 2 – Cash and Investments

Cash and cash equivalents as of December 31, 2015 are classified in the accompanying financial statements as follows:

Description		Balance
Cash and cash equivalents	$	7,835,005
Investments		4,408,985
Restricted – cash and cash equivalents		1,191,266
Total	$	13,435,256

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

Description		Balance
Cash on hand		5,700
Deposits held with financial institutions		780,564
Deposits held in money market funds		8,240,007
Investments		4,408,985
Total	$	13,435,256

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	5-years	None	None
District issued bonds	5-years	None	None
Government sponsored agency securities	5-years	None	None
Negotiable certificates of deposit	5-years	30%	None
Money market mutual funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Investment contracts	None	None	None
Money market mutual funds	N/A	None	None

Note 2 – Cash and Investments (Continued)

Type of Investments	Credit Rating	Fair Value	Maturity: 12 Months or Less	13 to 24 Months	25 to 60 Months
Government Sponsored Agency Securities:					
Federal Farm Credit Banks	AA+	$ 999,840	$ 999,840	$ -	$ -
Local Agency Investment Fund (LAIF)	Exempt	11,766	11,766	-	-
Negotiable Certificates-of-Deposit	Not Rated	3,397,379	1,719,938	961,425	716,016
Total investments		$ 4,408,985	$ 2,731,544	$ 961,425	$ 716,016

Investment in State Investment Pool – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District's investments with LAIF at December 31, 2015, included a portion of the pool funds invested in structured notes and asset-backed securities:

> ***Structured Notes***: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
>
> ***Asset-Backed Securities***: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of December 31, 2015, the District had $11,766 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to $250,000 is federally insured.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 2 – Cash and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

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

Type of Investments	Credit Rating	Fair Value	Percentage of Portfolio
Government Sponsored Agency Securities:			
Federal Farm Credit Banks	AA+	$ 999,840	7.44%

Fair Value Measurement

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be is aggregated by major type.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.
Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2015:

		Fair Value Measurements Using		
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Agency Securities:				
Federal Farm Credit Banks	$ 999,840	$ 999,840	$ -	$ -
Local Agency Investment Fund (LAIF)	11,766	11,766	-	-
Negotiable Certificates-of-Deposit	3,397,379	3,397,379	-	-
Total investments	$ 4,408,985	$ 4,408,985	$ -	$ -

Note 3 – Accounts Receivable – Water Sales and Services, Net

The balance at December 31, consists of the following:

Description	Balance
Accounts receivable – water sales and services	$ 1,605,375
Allowance for doubtful accounts	(196,113)
Accounts receivable – water sales and services, net	$ 1,409,262

Note 4 – Investment in Palmdale Recycled Water Authority

The Palmdale Recycled Water Authority (Authority) was formed under a Joint Exercise of Powers Authority on September 26, 2012, pursuant to Section(s) 6506 and 6507 of the Exercise of Powers Act, codified by California Government Code section(s) 6500, which 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 (District). The Authority is an independent public agency separate from its 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.

The governing body of the Authority is a Board of Directors, which consists of five Directors. The governing body of each Member appoints and designates in writing two Directors who are authorized to act for and on behalf of the Member on matters within the powers of the Authority. The person(s) appointed and designated as Director(s) are member(s) of the Member's governing board. The fifth Director is appointed jointly by both Members.

The Members share in the revenues and expenses of the Authority on a 50/50 pro-rata share basis. Therefore, the District accounts for its investment in the Authority as an equity interest on the statement of net position. The District reports its equity interest as of the date of the most recent audited financial statements of the Authority, which was audited by other auditors, whose report dated April 15, 2016, expressed an unmodified opinion on those financial statements.

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Note 4 – Investment in Palmdale Recycled Water Authority (Continued)

The following is the condensed financial statement of the Authority.

Palmdale Recycled Water Authority
Condensed Statement of Financial Position
December 31, 2015

	Audited Total	City of Palmdale 50% Share	District 50% Share
Assets:			
Total assets	$ 493,335	$ 246,668	$ 246,667
Liabilities:			
Total liabilities	67,075	33,538	33,537
Net position:			
Total net position	426,260	213,130	213,130
Total liabilities and net position	$ 493,335	$ 246,668	$ 246,667

Palmdale Recycled Water Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2015

	Audited Total	City of Palmdale 50% Share	District 50% Share
Operating revenues:			
Total operating revenues	$ 280,131	$ 140,066	$ 140,065
Operating expenses:			
Total operating expenses	108,916	54,458	54,458
Operating income	171,215	85,608	85,607
Non-operating revenues:			
Total non-operating revenue	469	234	235
Change in net position	171,684	85,842	85,842
Net position:			
Beginning of year	254,576	127,288	127,288
End of year	$ 426,260	$ 213,130	$ 213,130

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Note 5 – Capital Assets

Summary changes in capital asset balances for the year ended December 31, 2015 were as follows:

Description	Balance January 1, 2015	Additions	Deletions/ Transfers	Balance December 31, 2015
Non-depreciable assets:				
Land and land rights	$ 1,784,357	$ -	$ -	$ 1,784,357
Construction-in-process	3,330,478	4,838,263	(1,991,594)	6,177,147
Total non-depreciable assets	5,114,835	4,838,263	(1,991,594)	7,961,504
Depreciable assets:				
Buildings, wells and distribution system	208,975,588	1,524,170	467,424	210,967,182
SWP – participation rights	62,259,862	4,575,111	-	66,834,973
Machinery and equipment	10,575,876	261,146	(152,821)	10,684,201
Total depreciable assets	281,811,326	6,360,427	314,603	288,486,356
Accumulated depreciation:				
Buildings, wells and distribution system	(102,046,641)	(7,117,063)	1,524,170	(107,639,534)
SWP – participation rights	(22,080,977)	(2,074,524)	-	(24,155,501)
Machinery and equipment	(9,018,278)	(840,804)	152,821	(9,706,261)
Total accumulated depreciation	(133,145,896)	(10,032,391)	1,676,991	(141,501,296)
Total depreciable assets, net	148,665,430	(3,671,964)	1,991,594	146,985,060
Total capital assets, net	$ 153,780,265	$ 1,166,299	$ -	$ 154,946,564

Construction-in-Process

The balance consists of the following projects:

Project Description	Balance January 1, 2015	Balance December 31, 2015
Sediment removal - Littlerock Dam	$ 1,395,256	$ 1,615,733
Palmdale Regional Groundwater Recharge Project	622,707	1,728,372
10th Street E. waterline replacement	802,533	-
Frontier/31st/32nd waterline replacement	255,459	1,615,167
Tierra Subida Ave. waterline replacement	3,490	314,929
Replacement Salt Silos - various sites	-	136,727
Various other minor projects <$100,000	251,033	766,218
Total construction-in-process	$ 3,330,478	$ 6,177,146

State Water Project – Participation Rights

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

Note 5 – Capital Assets (Continued)

State Water Project – Participation Rights (Continued)

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

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

In addition to system on-aqueduct power facilities, the State has, either on their own or through joint ventures financed certain off-aqueduct power facilities (OAPF). The power generated is utilized by the system for water transportation and distribution purposes. Power generated in excess of system needs is marketed to various utilities and California's power market.

The District is entitled to a proportionate share of the revenues resulting from sales of excess power. The District and the other water providers are responsible for repaying the capital and operating costs of the OAPF regardless of the amount of power generated.

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

The District amortizes a portion of capitalized participation rights each year using a formula that considers the total estimated cost of the project, estimated useful life and estimated production capacity of the assets based upon information provided by the State of California. The participation rights have been included with the District's capital assets as shown in the schedule of changes in capital assets.

Note 6 – Compensated Absences

Summary changes to compensated absences balances for the year ended December 31, 2015, were as follows:

Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015	Due Within One Year	Due in More Than One Year
$ 364,337	$ 509,675	$ (449,521)	$ 424,491	$ 318,368	$ 106,123

Note 7 – Long-Term Debt

The District has incurred long-term debt to finance projects or purchase assets, which have useful lives equal to or greater than the related debt. Changes in long-term debt amounts for the year ended December 31, 2015 were as follows:

Long-Term Debt	Balance January, 2015	Additions/ Adjustments	Payments/ Amortization	Balance December 31, 2015	Current Portion	Non-Current Portion
Capital lease payable – 2013	$ 408,930	$ -	$ (177,185)	$ 231,745	$ 184,459	$ 47,286
Certificates-of-participation – 2012	10,708,715	-	(1,048,421)	9,660,294	1,082,553	8,577,741
Certificates-of-participation – discount	(123,647)	-	4,301	(119,346)	-	(119,346)
Certificates-of-participation – premium	3,059,841	-	(106,429)	2,953,412	-	2,953,412
Certificates-of-participation, net – 2012	13,644,909	-	(1,150,549)	12,494,360	1,082,553	11,411,807
Revenue bonds payable – 2013	43,155,000	-	(470,000)	42,685,000	475,000	42,210,000
Total long-term debt	$ 57,208,839	$ -	$ (1,797,734)	$ 55,411,105	$ 1,742,012	$ 53,669,093

Capital Lease Payable – 2013

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

Annual debt service requirements for the capital lease payable are as follows:

Year	Principal	Interest	Total
2016	$ 184,459	$ 5,957	$ 190,416
2017	47,286	318	47,604
Total	231,745	$ 6,275	$ 238,020
Less: current	(184,459)		
Total non-current	$ 47,286		

Certificates of Participation – 2012

In November 2012, the District issued $12,765,208 of Refunding Certificates of Participation – 2012, with maturities from 2013 through 2023 and an interest rate of 3.10%. The net proceeds of the issuance were used to advance refund (an in-substance defeasance) $12,505,000 of aggregate principal amount of the District's COPs – 1998 with an average interest rate of 4.73%.

