



PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

BOARD OF DIRECTORS

W. SCOTT KELLERMAN
Division 1

DON WILSON
Division 2

GLORIA DIZMANG
Division 3

KATHY MAC LAREN-GOMEZ
Division 4

VINCENT DINO
Division 5

June 15, 2023

AGENDA FOR A MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT TO BE HELD AT 2029 EAST AVENUE Q, PALMDALE

Committee Members: Don Wilson-Chair, Kathy Mac Laren-Gomez

TUESDAY, JUNE 20, 2023

1:30 p.m.

DENNIS D. LaMOREAUX
General Manager

ALESHIRE & WYNDER LLP
Attorneys

NOTE: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Danielle Henry at 661-947-4111 x1059 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 Danielle Henry at 661-947-4111 x1059 for public review of materials.

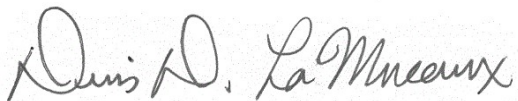
PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to conduct its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)

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

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



- 4.1) Consideration and Possible Action on Approval of Minutes of Meeting held May 16, 2023.
- 4.2) Consideration and Possible Action on 2023-24 WIFIA Loan Consulting. (\$23,375.00 – Non-Budgeted – Finance Manager Hoffmeyer/Mark Northcross, NHA Advisors)
- 4.3) Presentation on 2023 Bond Issue. (Finance Manager Hoffmeyer/Financial Advisor Egan/Mark Northcross, NHA Advisors)
- 4.4) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of May 2023. (Financial Advisor Egan)
- 4.5) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for May 2023. (Finance Manager Hoffmeyer)
- 4.6) Discussion and Overview of Committed Contracts Issued. (Finance Manager Hoffmeyer)
- 5) Reports.
 - 5.1) Finance Manager Hoffmeyer:
 - a) 2022 Annual Financial Report.
 - b) Accounts receivable overview.
 - c) Revenue projections.
 - 5.2) Financial Advisor Egan:
 - a) Debt Service Coverage status.
 - 5.3) Other.
- 6) Board members' requests for future agenda items.
- 7) Date of next Committee meeting.
- 8) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dh

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 15, 2023 **June 20, 2023**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Mr. Dennis J. Hoffmeyer, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM 4.2 – CONSIDERATION AND POSSIBLE ACTION ON 2023-24 WIFIA LOAN CONSULTING. (\$23,375.00 – NON-BUDGETED – FINANCE MANAGER HOFFMEYER/MARK NORTHCROSS, NHA ADVISORS)*

Recommendation:

Staff recommends that the Finance Committee approve the Consulting Agreement Task 2 with NHA Advisors for WIFIA Loan Consulting.

Alternative Options:

Staff completes the associated calculations for the WIFIA loan funding.

Impact of Taking No Action:

Currently, we are working with NHA Advisors on Task 2 without approval of the associated costs. Staff has approved the costs associated with Task 1 – Prepare Pro Forma with NHA Advisors. If the Finance Committee does not approve the Consulting Agreement dated April 11, 2023, NHA Advisors would invoice the District for the work performed to date and staff would conclude items when time permits. This will cause a delay in the final submission of the WIFIA loan application due to internal workload.

Background:

The District was invited to submit the WIFIA loan application back in December 2022. Staff has been working through the application processes with Stantec. As part of this submission, the District will need to prove its ability to pay back the loan funds, similar to the bonds the District currently holds.

NHA Advisors has run proforma calculations to see what the risk tolerance is for the District to complete the Pure Water AV project. These calculations also will contain information for future rate increases to guarantee that payments can be made over the lifetime of the loan. This will then be modeled into the 2024 Rate Study so that an actual rate can be established for the next 5-year period. At this time, we are still working through preliminary numbers, and it is too early to establish these future rate increases.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 4 – Financial Health and Stability.

This item directly relates to the District’s Mission Statement.

Budget:

Costs for this work will be directly charged against the Pure Water AV Project. This work will assist in providing the necessary information to complete Section C – Financing Plan of the WIFIA loan application for submission to EPA.

Supporting Documents:

- WIFIA Loan Consulting Disclosure Letter by NHA Advisors

April 11, 2023

Denis Hoffmeyer
Finance Manager/CFO
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

RE: Palmdale Water District 2023-24 WIFIA Loan Consulting – Regulatory Disclosure Letter

Dear Dennis,

NHA Advisors, LLC (“NHA Advisors”) is required to send this Regulatory Disclosure Letter per Municipal Securities Rulemaking Board (“MSRB”) rules. This letter specifies the terms and details of the work that NHA Advisors will perform for the Palmdale Water District (the “District”) relating to the above referenced project (the “Project”). Additionally, this letter provides certain duties and disclosures that municipal advisors must present to all clients prior to beginning work on a municipal transaction.

Scope of Municipal Advisory Activities to be Performed

A detailed Scope of Services can be found in Exhibit A.

Independent Registered Municipal Advisor (“IRMA”)

If acting in the capacity of an Independent Registered Municipal Advisor (“IRMA”), with regard to the IRMA exemption of the U. S. Securities and Exchange Commission (“SEC”) Rule, NHA Advisors will review all third-party recommendations submitted to NHA Advisors in writing by the District.

Term of the Project

The Project will commence on March 15, 2023, and end on the earlier of either June 30, 2025, or upon closing of the transaction, unless the term of the Project is otherwise terminated or extended. Any extensions must be mutually agreed upon by all parties in writing.

Termination of NHA Advisors’ Role on Project

The District may terminate NHA Advisors’ role on the Project at any time and without cause upon written notification to NHA Advisors.

In the event of termination, NHA Advisors shall be entitled to compensation for services performed to the effective date of termination. The District, however, may condition payment of such compensation upon NHA Advisors delivering to the District any or all documents, photographs, computer software, video and audio tapes, and other materials provided to NHA Advisors or prepared by or for NHA Advisors or the District in connection with NHA Advisors’ work on the Project.

NHA Advisors may terminate upon 45 days' written notice to the District and shall include in such notice the reasons for termination.

Compensation and Out-of-Pocket Expenses

A detailed proposal for compensation and expenses can be found in Exhibit B.

Fiduciary Duty

NHA Advisors is registered as a Municipal Advisor with the SEC and MSRB. As such, NHA Advisors has a fiduciary duty to the District and must provide both a Duty of Care and a Duty of Loyalty that entail the following.

Duty of Care:

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

Duty of Loyalty:

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

Conflicts of Interest and Other Matters Requiring Disclosures

As of the commencement date of the Project, there are no actual or potential material conflicts of interest, other than those noted below, that NHA Advisors is aware of that might impair its ability to render unbiased and competent advice or to fulfill its fiduciary duty. If NHA Advisors becomes aware of any material potential conflict of interest that arises after this disclosure, NHA Advisors will disclose the detailed information in writing to the District in a timely manner.

The following are potential conflicts of interest to be considered.

- NHA Advisors' fees under this Project are based on hourly fees of NHA Advisors' personnel, with the aggregate amount equaling the number of hours worked by such personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest because it could create an incentive for NHA Advisors to recommend alternatives that would result in more hours worked. This conflict of interest will not impair NHA Advisors' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the District.
- The fee paid to NHA Advisors increases the cost of investment to the District. The increased cost occurs from compensating NHA Advisors for municipal advisory services provided.
- NHA Advisors serves a wide variety of other clients that may, from time to time, have interests that could have a direct or indirect impact on the interests of another NHA Advisors client. For example, NHA Advisors serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the District. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, NHA Advisors could potentially face a conflict of interest arising from these competing client interests. NHA Advisors fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the District.
- Gerald Craig Hill, the Managing Principal of NHA Advisors is currently serving as an outside director for the HdL Companies based in Diamond Bar, CA. HdL Companies is a software and professional services consulting company providing revenue data and collections information to local governments, potentially including NHA Advisors' clients. HdL Companies have affiliates including, but not limited to, HdL Coren & Cone. From time to time, NHA Advisors utilizes the services of HdL Coren & Cone for its clients. NHA Advisors is mindful of this conflict of interest and fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith when this situation arises.
- NHA Advisors does not have any affiliate that provides any advice, service, or product to or on behalf of the District that is directly or indirectly related to the municipal advisory activities to be performed by NHA Advisors.
- NHA Advisors has not made any payments directly or indirectly to obtain or retain NHA Advisors' municipal advisory business.
- NHA Advisors has not received any payments from third parties to enlist NHA Advisors' recommendation to the District of its services, any municipal securities transaction, or any municipal finance product.
- NHA Advisors has not engaged in any fee-splitting arrangements involving NHA Advisors and any provider of investments or services to the District.
- NHA Advisors does not have any legal or disciplinary event that is material to the District's evaluation of the municipal advisory or the integrity of its management or advisory personnel.
- NHA Advisors does not act as principal in any of the transaction(s) related to this Project.
- During the term of the municipal advisory relationship, this disclosure will be promptly amended or supplemented to reflect any material changes in or additions to the terms or information within this disclosure and the revised writing will be promptly delivered to the District.

Pursuant to MSRB Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- NHA Advisors is currently registered as a Municipal Advisor with the SEC and the MSRB.
- Within the MSRB website at www.msrb.org, District may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.

Legal Events and Disciplinary History

NHA Advisors does not have any legal events and disciplinary history on its Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The District may electronically access NHA Advisors' most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

www.sec.gov/edgar/searchedgar/companysearch.html

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

Recommendations

If NHA Advisors makes a recommendation of a municipal securities transaction or municipal financial product or if the review of a recommendation of another party is requested in writing by the District and is within the scope of the engagement, NHA Advisors will determine, based on the information obtained through reasonable diligence of NHA Advisors whether a municipal securities transaction or municipal financial product is suitable for the District. In addition, NHA Advisors will inform the District of:

- the evaluation of the material risks, potential benefits, structure, and other characteristics of the recommendation;
- the basis upon which NHA Advisors reasonably believes that the recommended municipal securities transaction or municipal financial product is, or is not, suitable for the District; and
- whether NHA Advisors has investigated or considered other reasonably feasible alternatives to the recommendation that might also or alternatively serve the District objectives.

If the District elects a course of action that is independent of or contrary to the advice provided by NHA Advisors, NHA Advisors is not required on that basis to disengage from the District.

Record Retention

Effective July 1, 2014, pursuant to the SEC record retention regulations, NHA Advisors is required to maintain in writing, all communication and created documents between NHA Advisors and the District for five (5) years.

If there are any questions regarding the above, please do not hesitate to contact NHA Advisors.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark Northcross".

Mark Northcross, Principal
NHA Advisors, LLC

EXHIBIT A

**SCOPE OF SERVICES
WIFIA LOAN FINANCING**

Objective – District requests assistance with applying for and closing on a WIFIA Loan to funding critical water supply infrastructure. NHA Advisors will work with District staff and other consultants to prepare a pro forma and financial projection, to assist with gathering the necessary information for the WIFIA Loan application process, and to assist with closing the WIFIA Loan. The scope of work will generally include, but may not be limited to, the following services:

Task 1: Prepare Pro Forma

- ◆ Review Project Funding Plan
- ◆ Review WIFIA Letter of Interest submitted to the EPA
- ◆ Review communications between the District and the EPA
- ◆ Develop dynamic proforma model for quantifying debt service and coverage on WIFIA Loan and any Matching Bonds as required under Item C.6 of the District’s WIFIA Loan application

Task 2: WIFIA Application Assistance (this work will only commence if directed by Staff)

- ◆ Manage the preparation of Section C: Financing Plan of the WIFIA Loan application, including the following:
 - Refine the District’s Sources and Uses table for the Application (Item C.1)
 - Work with District Bond Counsel to describe the anticipated credit terms for the WIFIA Loan (Item C.2)
 - Describe Revenue sources that will be used to repay the Loan and the methods by which the District will ensure those revenue sources (Item C.3)
 - Strategic development of WIFIA Loan drawdown schedule (blending WIFIA Loan and Matching Bonds drawdowns) (Item C.6)
 - Describe rate setting process and timing for the District and provide required rate history (Item C.7)
 - Work with District Bond Counsel to detail a flow of funds description or diagram (Item C.8)
 - Work with District Bond Counsel to describe the documents that will be the starting point for the WIFIA Loan (Item C.9)

EXHIBIT B

COMPENSATION SCHEDULE

Budget

For work described in the Scope of Services, NHA Advisors will be compensated based on time and materials required at the hourly rate schedule shown to the right. The not-to-exceed budget for these services, without further approval from the District, shall be \$75,000. The task-by-task estimate of this NTE is detailed below.

Staff Allocation	Hourly Rate
Principal	\$325
Director / Senior Vice President	\$300
Vice President	\$275
Assist. Vice President / Sr. Associate	\$250
Associate	\$225
Senior Analyst	\$200
Analyst	\$175
Administrative	\$ 75

Tasks	Assumed Blended Hourly Rate*	Estimated Hours	Estimated Hourly Billing
Task 1: Develop Pro Forma	\$275	35	\$9,625
Task 2: WIFIA Application Assistance	\$275	50	\$13,750
Total Estimated Project Budget			\$23,375

**Blended rate based on assumed NHA staff workload allocations on similar WIFIA Loan projects (~40% Principal and VP; ~60% Assistant VP and support staff); actual workload allocations may differ based on your project specifics*

Expenses (Out-of-Pocket)

All expenses will be billed directly at cost to the District. Expenses will be limited to those necessary for completion of the project.

FINANCING PLAN FOR 2023 WATER BONDS

PALMDALE WATER DISTRICT FINANCE COMMITTEE

NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

June 20, 2023

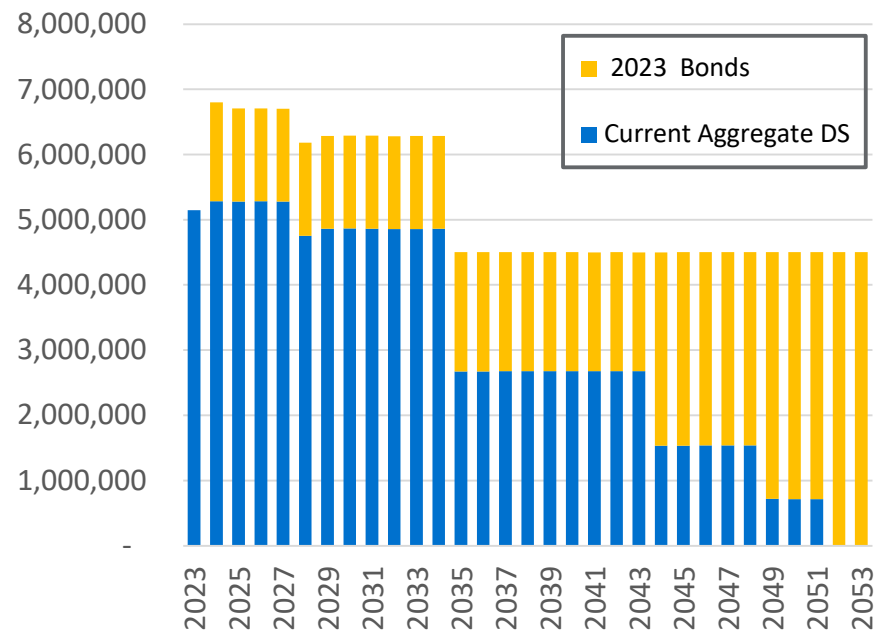
Background and Funding Need

- ▶ PWD has a significant capital funding need and expects to address those needs through a series of bonds and loans
- ▶ The 2023 Bonds will raise \$31 million for projects, including:
 - ▶ Well 36 Equipping
 - ▶ 3M Booster Station Rehab
 - ▶ Demonstration Facility
 - ▶ Recycled Waterline
 - ▶ 6M Clearwell (Beam and Structure)

Outstanding PWD Debt and Anticipated Structure of 2023 Bonds

- ▶ 2023 Bonds would be issued on parity basis with the District’s other outstanding debt
 - ▶ Debt service on the 2023 Bonds will be wrapped around outstanding debt to minimize ratepayer impact
 - ▶ 30-year term, interest only through 2034
- ▶ 2023 Bonds would have the same covenants as the District’s other outstanding debt
 - ▶ Coverage Covenant: District will raise rates as needed to ensure net revenues are at least 110% of debt service
 - ▶ Based on the current approved rate increases, the District should be able to meet that covenant after the issuance of the 2023 Bonds
- ▶ Based on current market, we estimate \$1.5M annual debt service in 2024-2034, \$1.9M annual debt service in 2035-2043, with debt service stepping up as the District’s outstanding debt service decreases