The initial escrow deposit was used to purchase government sponsored agency obligation securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the COPs – 1998.

The advance refunding resulted in a different between the reacquisition price and the net carrying value amount of the old debt of $846,845. This difference is being amortized through 2023 (the life of the debt) using the straight-line method as a deferred loss on debt defeasance. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by approximately $1.293 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $1.154 million.

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Note 7 – Long-Term Debt (Continued)

Certificates of Participation – 2012 (Continued)

Annual debt service requirements for the refunding certificates of participation are as follows:

Year	Principal	Interest	Total
2016	$ 1,082,553	$ 291,144	$ 1,373,697
2017	1,115,453	257,332	1,372,785
2018	1,147,084	222,509	1,369,593
2019	1,186,595	186,646	1,373,241
2020	1,224,583	149,569	1,374,152
2021-2023	3,904,026	214,556	4,118,582
Total	9,660,294	$ 1,321,756	$ 10,982,050
Less: current	(1,082,553)		
Total non-current	$ 8,577,741		

Revenue Bonds Payable

Certificates of Participation – 2004

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

In 2013, the District advanced refunded the remaining $35,560,000 of the COPs – 2004 into the revenue bonds payable issuance.

Revenue Bonds Payable – 2013

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

The advance refunding resulted in a different between the reacquisition price and the net carrying value amount of the old debt of $2,278,663. This difference is being amortized through 2043 (the life of the debt) using the straight-line method as a deferred loss on debt defeasance.

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Note 7 – Long-Term Debt (Continued)

Revenue Bonds Payable – 2013 (Continued)

Annual debt service requirements for the revenue bonds payable are as follows:

Year	Principal	Interest	Total
2016	$ 475,000	$ 1,870,225	$ 2,345,225
2017	495,000	1,855,975	2,350,975
2018	510,000	1,841,125	2,351,125
2019	520,000	1,825,825	2,345,825
2020	535,000	1,810,225	2,345,225
2021-2025	6,135,000	8,611,575	14,746,575
2026-2030	12,795,000	6,472,225	19,267,225
2031-2035	13,240,000	3,351,250	16,591,250
2036-2040	4,690,000	1,235,800	5,925,800
2041-2043	3,290,000	266,600	3,556,600
Total	42,685,000	$ 29,140,825	$ 74,175,450
Less: current	(475,000)		
Total non-current	$ 42,210,000		

Deferred Loss on Debt Defeasance, Net

Changes in deferred loss on long-term debt defeasance, net was as follows:

Balance January 1, 2015	Additions	Amortization	Balance December 31, 2015
$ 2,791,901	$ -	$ (156,692)	$ 2,635,209

Note 8 – Pension-Related Debt – CalPERS Side-Fund

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

A portion of the District's annual required contributions to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make annual payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District's CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the Side Fund falls under the definition of pension-related debt and recorded as liability on the District's financial statements.

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Note 8 – Pension-Related Debt – CalPERS Side-Fund (Continued)

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

Year	Principal	Interest	Total
January 1, 2016 to December 31, 2016	$ 84,359	$ 34,213	$ 118,572
January 1, 2017 to June 30, 2017	44,811	62,330	107,141
July 1, 2017 to June 30, 2018	101,068	55,441	156,509
July 1, 2018 to June 30, 2019	113,517	47,688	161,205
July 1, 2019 to June 30, 2020	127,045	38,966	166,011
July 1, 2020 to June 30, 2021	141,737	29,284	171,021
July 1, 2021 to June 30, 2022	157,688	18,465	176,153
July 1, 2022 to June 30, 2023	174,992	6,562	181,554
Total	945,217	292,949	1,238,166
Less: current	(84,359)		
Total non-current	$ 860,858		

Note 9 – Net Other Post-Employment Benefits Obligation

Plan Description – Eligibility

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

Plan Description – Benefits

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

Funding Policy

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

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

Note 9 – Net Other Post-Employment Benefits Obligation

Annual Cost

Description	Balance
Annual OPEB cost:	
Annual required contribution (ARC)	$ 2,350,322
Interest on net OPEB obligation	186,657
Adjustment to annual required contribution	(315,847)
Total annual OPEB cost	2,221,132
Contributions made:	
Retiree benefits paid by District	(318,694)
Total contributions made	(318,694)
Total change in net OPEB obligation	1,902,438
Net OPEB obligation:	
Beginning of year	9,332,862
End of year	$ 11,235,300

For the year ended December 31, 2015, the District's ARC cost was $2,221,132. The District's net OPEB payable obligation amounted to $11,235,300 for the year ended December 31, 2015. The District contributed $318,694 in contributions for current retiree OPEB premiums for the year ended December 31, 2015.

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the three preceding years were as follows:

Three-Year History of Net OPEB Obligation(Asset)

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable(Asset)
December 31, 2015	$ 2,221,132	$ 318,694	14.35%	$ 11,235,300
December 31, 2014	$ 2,202,960	$ 349,723	15.88%	$ 9,332,862
December 31, 2013	$ 1,892,506	$ 381,323	20.15%	$ 7,479,625

Funded Status and Funding Progress of the Plan

The most recent valuation (dated December 31, 2014) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of $25,778,850. There are no plan assets because the District funds on a pay-as-you-go basis and maintains no reserves equal to the remaining net post-employment benefits payable obligation. The covered payroll (annual payroll of active employees covered by the plan) for the year ended December 31, 2014 was $7,010,439. The ratio of the unfunded actuarial accrued liability to annual covered payroll was 367.72% as of December 31, 2014.

Note 9 – Net Other Post-Employment Benefits Obligation (Continued)

Actuarial Methods and Assumptions

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

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

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

Valuation date	December 31, 2014
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	26 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	2.00% – Current LAIF rating (rounded)
Projected salary increase	1.90%
Inflation - discount rate	2.00%
Health care trend rate	3.00%

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Note 10 – Pension Plans

Type of Account	Balance as of January 1, 2015 (As Restated)	Additions	Deletions	Balance as of December 31, 2015
Deferred Outflows of Resources:				
Employer contributions to pension plan made after the measurement date:				
CalPERs – Miscellaneous Classic Plan	$ 683,498	$ 643,620	$ (683,498)	$ 643,620
CalPERs – Miscellaneous PEPRA Plan	23	42,461	(23)	42,461
Sub-total	683,521	686,081	(683,521)	686,081
Changes in employer contributions and differences between proportionate share of pension expense:				
CalPERs – Miscellaneous PEPRA Plan	18,499	-	(4,868)	13,631
Recognized portion of adjustment due to differences in proportions:				
CalPERs – Miscellaneous PEPRA Plan	-	6,907	(1,818)	5,089
Total deferred outflows of resources	$ 702,020	$ 692,988	$ (690,207)	$ 704,801
Aggregate Net Pension Liability:				
CalPERs – Miscellaneous Classic Plan	$ 8,173,962	$ -	$ (1,826,429)	$ 6,347,533
CalPERs – Miscellaneous PEPRA Plan	240	-	(65)	175
Total aggregate net pension liability	$ 8,174,202	$ -	$ (1,826,494)	$ 6,347,708
Deferred Inflows of Resources:				
Recognized net differences between projected and actual earnings on pension plan investments:				
CalPERs – Miscellaneous Classic Plan	$ -	$ 2,170,197	$ (434,039)	$ 1,736,158
CalPERs – Miscellaneous PEPRA Plan	-	73	(15)	58
Sub-total	-	2,170,270	(434,054)	1,736,216
Changes in employer contributions and differences between proportionate share of pension expense:				
CalPERs – Miscellaneous Classic Plan	89,940	-	(23,668)	66,272
Recognized portion of adjustment due to differences in proportions:				
CalPERs – Miscellaneous Classic Plan	-	111,471	(29,334)	82,137
Total deferred inflows of resources	$ 89,940	$ 2,281,741	$ (487,056)	$ 1,884,625

Note 10 – Pension Plans (Continued)

General Information about the Pension Plans

The Plans

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required member contribution rates	8.000%	6.500%
Required employer contribution rates	10.781%	6.500%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2013, the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	Classic Tier 1	PEPRA Tier 2	Total
Active members	74	8	82
Transferred and terminated members	45	1	46
Retired members and beneficiaries	43	-	43
Total plan members	162	9	171

Note 10 – Pension Plans (Continued)

General Information about the Pension Plans (Continued)

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 months for Classic and 36 months for PEPRA of full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous members are calculated as 2.0% to 2.7% of the average final 12 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as 1% to 2.5% of the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if becoming disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2014 (the measurement date), the active member contribution rate for the Miscellaneous Plan and PEPRA Miscellaneous Plan is 8.00% and 6.500% of annual pay, respectively, and the average employer's contribution rate is 10.781% and 6.500% of annual payroll, respectively.