Palmdale Water District
Aggregate Debt Service



PWD Financing Team

Palmdale Water District

- Issuer for the 2022 Bonds

NHA Advisors

- District's municipal financial advisor

Stradling Yocca Carlson &
Rauth

- Bond and Disclosure Counsel

Hilltop Securities

- Underwriter

BNY Mellon Trust Company

- Bond trustee

Anticipated Timing

- ▶ We expect the 2023 Bonds to be sold in late August with funds available by mid-September

Date	Activity
Mid-June	Begin Rating Process for 2023 Bonds and future WIFIA Loan*
June 20th	Presentation to Finance Committee
Late June – mid-July	Draft Legal Documents and Preliminary Official Statement (bond prospectus)
Mid-July	Receive Rating for Potential WIFIA Loan
Early August	Receive Rating for 2023 Bonds
August 14th	District Board Considers/Approves 2023 Bond documents and issuance
Late August	2023 Bonds sold to investors
Mid-September	2023 Bonds close (funds available for Projects)

*Note: The rating process will involve two separate steps; one for the 2023 Bonds and one for the future WIFIA Loan for the PWAV project. Securing a rating does not bind the District to issue future debt

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 15, 2023 **June 20, 2023**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Mr. Bob Egan, Financial Advisor
RE: ***AGENDA ITEM NO. 4.4 – DISCUSSION AND OVERVIEW OF CASH
FLOW STATEMENT AND CURRENT CASH BALANCES AS OF MAY 2023.
(FINANCIAL ADVISOR EGAN)***

Attached are the Cash Notes, the Investment Funds Report, and the Cash Flow Report as of May 2023. The reports will be reviewed in detail at the Finance Committee meeting.

Enclosures

2023					
April to May 2023 Major account Activity					
acct 11469					
Balance	5/31/2023	4,708,251.64			
Balance	4/30/2023	5,021,422.91			
Decrease		(313,171.27)			
One month activity					
Taxes received		1,060,294.90			
Transfer to CBB		(650,000.00)			
Transfer to 11432		(794,200.00)		Taxes	
Transfer from 11432		17,913.26		YTD expected	4,787,050
Transfer from 11475		39,134.61		YTD received	5,013,718
Interest/Mkt value received		13,685.96		Increase	226,668
Decrease		(313,171.27)			
Acct 11475					
Balance	5/31/2023	1,452,442.62			
Balance	4/30/2023	1,449,961.89		all accounts	
Increase		2,480.73		FACE	14,201,950
One month activity					
Cap Improvement fee received		38,727.11		Value	14,005,372
Transfer to 11469		(39,134.61)		Future earnings	196,578
Interest/Mkt value received		2,888.23			
Increase		2,480.73			
Acct 11432					
Balance	5/31/2023	8,031,534.45			
Balance	4/30/2023	7,240,145.71			
Increase		791,388.74			
One month activity					
Transfer from 11469		794,200.00			
Transfer to 11469		(17,913.26)			
Interest/Mkt value received		15,102.00			
Increase		791,388.74			
Acct 24016.					
Balance	5/31/2023	736,780.79			
Balance	4/30/2023	734,614.09			
Increase		2,166.70			
One month activity					
Interest/Mkt value received		2,166.70			
Increase		2,166.70			

**PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT
May 31, 2023**

		<u>May 2023</u>	<u>April 2023</u>
CASH			
1-00-0103-100	Citizens - Checking	501,106.25	249,930.22
1-00-0103-200	Citizens - Refund	1,155.93	-
1-00-0103-300	Citizens - Merchant	229,192.85	231,593.87
	Bank Total	731,455.03	481,524.09
1-00-0110-000	PETTY CASH	300.00	300.00
1-00-0115-000	CASH ON HAND	5,400.00	5,400.00
	TOTAL CASH	737,155.03	487,224.09

INVESTMENTS				
1-00-0135-000	Local Agency Investment Fund	Acct. Total	12,931.03	12,931.03
1-00-0120-000 UBS Money Market Account General (SS 11469)				
	UBS USA Core Savings	252,323.81	251,497.46	
	UBS RMA Government Portfolio	608,970.90	503,840.86	
	UBS Bank USA Deposit Account	1,869.86	361,547.94	
	Accrued interest	15,626.91	20,548.16	
		878,791.48	1,137,434.42	

US Government Securities						
CUSIP #	Issuer	Maturity Date	Rate	PAR	Market Value	Market Value
917297FP7	US Treasury Bill	06/20/2023		550,000	548,520.50	546,320.50
91282CBX8	US Treasury Note	04/30/2023	0.125	500,000	-	500,000.00
912828WE6	US Treasury Note	11/15/2023	2.750	700,000	691,992.00	691,880.00
91282CBEO	US Treasury Note	01/15/2024	0.125	300,000	290,472.00	290,073.00
				2,050,000	1,530,984.50	2,028,273.50

Certificates of Deposit						
	Issuer	Maturity Date	Rate	Face Value		
	Membersource Cr Un	05/04/2023	4.600		-	239,985.60
1	Homestreet Bank	06/02/2023	4.500	250,000	249,990.00	249,900.00
2	Charles Schwab Bank	07/25/2023	4.600	250,000	249,727.50	249,727.50
3	Beal Bank	08/16/2023	4.700	250,000	249,655.00	249,757.50
4	Goldman Sachs	10/05/2023	5.000	218,000	217,742.76	218,065.40
5	Morgan Stanley	11/30/2023	2.500	150,000	147,921.00	147,931.50
6	Lyons National Bank	12/07/2023	4.850	250,000	249,345.00	249,887.50
7	Pacific Western	02/12/2024	5.200	240,000	239,810.40	-
8	First Horizon	03/01/2024	5.250	250,000	249,900.00	-
9	Liberty Federal Credit	03/08/2024	5.100	250,000	249,600.00	250,460.00
10	Comenity Bank	05/17/2024	2.800	194,950	194,784.00	-
				2,302,950	2,298,475.66	1,855,715.00
				Acct. Total	4,708,251.64	5,021,422.92

1-00-1110-000 UBS Money Market Account Capital (SS 11475)					
	UBS Bank USA Deposit Account			-	407.48
	Accrued interest			3,584.73	2,428.62
				3,584.73	2,836.10

US Government Securities						
CUSIP #	Issuer	Maturity Date	Rate	PAR	Market Value	Market Value
9127996ZD4	US Treasury Bill	11/30/2023		588,000	572,465.04	572,612.04
91282CCU3	US Treasury Note	08/31/2023	0.125	635,000	626,687.85	624,681.25
				1,223,000	1,199,152.89	1,197,293.29

Certificates of Deposit						
	Issuer	Maturity Date	Rate	Face Value		
1	Valleystar Credit Union	08/17/2023	4.800	250,000	249,705.00	249,832.50
				250,000	249,705.00	249,832.50
				Acct. Total	1,452,442.62	1,449,961.89

1-00-0125-000 UBS Access Account General (SS 11432)

UBS Bank USA Deposit Account	-	264,984.37
UBS RMA Government Portfolio	-	-
Accrued interest	25,714.75	18,610.84
	<u>25,714.75</u>	<u>283,595.21</u>

US Government Securities

CUSIP #	Issuer	Maturity Date	Rate	PAR	Market Value	Market Value
912797FN2	US Treasury Bill	06/13/2023		500,000	499,135.00	497,080.00
912796YH6	US Treasury Bill	09/07/2023		500,000	493,125.00	491,325.00
912797LL9	US Treasury Bill	03/21/2024		775,000	743,775.25	742,721.25
91282CAK7	US Treasury Note	09/15/2023	0.125	1,000,000	984,920.00	982,150.00
91282CAK7	US Treasury Note	09/15/2023	0.125	800,000	787,936.00	785,720.00
91282CBA8	US Treasury Note	12/15/2023	0.125	500,000	486,310.00	-
912828B66	US Treasury Note	02/15/2024	2.750	615,000	604,120.65	604,575.75
91282CBR1	US Treasury Note	03/15/2024	0.250	775,000	1,226,295.00	744,790.50
				<u>5,465,000</u>	<u>5,825,616.90</u>	<u>4,848,362.50</u>

Certificates of Deposit

	Issuer	Maturity Date	Rate	Face Value		
	Toyota Financial Svg Bk	05/01/2023	1.550		-	174,951.00
1	CommunityWide Fed	08/30/2023	3.000	188,000	186,928.40	186,764.84
2	Leaders Credit	08/30/2023	3.100	188,000	186,975.40	186,828.76
3	Wasatch Peaks	09/07/2023	3.200	175,000	174,018.25	173,915.00
4	Wells Fargo bank	09/25/2023	4.700	225,000	224,489.25	224,716.50
5	Bank of China	09/29/2023	4.650	250,000	249,377.50	249,635.00
6	First Natl Bank NE US	11/09/2023	5.050	250,000	249,707.50	-
7	Nexbank SSB	12/20/2023	5.250	250,000	249,857.50	250,530.00
8	Truist Bank	01/02/2024	5.100	250,000	249,642.50	250,320.00
9	Bank of India	02/07/2024	5.050	250,000	249,462.50	250,232.50
10	UBS Bank USA Salt Lake	03/08/2024	5.100	160,000	159,744.00	160,294.40
				<u>2,386,000</u>	<u>2,180,202.80</u>	<u>2,108,188.00</u>
				Acct. Total	8,031,534.45	7,240,145.71

Total Managed Accounts

14,205,159.74	13,724,461.55
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1-00-1121-000 UBS Rate Stabilization Fund (SS 24016) - District Restricted

UBS Bank USA Dep acct	4,076.69	3,408.63
UBS RMA Government Portfolio	-	-
Accrued interest	11,469.85	9,645.71
	<u>15,546.54</u>	<u>13,054.34</u>

Certificates of Deposit

	Issuer	Maturity Date	Rate	Face Value		
1	TTCU Fed Credit Union	11/29/2022	3.250	250,000	248,505.00	248,400.00
2	Sandy Spring Bank	11/29/2022	3.500	250,000	248,510.00	248,472.50
3	PNC Bank	12/08/2023	4.750	225,000	224,219.25	224,687.25
				<u>725,000</u>	<u>721,234.25</u>	<u>721,559.75</u>
				Acct. Total	736,780.79	734,614.09

TOTAL CASH AND INVESTMENTS

15,679,095.56	14,946,299.73
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Increase (Decrease) in Funds

732,795.83

1-00-1137-000 2021A Bonds - Project Funds (BNY Mellon)

Construction Funds	2,191,531.69	3,031,801.33
	<u>2,191,531.69</u>	<u>3,031,801.33</u>

1-00-1138-000 2024 Capital Lease - Project Funds (Citizens Business Bank)

Construction Funds	1,751,237.08	1,912,285.66
	<u>1,751,237.08</u>	<u>1,912,285.66</u>

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 14, 2023 **June 20, 2023**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Dennis J. Hoffmeyer, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM 4.5 – DISCUSSION AND OVERVIEW OF FINANCIAL STATEMENTS, REVENUE, AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR MAY 2023. (FINANCE MANAGER HOFFMEYER)*

Discussion:

Presented here are the Balance Sheet and Profit/Loss Statement for the period ending May 31, 2023. Also included are individual departmental budget reports.

This is the 5th month of the District’s Budget Year 2023. Historical trends for the District have our revenues at 36.5% and expenses are 38.8%. This would typically be 41.7% for traditional budgetary percentages. Both operating revenues and expenses are below for the actuals. Please refer to Diagram A for a graphical representation of this information.

Balance Sheet:

- Pages 1 and 2 are the balance sheet for the 5-month period and a graphic presentation of Assets, Liabilities, and Net Position on May 31, 2023.
- The net change for the month-to-month changes was \$4,365,831 and this was related to accepting the audit adjustments related to GASB 68/75 (pension and OPEB) along with the addition of GASB 87 (leases). The first portion of the lease recognition is highlighted in yellow. On the Asset portion of the balance sheet, this is made up of the cell leases and on the Liabilities Portion, is the fleet lease for vehicles provided by Enterprise Fleet Management. There is a second portion of the fleet lease that is in the form of amortized assets, net (highlighted orange).
- The portion highlighted in green is related to net change related to the pension and OPEB liability. Most of the change is related to the CalPERS investments. We will cover this in detail when we have the formal review of the 2022 audit.

Profit/Loss Statement:

- Page 3 is our consolidated profit and loss statement trending for the five months.
- Operating revenues are slightly below historical averages at 35.3%.
- The District’s operating expenses are below historical averages at 35.1%.
- All departmental budgets except for the four highlighted orange, are at or below the historical average.

FINANCE COMMITTEE
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

-2-

June 14, 2023

- Water sales and related operating revenue accounts saw an increase in billed usage for the month (highlighted yellow) and should continue to improve over summer and higher water demand occurs.
- Pages 4 and 5 show the P&L in various graphic forms using major report category totals.

Department indicators

- All departments are still slightly higher on health insurance expenses. This continues to be related to the front loading of the employer portion of the HSA funding for those employees that are enrolled in the consumer-driven health plan for insurance.
- The Administration District-wide has significant increases related to consultant charges (86.2%) and insurance (67.9%). Elections are the largest contributor at 82.2% along with Groundwater Adjudication – Assessment at 55.8%.
- The Information Technology Department's operating expenses continue to be higher as reported in prior months. While staff mentioned some of this was contributed to their service contracts renewing at the beginning of the year, Finance staff has seen some of their expense accounts become fully exhausted compared to the budget allocation. Staff will start the review process to verify there are no keying errors on the postings.
- The Customer Care Department's operating expenses are starting to smooth out and it is anticipated that they will be at historical averages, or close, next month.

Departments:

- Pages 6 through 16 are the detailed individual departmental budgets for your review.

Non-Cash Definitions:

Depreciation: This is the spreading of the total expense of a capital asset over the expected life of that asset.

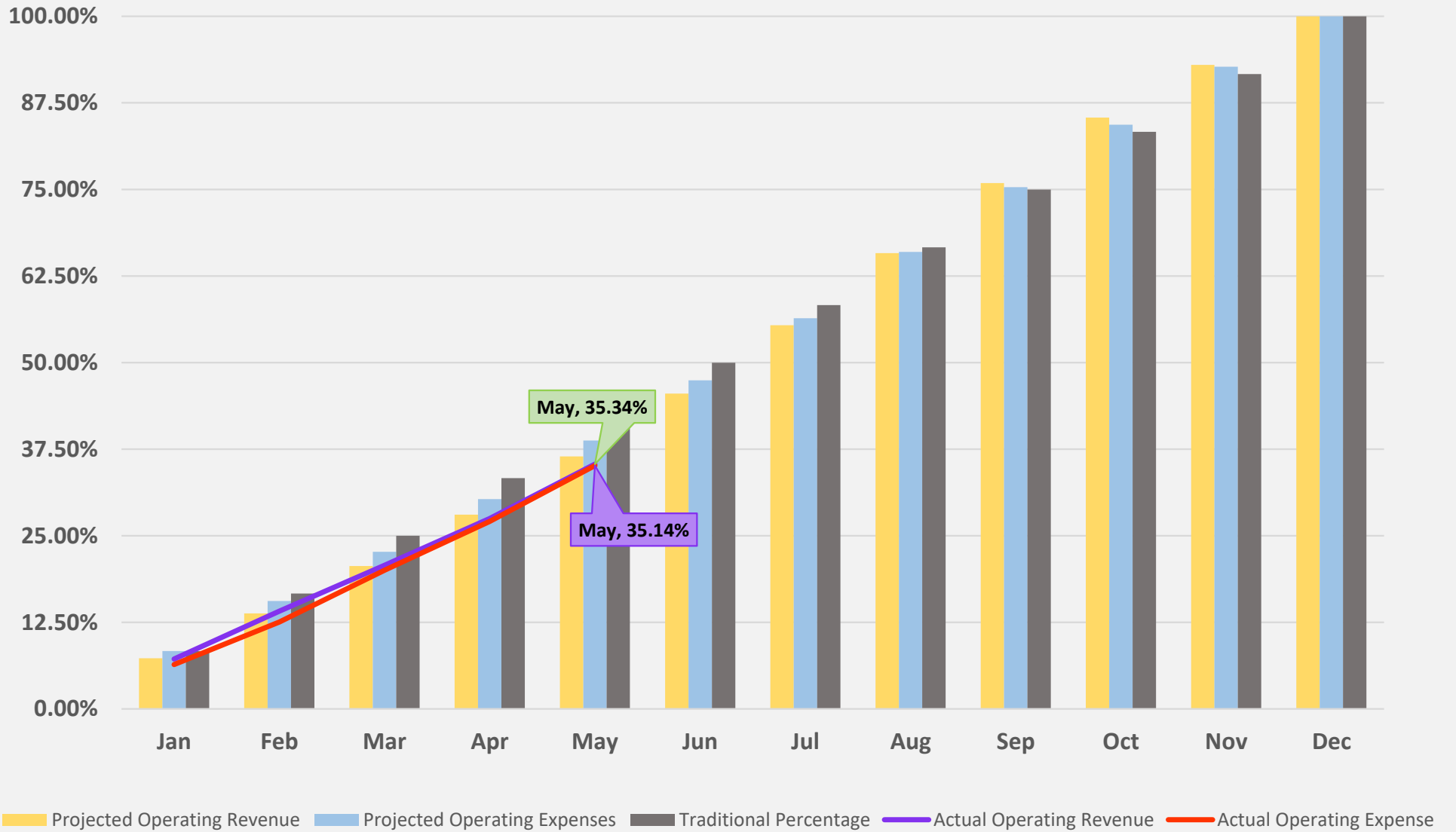
OPEB Accrual Expense: Other Post-Employment Benefits (OPEB) is the recognized annual required contribution to the benefit. The amount is actuarially determined in accordance with the parameters of GASB 45. The amount represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year.