Note 10 – Pension Plans (Continued)

General Information about the Pension Plans (Continued)

<u>*Contributions*</u> *(Continued)*

Contribution Type	Miscellaneous Plans: Classic Tier 1	Miscellaneous Plans: PEPRA Tier 2	Total
Contributions – employer	$ 683,498	$ 23	$ 683,521
Contributions – members	390,034	18,495	408,529
Total contributions	$ 1,073,532	$ 18,518	$ 1,092,050

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

<u>*Actuarial Methods and Assumptions Used to Determine the Total Pension Liability*</u>

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

<u>*Discount Rate*</u>

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. CalPERS' Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

Note 10 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major *asset class.*

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

[1] An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

[2] An expected inflation rate-of-return of 3.0% is used for years 11+.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.50%	Current Discount Rate 7.50%	Discount Rate + 1% 8.50%
CalPERs – Miscellaneous Classic Plan	$ 10,542,767	$ 6,347,533	$ 2,865,887
CalPERs – Miscellaneous PEPRA Plan	$ 312	$ 175	$ 61
Total – All Plans	$ 10,543,079	$ 6,347,708	$ 2,865,948

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Note 10 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERs – Miscellaneous Classic Plan:			
Balance as of June 30, 2013 (Valuation Date)	$ 29,847,114	$ 21,673,152	$ 8,173,962
Balance as of June 30, 2014 (Measurement Date)	$ 31,623,305	$ 25,275,772	$ 6,347,533
Change in Plan Net Pension Liability	$ 1,776,191	$ 3,602,620	$ (1,826,429)
CalPERs – Miscellaneous PEPRA Plan:			
Balance as of June 30, 2013 (Valuation Date)	$ 975	$ 735	$ 240
Balance as of June 30, 2014 (Measurement Date)	$ 1,033	$ 858	$ 175
Change in Plan Net Pension Liability	$ 58	$ 123	$ (65)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

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Note 10 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability was as follows:

	Miscellaneous Plans	
Calculation Dates	Classic Tier 1 Percentage	PEPRA Tier 2 Percentage
Balance as of June 30, 2013 (Valuation Date)	0.24946%	0.00001%
Balance as of June 30, 2014 (Measurement Date)	0.25683%	0.00001%
Change in Plan Net Pension Liability Percentage	0.00737%	0.00000%

For the year ended December 31, 2015, the District recognized pension expense in the amounts of $651,696 and $(203) for Classic and PEPRA plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

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Note 10 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions to pension plan made after the measurement date	$ 686,081	$ -
Changes in employer contributions and differences between proportionate share of pension expense	13,631	-
Recognized portion of adjustment due to differences in proportions	5,089	-
Recognized net differences between projected and actual earnings on pension plan investments	-	(1,736,216)
Changes in employer contributions and differences between proportionate share of pension expense	-	(66,272)
Recognized portion of adjustment due to differences in proportions	-	(82,137)
Total Deferred Outflows/(Inflows) of Resources	$ 704,801	$ (1,884,625)
Less:		
Deferred Outflows/(Inflows) of Resources that will be recognized in the following fiscal year:		
Employer contributions to pension plan made after the measurement date	$ (686,081)	$ -
Total Deferred Outflows/(Inflows) of Resources amounts to be amortized in future periods	$ 18,720	$ (1,884,625)

The District will recognize $686,081 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended December 31, 2016, as noted above.

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Note 10 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Year Ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	$ 6,686	$ (487,056)
2017	6,686	(487,056)
2018	5,348	(476,459)
2019	-	(434,054)
2020	-	-
Thereafter	-	-
Total	$ 18,720	$ (1,884,625)

Note 11 – Net Investment in Capital Assets

Net investment in capital assets consisted of the following as of December 31, 2015:

Description	Balance
Net investment in capital assets:	
Restricted – cash and cash equivalents – revenue bond proceeds for consstruction	$ 1,191,266
Capital assets – not being depreciated	7,961,504
Capital assets, net – being depreciated	146,985,060
Deferred loss on debt defeasance, net	2,635,209
Capital lease payable – current	(184,459)
Certificates-of-participation – current	(1,082,553)
Revenue bonds payable – current	(475,000)
Capital lease payable	(47,286)
Certificates-of-participation, net	(11,411,807)
Revenue bonds payable	(42,210,000)
Total net investment in capital assets	$ 103,361,934

Note 12 – Unrestricted (Deficit) Net Position

As of December 31, 2015, the District has an unrestricted net position deficit of $(8,936,460). Due to the nature of the deficit from the implementation of GASB No. 68/71, the District will continue to make its annual required contributions to CalPERS and annually review its outstanding net pension obligation funding requirements for future periods to reduce the deficit position.

Note 13 – Prior Period Adjustment

Description	Balance
Net position as of January 1, 2015 – as previously reported	$ 105,637,337
Net pension liability – GASB No. 68/71 implementation	(8,174,202)
Employer contributions to pension plan made after the measurement date	683,521
Changes in employer contributions and differences between proportionate share of pension expense	(71,441)
Total prior period adjustments	(7,562,122)
Net position as of December 31, 2015 – as restated	$ 98,075,215

With the implementation of GASB Statements No. 68 and 71 in fiscal year 2015, the District was required to record a prior period adjustment of $(7,562,122) to establish the net pension liability as of December 31, 2014 of $(8,174,202) net of the employer contributions to pension plan made after the measurement date of $683,521 and the changes in employer contributions and differences between proportionate share of pension expense of $(71,441) as prescribed by GASB Statements No. 68 and 71 accounting standards. (See Note 10 for further information on the net pension liability.)

Note 14 – Deferred Compensation Savings Plan

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

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

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

Note 15 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase the appropriate amount of insurance coverage. At December 31, 2015, the District participated in the self-insured Liability, Property and Worker's Compensation insurance programs provided by ACWA/Joint Powers Insurance Authority through AON Risk Insurance Services West, Inc. as follows:

General and Auto Liability

Each member limits of $60 million per occurrence for auto and general liability coverage. The program protects the member agencies against third-party claims for bodily injury and property damage. The following coverages are also included:

- Personal Injury
- Errors and Omissions
- Products Hazard
- Inverse Condemnation
- Employment Practices
- Broadened Pollution
- Failure to Supply Water
- Care, Custody & Control

Property

Each member Special Form Property Coverage including coverage for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles. Member agencies have various deductible selections. Boiler and Machinery Coverage is also included.
The following is an overview of the program:

- Real Property, Fixed Equipment, Personal Property at replacement cost
- Crime Coverage-up to $100,000 Public Employee Dishonesty and Computer Fraud
- Terrorism Coverage-up to $100 million per occurrence for property damage caused by act declared to involve Terrorism
- $10 million Accounts Receivables for the amount of accounts uncollectible due to a covered loss
- $100,000 Catastrophic coverage for vehicles

Worker's Compensation

Each member is covered for bodily injury by accident, $2 million each accident, or bodily injury by disease, $2 million each employee, including death, of employee arising out of and in the course of employment.

In addition, the District in August 2014 continued a separate policy with underwriters at Landmark American Insurance Company for commercial earthquake/business income interruption insurance. This insurance was purchased to safeguard the District in case of a major earthquake until disaster relief funds are made available by state and federal agencies. This policy has provisions as follows:

- The loss limit is $9,284,980 per occurrence and in the annual aggregate.
- Deductible is 5% of values per unit of insurance subject to $25,000 minimum per occurrence.
- Coverage for 2029 East Avenue Q location is $2.891 million building limit and $393,120 contents, including $6 million business income.

Note 15 – Risk Management (Continued)

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending December 31, 2014, 2013 and 2012. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of December 31, 2014, 2013 and 2012.

Note 16 – Commitments and Contingencies

State Water Contract

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

Fiscal Year	Amount
2016	$ 6,710,470
2017	7,102,127
2018	7,626,858
2019	7,171,068
2020	5,890,980

As of December 31, 2015, the District has expended approximately $95,043,772 since the District started participating in the State Water Contract.

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

Type of Long-Term Obligation	Amount
State Water Project Contract:	
Transportation facilities	$ 86,185,985
Delta water charges	32,043,060
Off-aqueduct power facilities	4,209,216
Revenue bond surcharge	584,291
Total	$ 123,022,552

Note 17 – Commitments and Contingencies (Continued)

Bay/Delta Regulatory and Planning Activities

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

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to approximately $1,909,151 to complete the open construction contracts as of December 31, 2015. These include the following:

Project Description	Cost of Project to Date	Estimated Costs to Complete	Total Expected Project Cost
Sediment removal - Littlerock Dam	$ 1,615,733	$ 130,000	$ 1,745,733
Palmdale Regional Groundwater Recharge Project	1,728,372	492,599	2,220,971
Frontier/31st/32nd waterline replacement	1,615,167	129,932	1,745,099
Upper Amargosa Recharge Project	93,380	1,156,620	1,250,000
Construction-in-process	$ 5,052,652	$ 1,909,151	$ 6,961,803

Other Litigation

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Palmdale Water District

DRAFT 4-20-2016

Required Supplementary Information (Unaudited)

Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios

For the Year Ended December 31, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Plan

	June 30, 2014[1]
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.10201%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 6,347,533
Plan's Covered-Employee Payroll	$ 5,820,742
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	109.05%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.93%

[1] **Historical information is required only for measurement periods for which GASB No. 68 is applicable.**

Palmdale Water District

DRAFT 4-20-2016

Required Supplementary Information (Unaudited)
Schedule of Contributions – Pension Plans
December 31, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Plan

	2014-15[1]	2013-14[1]
Actuarially Determined Contribution[2]	$ 643,620	$ 732,714
Contribution in Relation to the Actuarially Determined Contribution[2]	(643,620)	(732,714)
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll[3,4]	$ 5,995,364	$ 5,820,742
Contributions as a Percentage of Covered-Employee Payroll	10.74%	12.59%

California Public Employees' Retirement System (CalPERS) Miscellaneous PEPRA Plan

	2014-15[1]	2013-14[1]
Actuarially Determined Contribution[2]	$ 42,461	$ 18,522
Contribution in Relation to the Actuarially Determined Contribution[2]	(42,461)	(18,522)
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll[3,4]	$ 89,414	$ 86,810
Contributions as a Percentage of Covered-Employee Payroll	47.49%	21.34%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

[4] Payroll from prior year ($5,820,742 for Classic Plan and $86,810 for PEPRA Plan) was assumed to increase by the 3.00 percent payroll growth assumption

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Changes of Assumptions: There were no changes in assumptions.