Bad Debt: The uncollectible accounts receivable that has been written off.

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

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

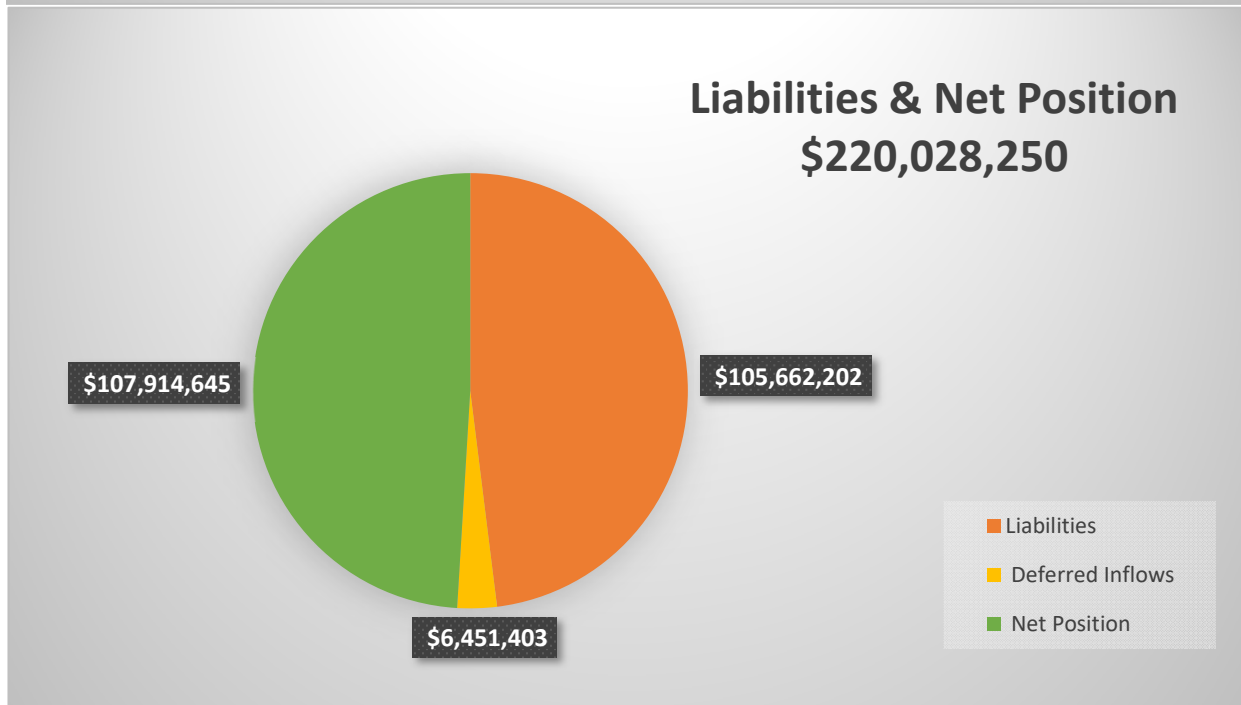
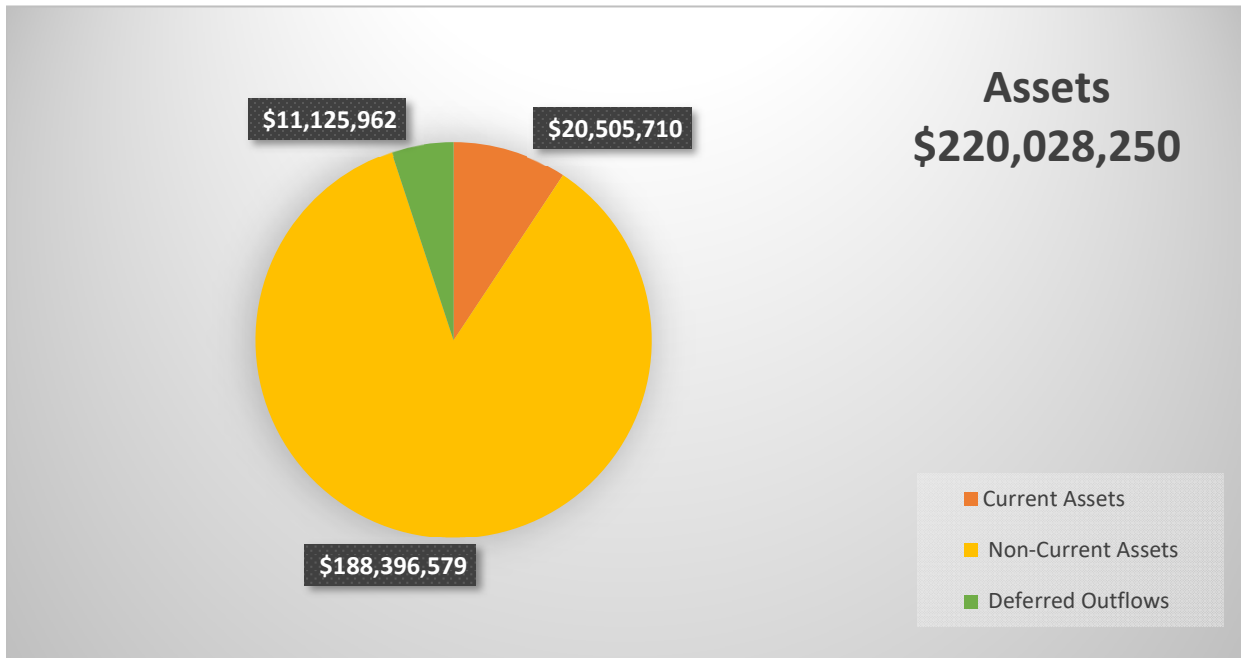
Palmdale Water District Monthly Budgetary Percentages