Palmdale Water District

DRAFT 4-20-2016

Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefit Plan
For the Year Ended December 31, 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Dec 31, 2014	$ -	$ 25,778,850	$ 25,778,850	0.00%	$ 7,010,439	367.72%
Dec 31, 2010	$ -	$ 16,234,820	$ 16,234,820	0.00%	$ 6,547,188	247.97%
Dec 31, 2008	$ -	$ 4,497,022	$ 4,497,022	0.00%	$ 6,311,893	71.25%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2017, based on the year ending December 31,

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SUPPLEMENTARY INFORMATION

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Palmdale Water District

DRAFT 4-20-2016

Schedule of Debt Service Net Revenues Coverage

For the Year Ended December 31, 2015

Total revenues:	
Operating revenues	$ 21,248,419
Non-operating revenues	8,163,084
Capital contributions – capital improvement fees	367,481
Total revenues	29,778,984
Total expenses:	
Operating expenses before depreciation expense	20,974,433
Non-operating expenses	4,309,429
Less debt service items:	
Interest expense – long-term debt	(2,234,905)
Total non-operating expenses adjusted for debt service items	2,074,524
Total expenses	23,048,957
Net revenues available for debt service	$ 6,730,027
Debt service for the fiscal year	$ 3,912,369
Debt service net revenues coverage ratio	172%

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P A L M D A L E W A T E R D I S T R I C T

B O A R D M E M O R A N D U M

DATE:	April 20, 2016	**April 27, 2016**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Mr. Mike McNutt, PIO/Conservation Director	
VIA:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	***AGENDA ITEM NO. 7.2 – CONSIDERATION AND POSSIBLE ACTION ON OUTREACH ACTIVITIES.***	

A detailed report on Outreach activities, as listed on the agenda, will be provided at the Board meeting.

PALMDALE WATER DISTRICT
BOARD MEMORANDUM

DATE: April 20, 2016 — **April 27, 2016**

TO: BOARD OF DIRECTORS — **Board Meeting**

FROM: Mr. Dennis D. LaMoreaux, General Manager

RE: ***AGENDA ITEM NO. 7.3 – DISCUSSION AND POSSIBLE ACTION ON OPTIONS FOR MAKING THIRD PARTY WATER TRANSFERS EASIER FOR THE STATE WATER CONTRACTORS.***

There is no staff report or back-up materials for this item.

AGENDA ITEM NO. 7.4

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: April 20, 2016 — **April 27, 2016**

TO: BOARD OF DIRECTORS — **Board Meeting**

FROM: Mr. Dennis D. LaMoreaux, General Manager

RE: ***AGENDA ITEM NO. 7.4 – DISCUSSION OF LETTER RECEIVED FROM DIRECTOR ESTES REGARDING THE BOARD'S SEATING ARRANGEMENT.***

The following items are attached:

- March 1, 2016 letter from Dr. Mathis regarding reducing Board tension
- March 6, 2016 letter from Director Estes regarding seating arrangement
- March 8, 2016 letter from General Manager LaMoreaux regarding Director Estes' March 6 letter

Mathis Consulting Group

A Mathis Company

March 1, 2016

TO: **Robert Alvarado, President, PWD**
Dennis LaMoreaux, General Manager, PWD

FROM: **Dr. William Mathis**
Management Consultant

RE: **Reducing Board Tension**

Current tensions within the Board has affected their ability to conduct District business. This has placed extraordinary pressures on individual Board members. All individuals are feeling concerned about these pressures. Therefore, I recommend ideas to separate and control interactions on an interim basis:

A. Board members need to avoid slurs, dismissals and disruptive activities with all members of the public;

B. Change the dais seating arrangement: President in the middle, Joe on end with Marco, and Vince and Kathy on the other side;

C. Add a wide angle live camera behind the dais for safety. Ensure that panic button is live and works for the GM or President;

D. Only the President runs the meetings. The GM and Attorney need to monitor when times are tense;

E. The District will not participate in the approval of any time toward Director Estes' required community service without a court order to that effect.

F. Add an armed security guard with specific instruction as protecting the Public Officials, staff and speakers. General Managers and consultants can outline job duties on meeting times;

G. Outline role of President during highly charged meetings:

- GM and Attorney manage all time lines;
- Attorney call into plan the agreements on Board Norms;
- Board members do not respond to citizens during "public comment"
- President to dismiss/have recess when called for!

Regards,

Dr. Bill

RECEIVED
MAR 07 2016
By

March 6, 2016

To: Eric Dunn, Attorney for Palmdale Water District
Jennifer Emery, HR of Palmdale Water District
✓Dennis LaMoreaux, General Manager of Palmdale Water District
Director Robert Alvarado

I am formally requesting that you simply move my seat or Director, Mac Laren's seat. I ask that Director, Henriquez be a buffer between me and the other board members to truly elevate any more issues. Director Henriquez and I have requested this numerous times and have been rejected. Why it has been met with such fierce opposition is mind boggling and continuously damaging to the district. Director Henriquez is onboard with this request and concurs with me along with Jennifer Emery, our Human Resources Manager and Dr. Mathis, Consultant for Palmdale Water District.

Denial of this request could lead to unwanted chartered territories that the water district should not or want to explore that it has already seen in the press and with social media.

Sincerely,

Joe Estes
Director of Palmdale Water District
Division 2

Since 1918

PALMDALE WATER DISTRICT

2029 East Avenue Q • Palmdale, California 93550 • Telephone (661) 947-4111
Fax (661) 947-8604
www.palmdalewater.org
Facebook: palmdalewaterdistrict
Twitter: @palmdaleH2O

March 8, 2016

Director Joe Estes
Palmdale Water District Division 2

RE: BOARDROOM SEATING LETTER DATED MARCH 6, 2016

Dear Director Estes:

The above-referenced letter was received by Board President Alvarado, HR Director Emery, and myself yesterday, March 7, 2016. I received my copy in our 10:00 a.m. briefing. At that time, I explained the seating had already been changed, and we went into the boardroom to show that to you. It was acceptable to you, and we checked the desk drawers for anything left in them. The seating had been changed on Wednesday, March 2, when I was in communication with Board President Alvarado and consultant Dr. Bill Mathis. The seating arrangement was one of the recommendations of Dr. Mathis and is listed as Item "B" in his letter dated March 1, 2016, copy enclosed.

I am not aware that you made a direct request of Board President Alvarado to change the seating prior to the March 6 letter. As the Board, Dr. Mathis, Attorney Dunn, and I continue to work through the current difficulties between Board members, clear communication will be essential. It is also best done without threats or the involvement of staff such as HR Director Emery.

I look forward to working through this time and focusing on the business of our customers. Please let me know if you have any questions.

Very truly yours,

Dennis D. LaMoreaux

DENNIS D. LaMOREAUX, General Manager
DDL/dd
Enclosures
cc: PWD Directors
Eric Dunn, PWD General Counsel
Dr. Bill Mathis, Mathis Group
Matt Knudson, PWD Assistant General Manager
Jennifer Emery, PWD HR Director

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, NOVEMBER 4, 2015:

A meeting of the Finance Committee of the Palmdale Water District was held Wednesday, November 4, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order at 10:30 a.m.

1) Roll Call.

Attendance:	**Others Present:**
Finance Committee:	Dennis LaMoreaux, General Manager
Gloria Dizmang, Chair	Kathy Mac Laren, PWD Director
Vincent Dino, Committee Member	Matt Knudson, Assistant General Manager
	Mike Williams, Finance Manager
	Mike McNutt, PIO/Conservation Director
	Dennis Hoffmeyer, Accounting Supervisor
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dino, seconded by Chair Dizmang, and unanimously carried to adopt the agenda, as written.

3) Public Comments.

There were no public comments.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Special Meeting Held October 19, 2015.

It was moved by Committee Member Dino, seconded by Chair Dizmang, and unanimously carried to approve the minutes of the Special Finance Committee meeting held October 19, 2015, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of September, 2015. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds and cash flow reports as of September, 2015, including the $2.3 million decrease in cash due to semi-annual bond payments and a reduction in operating cash of $200,000 and reviewed 2016 planned grant funds and potential and committed amounts for 2016 projects.

He then stated that projected year-end cash is $774,602 less than the budgeted amount of $11,500,000 and re-emphasized the importance of maintaining at least $10,000,000 at year-end, which is critical for future years.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for September 30, 2015. (Finance Manager Williams)

Finance Manager Williams reviewed the balance sheet, profit and loss statement, year-to-year comparisons, month-to-month comparisons, consumption comparisons, and revenue and expense analysis reports for the period ending September 30, 2015 and then stated that most departments are operating at or below the targeted expenditure percentage of 65%. He then reviewed line items over-budget and stated that the Drought Surcharge Fee is essential to the District's financial stability to offset the loss in revenue.

4.4) Discussion and Overview of Committed Contracts Issued and Water Revenue Bond Projects. (Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the status of the approved 2015 engineering projects included in the Committed Contracts and Payout Schedule, including those projects contractually committed, budgeted projects but not yet committed with these projects listed in order of priority, and payments for projects funded from the Water Revenue Series 2013A Bonds followed by discussion of some projects being carried over to 2016, funds committed over the Water Revenue Series 2013A Bond amount, and a proposed 2016 meter replacement project followed by discussion of the security improvement project.