**Palmdale Water District
Balance Sheet Report**

	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023
ASSETS												
Current Assets:												
Cash and cash equivalents	\$ 735,600	\$ 113,978	\$ 223,440	\$ 487,224	\$ 737,155							
Investments	13,743,580	14,812,992	12,618,592	14,459,076	14,941,941							
Accrued interest receivable	-	-	-	-	-							
Accounts receivable - water sales and services, net	2,281,126	2,138,644	1,994,606	2,044,185	2,254,446							
Accounts receivable - property taxes and assessments	4,566,124	4,107,330	4,067,199	1,506,279	445,984							
Lease receivable	-	-	-	-	102,586							
Accounts receivable - other	161,850	130,398	107,620	136,922	107,470							
Materials and supplies inventory	1,459,695	1,379,344	1,397,031	1,427,559	1,443,240							
Prepaid items and other deposits	626,612	588,177	549,757	486,681	472,888							
Total Current Assets	\$ 23,574,587	\$ 23,270,864	\$ 20,958,246	\$ 20,547,926	\$ 20,505,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Current Assets:												
Restricted - cash and cash equivalents	\$ 6,184,120	\$ 5,871,128	\$ 4,946,087	\$ 4,944,087	\$ 3,942,769							
Lease receivable	-	-	-	-	380,463							
Investment in Palmdale Recycled Water Authority	2,202,482	2,202,482	2,202,482	2,202,482	2,206,782							
Right-to-use asset - being amortized, net	-	-	-	-	366,740							
Capital assets - not being depreciated	21,335,143	21,600,308	21,027,416	21,388,509	25,310,952							
Capital assets - being depreciated, net	158,746,457	158,250,097	159,534,907	159,314,380	156,188,873							
Total Non-Current Assets	\$ 188,468,202	\$ 187,924,015	\$ 187,710,892	\$ 187,849,458	\$ 188,396,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL ASSETS	\$ 212,042,789	\$ 211,194,879	\$ 208,669,138	\$ 208,397,385	\$ 208,902,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED OUTFLOWS OF RESOURCES:												
Deferred loss on debt defeasance, net	\$ 2,809,571	\$ 2,803,311	\$ 2,247,863	\$ 2,241,603	\$ 3,003,306							
Deferred outflows of resources related to pensions	5,023,432	5,023,432	5,023,432	5,023,432	8,122,656							
Total Deferred Outflows of Resources	\$ 7,833,003	\$ 7,826,743	\$ 7,271,295	\$ 7,265,035	\$ 11,125,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 219,875,792	\$ 219,021,621	\$ 215,940,433	\$ 215,662,419	\$ 220,028,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND NET POSITION												
Current Liabilities:												
Accounts payable and accrued expenses	\$ 1,627,575	\$ 473,303	\$ 412,969	\$ 638,929	\$ 1,070,757							
Customer deposits for water service	2,881,254	2,877,733	2,877,216	2,887,335	2,886,283							
Construction and developer deposits	1,645,876	1,645,876	1,645,876	1,645,876	1,660,156							
Accrued interest payable	699,514	874,392	42,000	172,511	345,022							
Long-term liabilities - due in one year:												
Compensated absences	550,450	550,450	536,860	536,860	567,630							
Rate Stabilization Fund	560,000	560,000	560,000	560,000	706,000							
Right-to-use lease payable	-	-	-	-	126,686							
Right-to-use asset financing	447,281	447,281	447,281	225,581	225,581							
Loan payable	1,342,628	1,342,628	676,476	676,476	676,476							
Revenue bonds payable	853,657	853,657	853,657	853,657	1,273,017							
Total Current Liabilities	\$ 10,608,235	\$ 9,625,320	\$ 8,052,336	\$ 8,197,226	\$ 9,537,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-Current Liabilities:												
Long-term liabilities - due in more than one year:												
Compensated absences	\$ 183,483	\$ 183,483	\$ 178,953	\$ 178,953	\$ 189,210							
Right-to-use lease payable	-	-	-	-	229,028							
Right-to-use asset financing	1,952,719	1,952,719	1,952,719	1,952,719	1,952,719							
Loan payable	3,894,939	3,880,904	3,866,869	3,852,835	3,838,800							
Revenue bonds payable	62,830,534	62,830,534	62,830,534	62,830,534	62,411,174							
Net other post employment benefits payable	14,039,490	14,141,047	14,340,077	14,340,077	13,773,562							
Aggregate net pension liability	6,056,636	6,056,636	6,056,636	6,056,636	13,730,102							
Total Non-Current Liabilities	\$ 88,957,801	\$ 89,045,323	\$ 89,225,788	\$ 89,211,753	\$ 96,124,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 99,566,035	\$ 98,670,643	\$ 97,278,124	\$ 97,408,979	\$ 105,662,202	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES:												
Unearned property taxes and assessments	\$ 3,583,333	\$ 2,866,667	\$ 2,150,000	\$ 1,433,333	\$ 716,667							
Deferred amounts related to leases	-	-	-	-	460,575							
Deferred amounts related to net pensions	10,699,946	10,699,946	10,699,946	10,699,946	5,274,161							
Total Deferred Inflows of Resources	\$ 14,283,279	\$ 13,566,613	\$ 12,849,946	\$ 12,133,279	\$ 6,451,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION:												
Profit/(Loss) from Operations	\$ 467,458	\$ 1,225,347	\$ 310,015	\$ 613,052	\$ 251,667							
Restricted for investment in Palmdale Recycled Water Authority	2,202,482	2,202,482	2,202,482	2,202,482	2,206,782							
Unrestricted	103,356,538	103,356,537	103,299,866	103,304,627	105,456,196							
Total Net Position	\$ 106,026,478	\$ 106,784,366	\$ 105,812,363	\$ 106,120,161	\$ 107,914,645	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 219,875,792	\$ 219,021,621	\$ 215,940,433	\$ 215,662,419	\$ 220,028,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

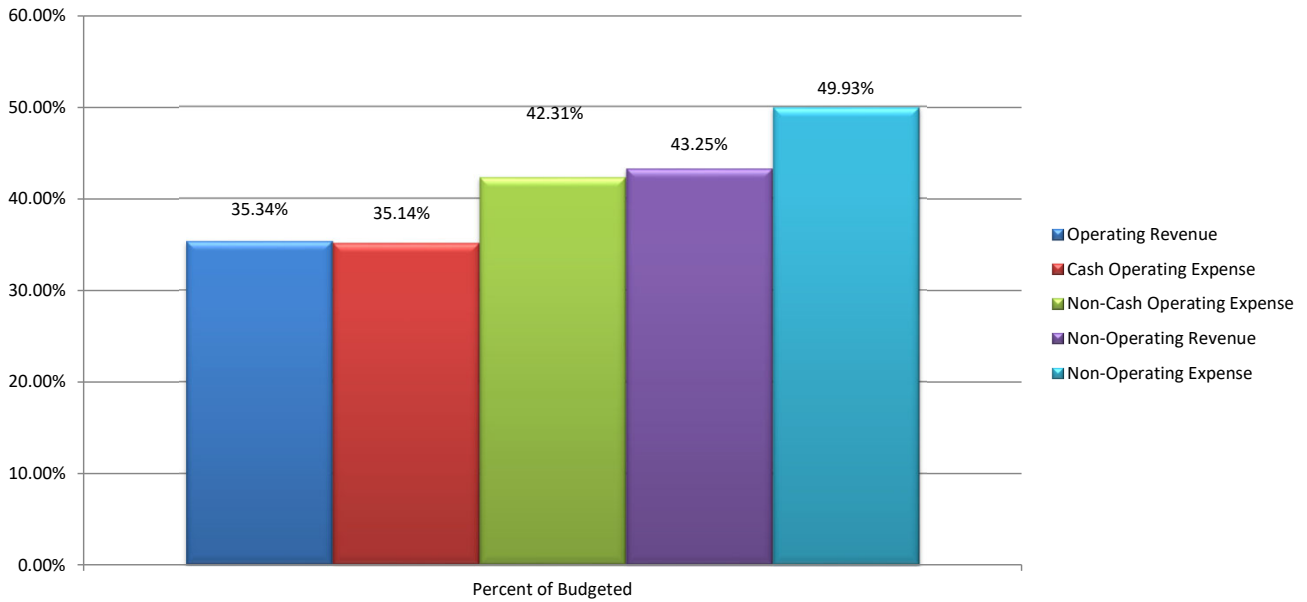
BALANCE SHEET AS OF MAY 31, 2023



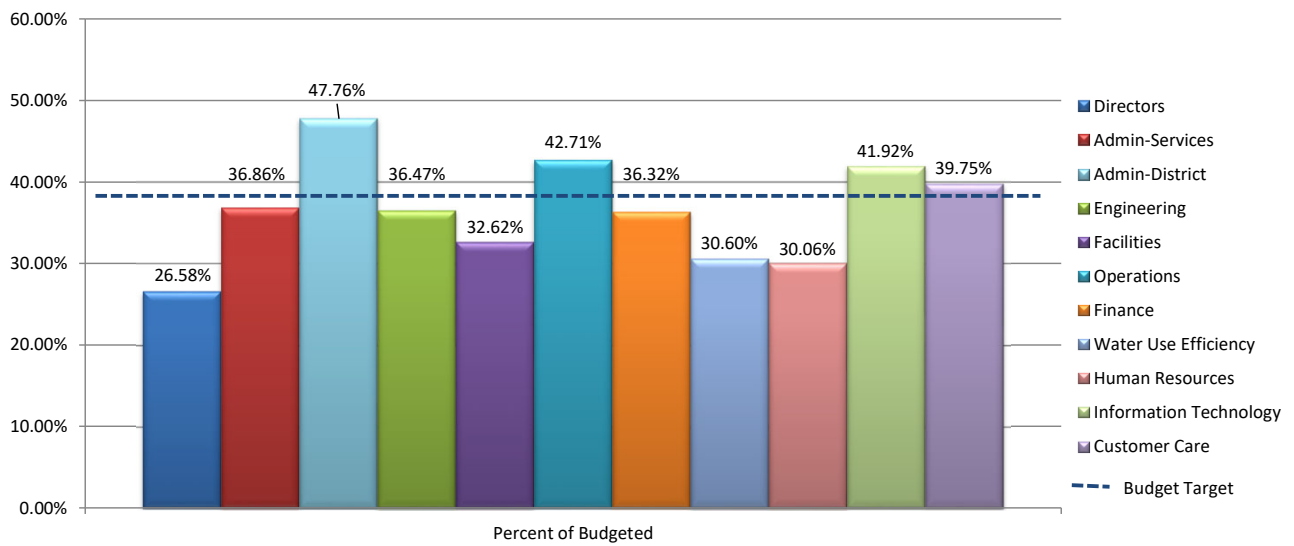
Palmdale Water District
Consolidated Profit and Loss Statement
For the Five Months Ending 5/31/2023