4.5) Consideration and Possible Action on 2016 Budget. (Finance Manager Williams)

Finance Manager Williams stated that staff previously presented a 2016 Budget with staff's recommendation of a 5.5% rate adjustment according to the Proposition 218

Rate Study; that the Committee requested calculations for a 3.5% rate adjustment; and then reviewed year-end cash with a 3.5% rate adjustment and the amount of projects that can be completed under this scenario, projected Debt Service Coverage ratios with both a 5.5% and a 3.5% rate adjustment and the assumption of selling 16,500 acre feet of water, and rate comparisons with other agencies, which indicate the District's rates are very reasonable.

Financial Advisor Egan then stated that year-end cash in 2014 was $12,989,000; that projected year-end cash in 2016 is $9,900,000 with a 5.5% rate adjustment; that this is a $3,000,000 significant decrease in cash reserves over two years; and that it is important to increase, rather than decrease, cash reserves.

Assistant General Manager Knudson then stated that he and Engineering/Grant Manager Riley met yesterday with state agencies in charge of grant funding regarding the District's Palmdale Regional Groundwater Recharge and Recovery Project, the next phase of the recycled water pipeline through the Palmdale Recycled Water Authority, and the Littlerock Dam Sediment Removal Project, which are all large dollar projects; that the meetings were promising as far as the District's ability to receive up to 35% grant funding for each of the pipeline projects; that additional funds will need to be borrowed through either public financing, private partnerships, or low-interest loans from the state; and that staff recommends a long-term focus for budgeting rather than year to year followed by discussion of the District's current favorable Fitch Rating, potential unsatisfactory Debt Service Coverage ratios, adhering to the District's Proposition 218 plan under the approved Rate Study to avoid future higher rate adjustments, and the need for a 5.5% rate adjustment to meet long term planning needs and to afford long-term debt needed for critical large projects.

After a further discussion of additional cuts to requested department projects and proposed monthly water bills under a 5.5% rate adjustment, the Committee recommended the 2016 Budget be presented to the Board at the November 9, 2015 Board meeting for consideration.

5) Information Items.

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

Financial Advisor Egan reviewed the current Debt Service Coverage of 1.38, which is at this rate because of Capital Improvement Fees received.

Financial Advisor Egan reviewed the current Debt Service Coverage of 1.38, which is at this rate because of Capital Improvement Fees received.

5.2) Other.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

It was then determined that no Finance Committee meeting will be held in December.

Chair Dizmang then stated that she has enjoyed working with staff on this Committee; that she has learned a lot; and then thanked staff for their effort on this Committee. Staff then thanked Chair Dizmang for her support.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 11:45 a.m.

Chair

AGENDA ITEM NO. 8.2

P A L M D A L E   W A T E R   D I S T R I C T

B O A R D   M E M O R A N D U M

DATE: April 20, 2016 **April 27, 2016**

TO: BOARD OF DIRECTORS **Board Meeting**

FROM: Mr. Dennis D. LaMoreaux, General Manager

RE: ***AGENDA ITEM NO. 8.2 – April, 2016 General Manager Report***

The following is the April report to the Board of activities through March, 2016. It is organized to follow the District's six strategic initiatives adopted for 2016 and is intended to provide a general update on the month's activities. A summary of the initiatives is as follows:

Water Resource Reliability

2015 Urban Water Management Plan, drought response
Palmdale Regional Groundwater Recharge & Recovery Project
Littlerock Reservoir Sediment Removal Project
Recycled water allocation and use

Organizational Excellence

Maintain formal management/supervisor training and development program
Maintain competitive compensation and benefits package
Employee wellness program; Succession planning
Board/staff events to develop innovative ideas and awards

Systems Efficiency

Water system Master Plan update and related EIR
Reinvestment in aging infrastructure
Investment, implementation, and training plan for new technology
Computerized maintenance management software (CMMS)

Financial Health and Stability

Pursue Federal and State funding opportunities
Sustainable and balanced rate structure
Maintain adequate reserve levels
Maintain high level bond rating

Regional Leadership

Create a regional best practices Antelope Valley partnership
Enhance community partnerships and expand school programs in water education
Emphasize the importance and long history of the District as a community asset
Continue to evaluate District internship needs

Customer Care and Advocacy

Customer Care accessibility through automation
Evaluate, develop, and market additional payment options
Improve customer account management tools
Enhance customer experience through assessment of infrastructure, processes, and policies to maximize the customer care experience

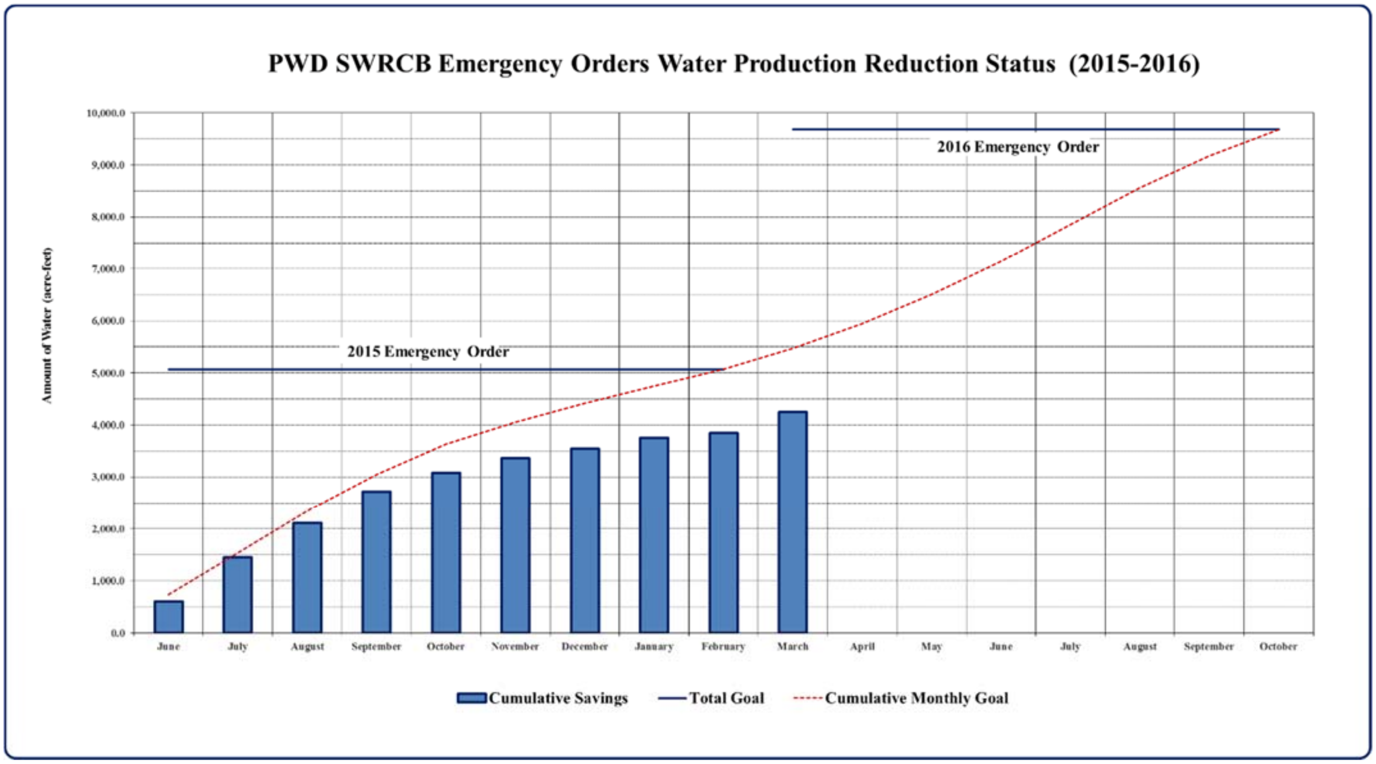
This report also includes charts that show the effects of the District's efforts in several areas. They are now organized within each strategic initiative and include status in complying with the State Water Resources Control Board's (SWRCB) conservation mandate, 20 x 2020 status, the District's total per capita water use trends, 2016 water production and customer use graph, mainline leaks, and the water loss trends for both 12 and 24 month running averages.

Water Resource Reliability

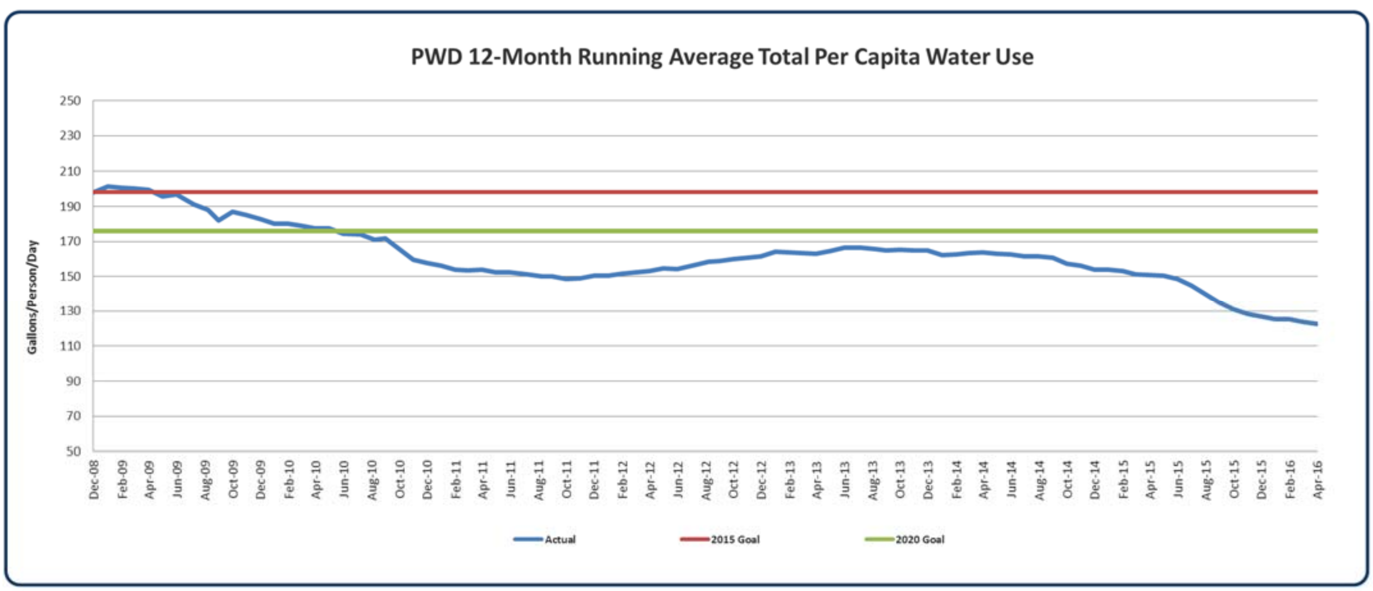
This initiative includes conservation efforts, water supply projects, and water planning. Recent highlights are as follows:

<u>2015 and 2016 SWRCB Emergency Drought Orders</u>

- The District customers' cumulative water saving from June to the end of March as compared to 2013 is 24.5% versus the SWRCB goal of 30.1%. The 30.1% is a combination of the 2015 and 2016 Emergency Order reduction requirements of 32% and 28%, respectively. The full time period of the Emergency Orders is shown on the chart titled "PWD SWRCB Emergency Order Water Production Status," puts the District into the 1% to 5% below goal range, and will likely result in a written notice from the SWRCB. The written notice will likely suggest and/or recommend actions that the District has already taken. The March numbers alone show a 27.9% saving and is fully in compliance with the 2016 Emergency Order.



The District's long-term conservation efforts can easily be seen in the chart titled "PWD 12-Month Running Average Total Per Capita Water Use." The current TGPCD is 124. **The District's customers have actually cut their water use by nearly 44% from the baseline number of 220.** The "Historic R-GPCD Comparison" shows that the District's customers have reached 76 GPCD in March, 2016. This is significant as the District's water rate structure allows 66 GPCD for Tier 1 (indoor) allocation.



Historic R-GPCD Comparison*

Emergency Order Period	2007		2013		2015/16	
	Gallons	% Change	Gallons	% Change	Gallons	% Change
June	239.8	-	170.9	(28.7)	126.3	(47.3)
July	267.6	-	184.7	(31.0)	121.8	(54.5)
August	261.1	-	180.0	(31.0)	133.0	(49.0)
September	198.9	-	164.5	(17.3)	120.1	(39.6)
October	157.7	-	130.2	(17.4)	104.4	(33.8)
November	130.2	-	100.4	(22.9)	79.8	(38.7)
December	88.2	-	80.4	(8.9)	67.0	(24.0)
January	103.8	-	77.1	(25.8)	61.0	(41.2)
February	106.1	-	79.2	(25.4)	70.0	(34.0)
March	144.5	-	105.8	(26.8)	76.2	(47.2)
April	*169.3*	-	*124.4*	*(26.5)*		
May	*204.4*	-	*145.3*	*(28.9)*		
June	*239.8*	-	*170.9*	*(28.7)*		
July	*267.6*	-	*184.7*	*(31.0)*		
August	*261.1*	-	*180.0*	*(31.0)*		
September	*198.9*	-	*164.5*	*(17.3)*		
October	*157.7*	-	*130.2*	*(17.4)*		
Averages**	180.9		136.0	(22.9)	96.0	(40.9)

Notes: * All R-GPCD Calculated using 2015 Emergency Order Method
% Change is calculated from 2007

** Months to date only

20% by 2020 12-Month Average Total GPCD Baseline = 220
2015 12-Month Average Total GPCD Goal = 198
2020 12-Month Average Total GPCD Goal = 176
Current 12-Month Average Total GPCD = 123 or 44% Reduction

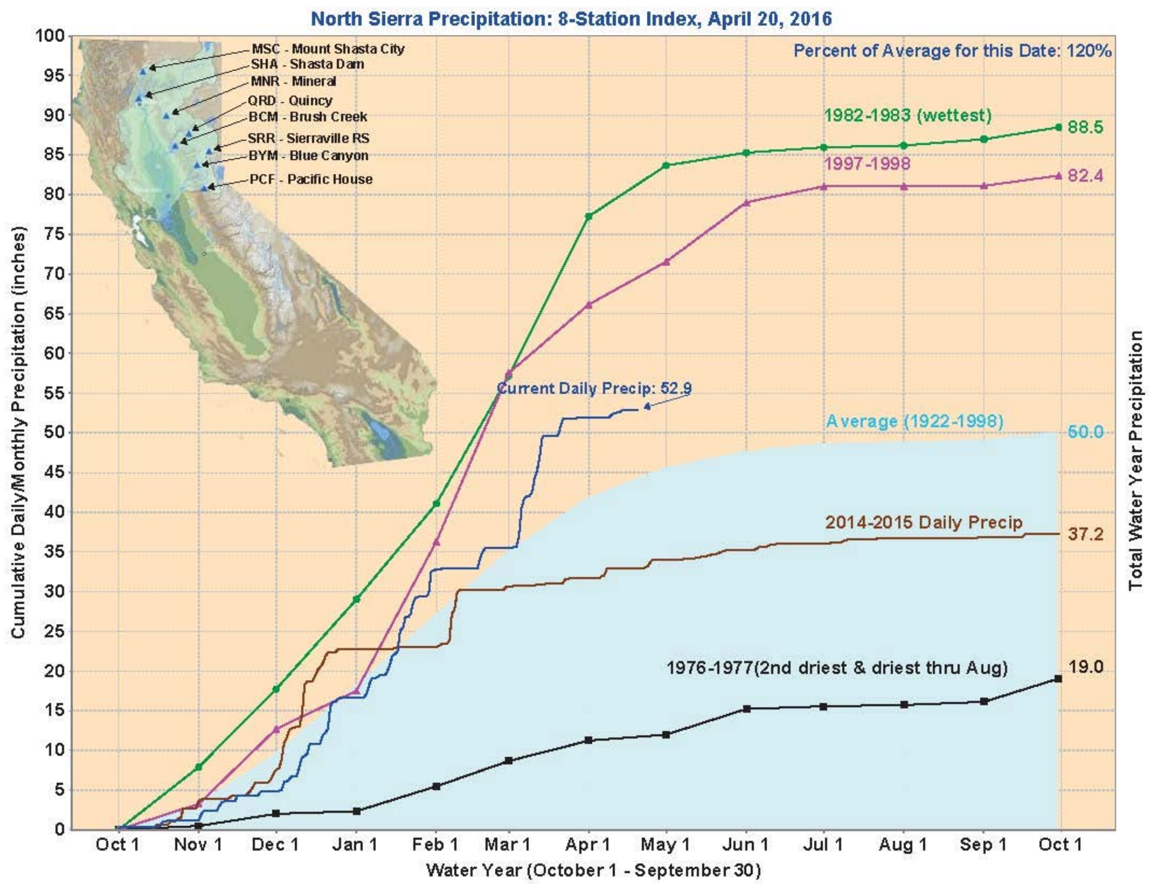
Water conservation measure violations all start at the first step under the 2016 Emergency Order. New efforts will be made to educate our customers about the water conservation measures starting with a newsletter in March, 2016 highlighting the water conservation measures. There will also be frequent efforts throughout the spring and early summer to continue the education effort with the goal of meeting the SWRCB reduction requirement. The education will emphasize reducing outdoor water usage while also reassuring customers whose water use is within Tier 1, indoor allocation, that they are doing their part to meet the State requirement. The following table shows the Board of Directors' personal efforts and leadership:

2015 & 2016 Emergency Drought Order Period Water Usage Status of PWD Directors

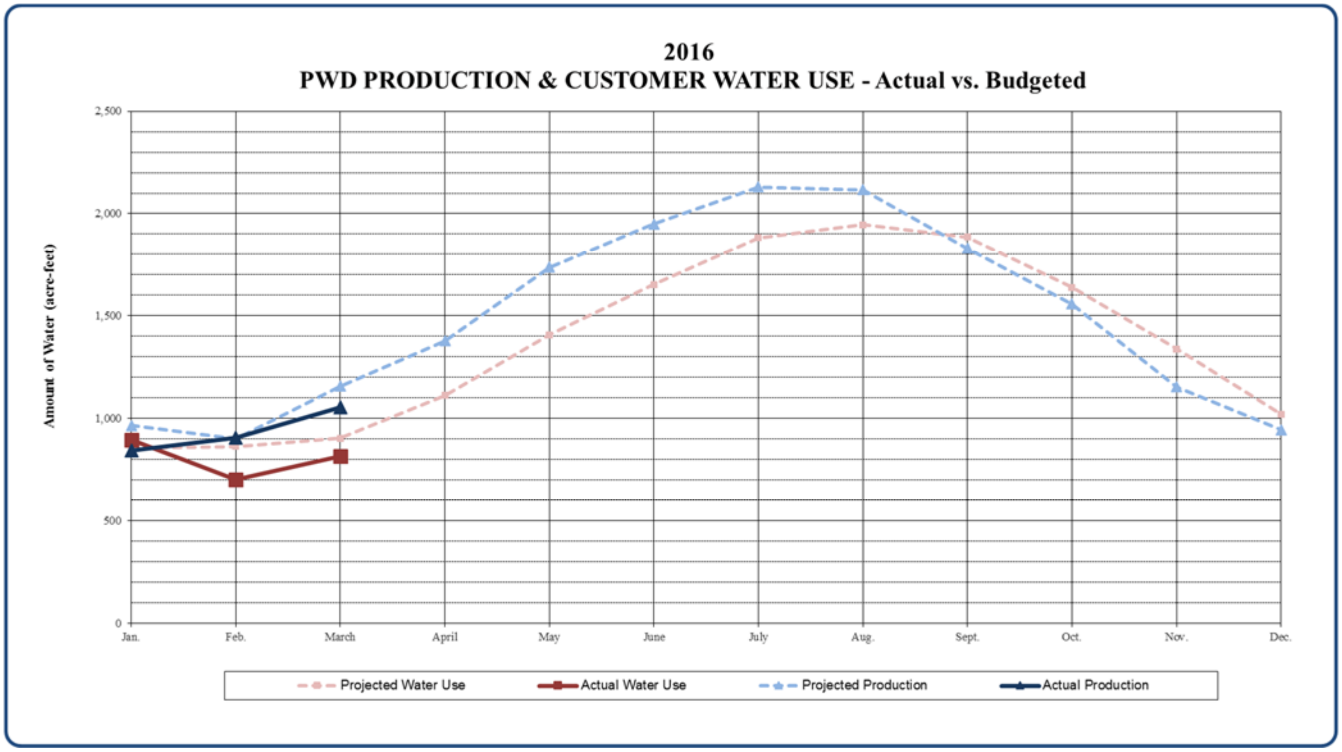
Division	Director	Tier 1 Comparison			% Change from 2013
		Average Tier 1 (Units/Mo.)	Emer. Order Average (Units/Mo.)	Aver. Within Tier 1?	
1	Alvarado	10	4.2	Yes	-52.6
2	Estes	22	3.3	Yes	-40.0
3	Henriquez	10	5.3	Yes	-12.1
4	Mac Laren	10	9.0	Yes	76.8
5	Dino	10	4.6	Yes	-77.0