	January	February	March	April	May	June	July	August	September	October	November	December	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:																
Wholesale Water	\$ 32	\$ 17,993	\$ -	\$ 17,315	\$ 19,939								\$ 55,279	\$ 425,000	13.01%	
Water Sales	617,940	511,253	509,964	526,740	819,411								2,985,307	11,884,000	25.12%	
Meter Fees	1,539,495	1,535,709	1,537,946	1,536,989	1,539,952								7,690,091	18,140,000	42.39%	
Water Quality Fees	29,489	25,637	26,996	29,214	41,945								153,281	600,000	25.55%	
Elevation Fees	16,163	13,531	14,470	16,149	26,100								86,413	350,000	24.69%	
Other	123,352	124,197	77,126	84,537	82,322								491,534	1,200,000	40.96%	
Drought Surcharge	25,302	18,771	15,644	(14)	-								59,704	-		
Total Operating Revenue	\$ 2,351,774	\$ 2,247,092	\$ 2,182,146	\$ 2,210,930	\$ 2,529,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,521,610	\$ -	\$ 32,599,000	35.34%
Cash Operating Expenses:																
Directors	\$ 3,367	\$ 14,798	\$ 10,271	\$ 12,366	\$ 10,898								\$ 51,700	\$ 194,500	26.58%	
Administration-Services	174,612	167,803	275,775	160,857	155,337								934,385	2,535,130	36.86%	
Administration-District	259,789	174,510	156,055	383,256	217,310								1,190,920	2,493,635	47.76%	
Engineering	115,124	129,255	188,992	139,672	143,530								716,574	1,964,775	36.47%	
Facilities	521,385	675,948	513,079	519,128	530,787								2,760,327	8,461,136	32.62%	
Operations	281,796	298,385	269,244	339,532	428,693								1,617,650	3,787,623	42.71%	
Finance	154,798	133,686	151,161	153,093	121,264								714,001	1,966,077	36.32%	
Water Use Efficiency	14,782	22,141	28,534	22,597	20,314								108,368	354,172	30.60%	
Human Resources	24,265	40,920	66,755	47,774	41,045								220,758	734,412	30.06%	
Information Technology	215,994	160,524	203,345	155,982	94,818								830,663	1,981,477	41.92%	
Customer Care	124,891	116,207	151,573	129,548	120,093								642,312	1,615,876	39.75%	
Source of Supply-Purchased Water	32,177	2,618	20,818	353,773	16,244								425,630	2,455,000	17.34%	
Plant Expenditures	160,534	96,628	(155,146)	38,091	-								140,107	400,000	35.03%	
Sediment Removal Project	2,957	14,371	129,365	3,205	-								149,899	200,000	74.95%	
GAC Filter Media Replacement	-	-	-	-	-								-	750,000	0.00%	
Total Cash Operating Expenses	\$ 2,086,471	\$ 2,047,795	\$ 2,009,822	\$ 2,458,874	\$ 1,900,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,503,296	\$ -	\$ 29,893,812	35.14%
Net Cash Operating Profit/(Loss)	\$ 265,303	\$ 199,297	\$ 172,324	\$ (247,943)	\$ 629,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,018,314	\$ -	\$ 2,705,188	37.64%
Non-Cash Operating Expenses:																
Depreciation	\$ 447,850	\$ 447,850	\$ 452,094	\$ 449,382	\$ 449,382								\$ 2,246,559	\$ 5,250,000	42.79%	
OPEB Accrual Expense	127,710	127,710	127,710	127,710	127,710								638,550	1,600,000	39.91%	
Bad Debts	-	-	(47)	-	(4)								(51)	25,000	-0.21%	
Service Costs Construction	33,038	15,655	43,466	42,398	47,859								182,417	450,000	40.54%	
Capitalized Construction	(78,026)	(79,726)	(80,947)	(65,653)	(129,033)								(433,386)	(1,100,000)	39.40%	
Capital Contributions	-	-	-	-	-								-	-	-	
Total Non-Cash Operating Expenses	\$ 530,572	\$ 511,489	\$ 542,276	\$ 553,837	\$ 495,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,634,089	\$ -	\$ 6,225,000	42.31%
Net Operating Profit/(Loss)	\$ (265,269)	\$ (312,192)	\$ (369,952)	\$ (801,780)	\$ 133,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,615,775)	\$ -	\$ (3,519,812)	45.91%
Non-Operating Revenues:																
Assessments (Debt Service)	\$ 487,812	\$ 487,812	\$ 480,740	\$ 480,740	\$ 480,740								\$ 2,417,844	\$ 7,000,000	34.54%	
Assessments (1%)	646,652	228,855	235,927	235,927	235,927								1,583,287	3,000,000	52.78%	
DWR Fixed Charge Recovery	-	-	-	93,169	147,145								240,314	175,000	137.32%	
Interest	39,236	37,686	38,404	43,314	33,868								192,508	130,000	148.08%	
CIF - Infrastructure	27,888	85,400	-	2,151	24,207								139,646	200,000	69.82%	
CIF - Water Supply	15,296	487,560	-	-	15,296								518,152	350,000	148.04%	
Grants - State and Federal	-	-	-	-	32,506								32,506	1,100,000	2.96%	
Other	7,002	30,835	359	(10)	19,209								57,394	25,000	229.58%	
Total Non-Operating Revenues	\$ 1,223,887	\$ 1,358,147	\$ 755,429	\$ 855,291	\$ 988,897	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,181,651	\$ -	\$ 11,980,000	43.25%
Non-Operating Expenses:																
Interest on Long-Term Debt	\$ 168,442	\$ 168,442	\$ 716,942	\$ 166,075	\$ 166,075								\$ 1,385,977	\$ 2,046,000	67.74%	
Deferred Charges-Cost of Issuance	-	-	-	-	-								-	-	-	
Amortization of SWP	374,386	374,387	374,388	374,386	374,387								1,871,935	4,464,351	41.93%	
Change in Investments in PRWA	-	-	161	-	-								161	25,000	0.65%	
Water Conservation Programs	9,398	6,643	19,398	8,742	10,715								54,896	100,000	54.90%	
Total Non-Operating Expenses	\$ 552,227	\$ 549,473	\$ 1,110,890	\$ 549,203	\$ 551,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,312,969	\$ -	\$ 6,635,351	49.93%
Net Earnings	\$ 406,391	\$ 496,482	\$ (725,413)	\$ (495,693)	\$ 571,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,907	\$ -	\$ 1,824,837	13.86%