2016 Water Supply Information

- The staff has also planned water resources for 2016 based on the current State Water Project allocation of 45% as follows. The March set of storms in northern California have greatly helped in recovering water storage in the State's major reservoirs and led to the increased allocation. Today's Northern Sierra Precipitation 8-Station Index shows 52.9 inches. This is higher than the 2014-2015 precipitation amount of 37.2 inches and exceeds the 1922-1998 average of 50.0 inches.



- Water and Energy Resources staff has prepared a plan and projections for 2016 that incorporate the anticipated water usage. The following graph shows January, February, and March actual amounts and monthly projections for both production and consumption based on the prior five years of actual monthly information.



<u>Other Items</u>

- The Littlerock Reservoir Sediment Removal Project Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) is scheduled to be published in the Federal Register by the end of April. This will start the public review period for the document. If it is published as scheduled, a public meeting will be held on May 19th for public comment, and a presentation will be made to the Board at the May 11th regular meeting.

- The public review of the Draft California Environmental Quality Act (CEQA) EIR for the Palmdale Regional Groundwater Recharge and Recovery Project is complete, and the comments received are being reviewed and addressed. The Preliminary Design Report and the Title 22 Report have been prepared and submitted to the appropriate agencies for review. The Blue-Ribbon panel had another meeting to discuss the project and will meet again soon.

- Kennedy/Jenks and staff are currently preparing the 2015 Urban Water Management Plan. The deadline for submitting the report is currently June 30, 2016.

Organizational Excellence

This initiative includes efforts to restructure staff duties and activities to more efficiently provide service to our customers. Recent highlights are as follows:

- The transition to electronic time keeping is nearing completion and is planned to be fully used in the third quarter of 2016.

- Regular small group meetings with management were started and will continue on a regular basis to follow-up on the 2015 Cultural Survey.

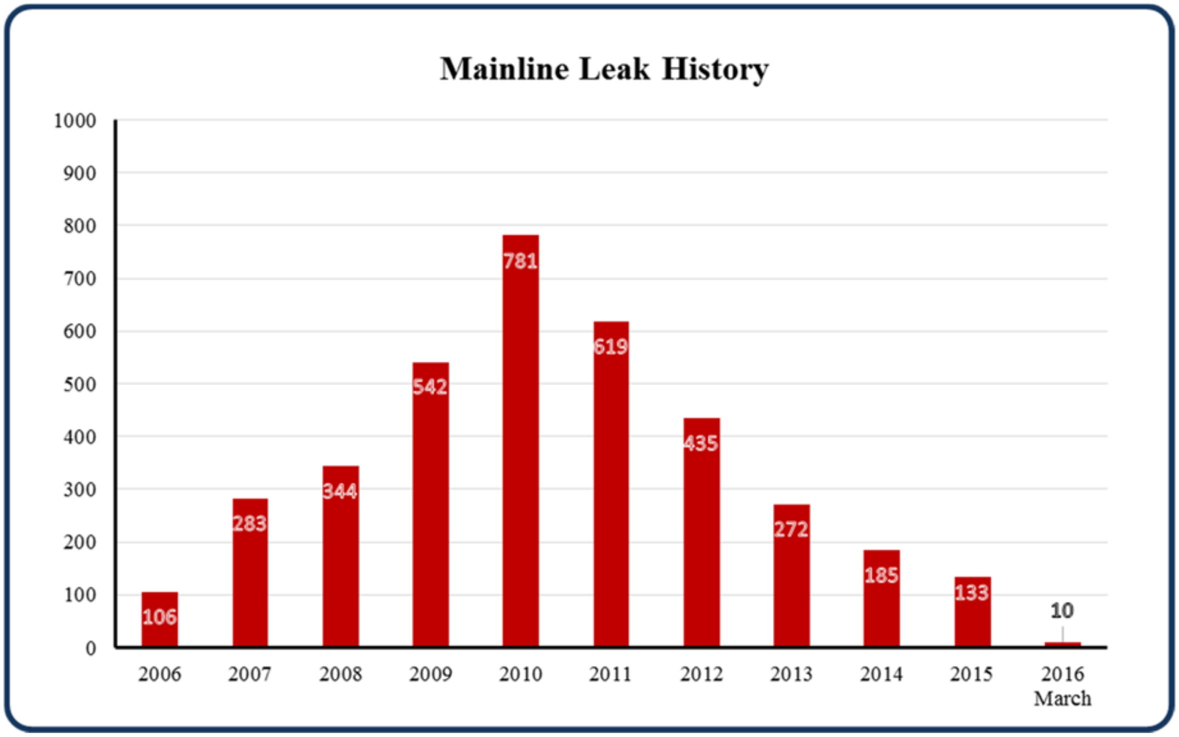
- The 2016 Strategic Plan Update was approved by the Board at the January 13, 2016 meeting. The boardroom posters and brochure are nearing completion and will be printed within the next few weeks.

Systems Efficiency

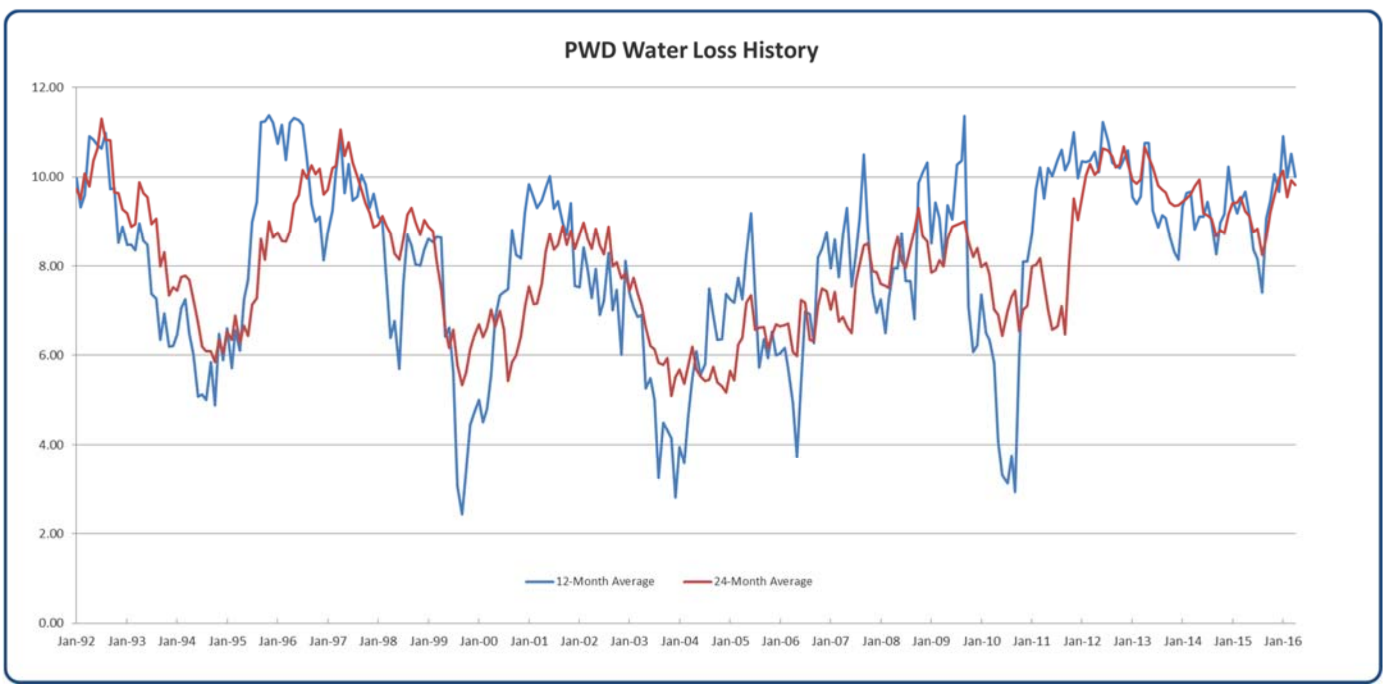
This initiative largely focuses on the state of the District’s infrastructure. Recent highlights are as follows:

- Installation of the long awaited security upgrades for the headquarters and maintenance areas is nearing completion.

- New water main replacement projects are under design within the funds available in the 2016 Budget to continue the District’s efforts to maintain the water system. The effects of the District’s past efforts in replacing failing water mains can be seen in the reduced number of mainline leaks. This is illustrated in the chart titled “Mainline Leak History.” The total for 2015 was slightly above, 133 vs. 106, the numbers for 2006. This is a vast improvement from 2010’s number of 781 mainline leaks. 2016 is off to a good start with a total of 10 mainline leaks through the end of March.



- The effect of both water main and water meter replacement is shown on the chart titled "PWD Water Loss History." It has been adjusted to reflect the District's water production and consumption separate from the water treated on behalf of AVEK. The percentage of unaccounted water or water loss is stabilized.



Financial Health and Stability

- The 2016 Budget was approved by the Board of Directors and has been distributed.

- Engineering staff has successfully applied for planning grant funding for the Palmdale Regional Groundwater Recharge and Recovery Project and for the Phase II pipeline for the Palmdale Recycled Water Authority.

- The 2015 Audit is now complete and will be presented to the Finance Committee and then the full Board the week of April 25th.

Regional Leadership

This initiative includes efforts to involve the community, be involved in regional activities, and be a resource for other agencies in the area. Recent highlights are as follows:

- Activities of the Palmdale Recycled Water Authority (PRWA) have continued though no Board meetings were held in February and March. Topics of action planned for the May Board meeting include compensation for the public Board member and recycled water distribution to the general public.

- Meetings were also held with the Antelope Valley State Water Contractors Association and with staff of other agencies.

- Additional meetings of the Antelope Valley Watermaster Board were recently held to assist the overlying producers in selecting their Board members. The Public Water Suppliers have selected Leo Thibault to be our representative.

Customer Care and Advocacy

This initiative includes efforts to better serve our customers. Recent highlights are as follows:

- The lobby kiosk is continuing to give customers another choice for making a payment at the District office. Despite some minor problems, it has continued to take increasing amounts of customer payments.

- The ability for customers to make payments at 7-Eleven is being setup for the customer's ability to make cash payments at those stores. It is planned to be active and useable by June, 2016.

- The Customer Care Department is continuing to define its role and find ways to better help customers. An advanced training in customer care was recently held. It is a portion of the requirements needed for staff to advance to Customer Care Representative II positions. To date, five CCR have advanced to CCR II.

- Additional panels are being installed toward completion of the workstations. They are planned to be completed along with the counter improvements over the next two weekends.

- The Customer Care Supervisor position interviews were held for six internal candidates. The result is the promotion of Tara Peuse to the position. She will be giving a presentation to the Board within the next couple months on all the services available to our customers. The Customer Account Technician position is now posted for internal candidates.

STAFF CONFERENCE/SEMINAR REPORT FORM

NAME: TRACY R ASTORGA DATE: 03/28/2016

POSITION: FIELD CUSTOMER SERVICE REP 1

CONFERENCE SUMMARY:

- TITLE: AWWA SPRING CONFERENCEC 2016
- ORGANIZATION: AWWA
- LOCATION AND DATES: SACRAMENTO, CA 21-24,2016
- GENERAL SUBJECT MATTER: DISTRIBUTION/OPERATIONS

SESSION/CLASS ATTENDANCE:

	(HRS):	CEU EARNED N/A
1) LARGE METERS INSTALLS	1	
2) BACKFLOW TEST AND PROCEDURES, DAY IN THE LIFE OF A TESTER	1	
3) SHUT DOWN TEST/ WHAT TO LOOK FOR	1	
4) RECYCLED WATER TESTING,INSTALLING OF EQUIPMENT	1	
5) FINAL DISSUSSION AND KEY PONITS	1	

KEY POINTS/BENEFITS RELATING TO WORKGROUP, DEPARTMENT AND/OR OVERALL OPERATIONS:

I attended the conference with the competition committee. I was able to attend session/ classes at no cost to the district. By being on the committee, AWWA picks up the fee of the conference . I able to further my education by attending classes/session in the filed of Backflow and Cross Connection.

REVIEWED BY:

SUPERVISOR: DATE:

DEPARTMENT MANAGER: Doris LaMarra DATE: 4/5/16

STAFF CONFERENCE/SEMINAR REPORT FORM

NAME: Cobb Curtis DATE: 3/30/2016
POSITION: Plant Operator II

CONFERENCE SUMMARY:

- TITLE: AWWA Spring Conference
- ORGANIZATION: AWWA
- LOCATION AND DATES: Sacremento Ca 3/21/2016 to 3/24/2016
- GENERAL SUBJECT MATTER: Water Industry Educational Conference and Vendor show

SESSION/CLASS ATTENDANCE:

	CEU EARNED (HRS):	N/A
1) Top Ops Competition	3	
2) Impacts of Historic Drought on Water Treatment Process	1	
3) Pretreatment Process Fundamentals	1	
4) Operator round table discussion	1	
5) Sed Basin/Floc Basin Improvements	1	

KEY POINTS/BENEFITS RELATING TO WORKGROUP, DEPARTMENT AND/OR OVERALL OPERATIONS:

I learned about a potentially useful product to replace out current copper sulfate dosing in lake. It is a 2% copper liquid blended with a proprietary chemical that promotes even distribution throughout the lake surface. This could eliminate the potential for fish kills by overdosing during large algae blooms.

Learned what other agencies are doing for pretreatment to reduce THM's when there is significant TOC loading.

Volunteered as a chairperson on the TOP OPS committee to help educate other attendees about distribution and treatment techniques and practices. (Resulted in free full registration for entire conference).
Discussed usefulness of different CMMS programs

REVIEWED BY:

SUPERVISOR: DATE:
DEPARTMENT MANAGER: Mynor V. Masaya DATE: 3-31-16

STAFF CONFERENCE/SEMINAR REPORT FORM

NAME: Audel Narez DATE: 4/5/2016

POSITION: Lab Analyst

CONFERENCE SUMMARY:

- TITLE: Management and Supervisory Leadership Training Program
- ORGANIZATION: American Water College
- LOCATION AND DATES: Rowland Water District 3/29 - 3/31/16
- GENERAL SUBJECT MATTER: Leadership Training

SESSION/CLASS ATTENDANCE:

		CEU EARNED (HRS):	N/A
1	Management and Supervisory Leadership Training Program Management and Supervisory Leadership Training Program	20.00	
2			
3			
4			
5			

KEY POINTS/BENEFITS RELATING TO WORKGROUP, DEPARTMENT AND/OR OVERALL OPERATIONS:

This class teaches the art of becoming a leader. Along with being able to collaborate as a team in order to get the job done while effectively working with others. I like that it touches on the leadership of change. This focuses on the changes in the work force to accommodate for the young work force that has new ideas, while still getting the job done. This training also has a great section on how to manage conflict. Sometimes we find ourselves in a much too similar situation and with the tools and training that is provided in this course, I believe it teaches a way to recognize and expand your perception in order to get to a common purpose of the task at hand. Overall, I would say that this is a very powerful training course, if the person chooses to apply it at work.

REVIEWED BY:

SUPERVISOR: [signature] DATE: 4-5-16

DEPARTMENT MANAGER: ______ DATE: ______

STAFF CONFERENCE/SEMINAR REPORT FORM

NAME: Jon M Pernula DATE: 4/7/2016
POSITION: Water and Energy Resources Director

CONFERENCE SUMMARY:

- TITLE: AWWA Spring Conference BUILDING A SUSTAINABLE FUTURE
- ORGANIZATION: American Water Works Association
- LOCATION AND DATES: Sacramento California March 21 - 24
- GENERAL SUBJECT MATTER: Annual Spring Conference focusing on developing and providing modern solutions to provide sustainable water resources and high quality drinking water to our community in a rapidly changing environment.

SESSION/CLASS ATTENDANCE:

	CEU EARNED (HRS):	N/A
1) Opening sessions History of Drinking water and Overcoming current water quality issues		x
2) Water Loss control and the upcoming "National Water Loss Audit Certification Program" requirements		x
3) Participation as Master of Ceremonies for the operators competitions and awards ceromonies		x
4) Generating electricity through an in conduit pressure reducing turbine in a potable water distribution system		x
5) Cal WARN Water Agency Response Network annual meeting (Back to Basics on mutual Aide)		x

KEY POINTS/BENEFITS RELATING TO WORKGROUP, DEPARTMENT AND/OR OVERALL OPERATIONS:

The typical self reporting water audits performed by public agencies are considered unvalidated under new Water Loss Audit Certification National Certification programs the requirements involved and the technical review and assistance available to meet compliance to fit within the framework of Senate Bill 555 for validate water system loss audits was described and discussed.
Methodologies to follow AWWA M36 Auditing to meet goals for submittal to the Sate Department of Water Resources beginning in Oct 2017
Development methodologies to create a District wide Energy Master Plan for energy sustainability and lower costs
First hand experiences for locating and minimizing water losses in in an ever increasing water cost environment with diminishing staff availability
I met with Sate Water Contractors from both Coachella and Desert Water Agencie to discuss the dynamics involved in effecting water exchanges for in valley water banking
Especially in light of the requirements to facilitate a mutually acceptable exchange paradigm under CVMWD and DWA Colorado River contracts with Met for SWP supplies

REVIEWED BY:

SUPERVISOR: DATE:
DEPARTMENT MANAGER: Denis LaMoreaux DATE: 4/21/16