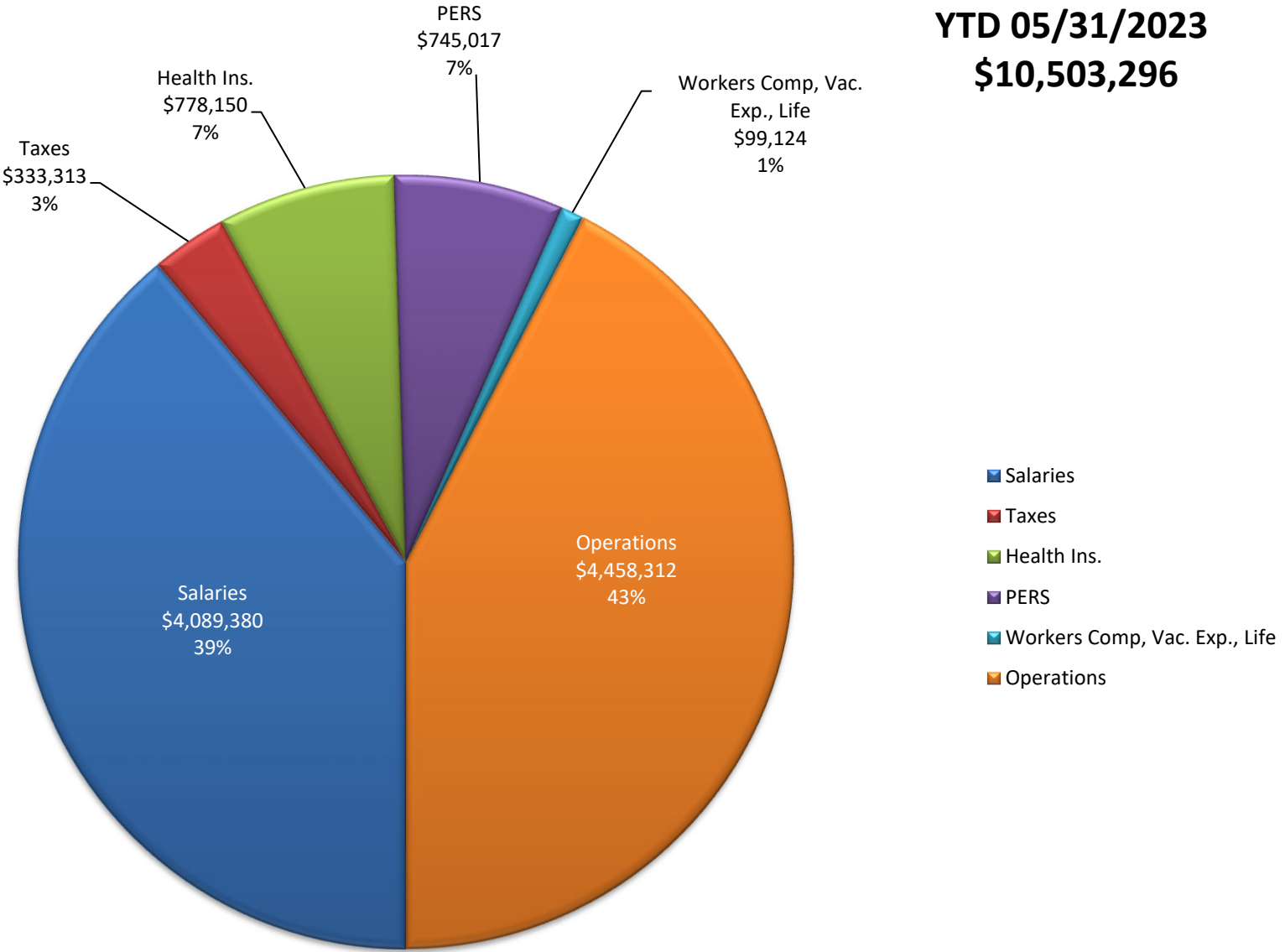
P & L BUDGET vs. ACTUAL



DEPARTMENTAL - BUDGET vs. ACTUAL



**Personnel to Operations Exp
YTD 05/31/2023
\$10,503,296**



Palmdale Water District
2023 Directors Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$	-	\$	-	\$
Employee Benefits					
1-01-4005-000 Payroll Taxes	3,146	9,500		6,354	33.11%
1-01-4010-000 Health Insurance - Directors	10,693	30,000		19,307	35.64%
Subtotal (Benefits)	13,839	39,500	-	25,661	35.03%
 Total Personnel Expenses	 \$ 13,839	 \$ 39,500	 \$	 - \$ 25,661	 35.03%
OPERATING EXPENSES:					
1-01-xxxx-006 Director Share - Dizmang, Gloria	\$ 6,805				
1-01-xxxx-008 Director Share - Mac Laren, Kathy	7,675				
1-01-xxxx-010 Director Share - Dino, Vincent	9,395				
1-01-xxxx-012 Director Share - Wilson, Don	7,197				
1-01-xxxx-014 Director Share - Kellerman, Scott	6,790				
Subtotal Operating Expenses	37,862	155,000	-	117,138	24.43%
 Total O & M Expenses	 \$ 51,700	 \$ 194,500	 \$	 - \$ 142,800	 26.58%

Palmdale Water District
2023 Administration Services Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-4000-000 Salaries	\$ 607,413	\$ 1,597,250		\$ 989,837	38.03%
1-02-4000-100 Overtime	1,415	5,000		3,585	28.30%
Subtotal (Salaries)	\$ 608,828	\$ 1,602,250	\$ -	\$ 993,422	38.00%
Employee Benefits					
1-02-4005-000 Payroll Taxes	\$ 50,830	\$ 126,250		75,420	40.26%
1-02-4010-000 Health Insurance	81,126	180,000		98,874	45.07%
1-02-4015-000 PERS	48,898	165,250		116,352	29.59%
Subtotal (Benefits)	\$ 180,854	\$ 471,500	\$ -	\$ 290,646	38.36%
Total Personnel Expenses	\$ 789,682	\$ 2,073,750	\$ -	\$ 1,284,068	38.08%
OPERATING EXPENSES:					
1-02-4050-000 Staff Travel	\$ 13,385	\$ 16,285	\$ -	\$ 2,900	82.19%
1-02-4050-100 General Manager Travel	-	5,463		5,463	0.00%
1-02-4060-000 Staff Conferences & Seminars	687	6,514		5,827	10.55%
1-02-4060-100 General Manager Conferences & Seminars	35	4,308		4,273	0.81%
1-02-4130-000 Bank Charges	80,421	210,125		129,704	38.27%
1-02-4150-000 Accounting Services	20,000	27,316		7,316	73.22%
1-02-4175-000 Permits	-	19,016		19,016	0.00%
1-02-4180-000 Postage	5,646	17,861		12,215	31.61%
1-02-4190-100 Public Relations - Publications	5,909	36,000		30,091	16.42%
1-02-4190-700 Public Affairs - Marketing/Outreach	6,663	42,000		35,337	15.86%
1-02-4190-705 Public Affairs - Drought Outreach	-	30,000		30,000	0.00%
1-02-4190-710 Public Affairs -Advertising	-	5,253		5,253	0.00%
1-02-4190-720 Public Affairs - Equipment	-	2,539		2,539	0.00%
1-02-4190-730 Public Affairs -Conference/Seminar/Travel	600	4,000		3,400	15.00%
1-02-4190-740 Public Affairs - Consultants	-	2,101		2,101	0.00%
1-02-4190-750 Public Affairs - Membership	362	1,500		1,138	24.13%
1-02-4200-000 Advertising	-	4,308		4,308	0.00%
1-02-4205-000 Office Supplies	10,994	26,791		15,797	41.04%
Subtotal Operating Expenses	\$ 144,703	\$ 461,380	\$ -	\$ 316,677	31.36%
Total Departmental Expenses	\$ 934,385	\$ 2,535,130	\$ -	\$ 1,600,745	36.86%

Palmdale Water District
2023 Administration District Wide Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-5070-001 On-Call	\$ 30,348	\$ 90,000		\$ 59,652	33.72%
Subtotal (Salaries)	\$ 30,348	\$ 90,000	\$ -	\$ 59,652	33.72%
Employee Benefits					
1-02-5070-002 PERS-Unfunded Liability	\$ 411,411	\$ 955,882		544,471	43.04%
1-02-5070-003 Workers Compensation	54,789	230,000		175,211	23.82%
1-02-5070-004 Vacation Benefit Expense	41,659	85,000		43,341	49.01%
1-02-5070-005 Life Insurance	2,677	7,000		4,323	38.24%
Subtotal (Benefits)	\$ 510,535	\$ 1,277,882	\$ -	\$ 767,347	39.95%
Total Personnel Expenses	\$ 540,884	\$ 1,367,882	\$ -	\$ 826,998	39.54%
OPERATING EXPENSES:					
1-02-5070-006 Other Operating	\$ 4,766	\$ 63,038		58,272	7.56%
1-02-5070-007 Consultants	248,954	288,922		39,968	86.17%
1-02-5070-008 Insurance	185,480	273,163		87,682	67.90%
1-02-5070-009 Groundwater Adjudication - Legal	8,164	43,076		34,912	18.95%
1-02-5070-010 Legal Services	68,022	137,632		69,610	49.42%
1-02-5070-011 Memberships/Subscriptions	54,360	173,353		118,993	31.36%
1-02-5070-012 Elections	41,084	50,000		8,916	82.17%
1-02-5070-013 Succession Planning	-	26,266		26,266	0.00%
1-02-5070-014 Groundwater Adjudication - Assessment	39,206	70,304		31,098	55.77%
Subtotal Operating Expenses	\$ 650,037	\$ 1,125,753	\$ -	\$ 475,716	57.74%
Total Departmental Expenses	\$ 1,190,920	\$ 2,493,635	\$ -	\$ 1,302,714	47.76%

Palmdale Water District
2023 Engineering Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 513,158	\$ 1,450,500	\$ -	\$ 937,342	35.38%
1-03-4000-100 Overtime	6,331	16,000		9,669	39.57%
Subtotal (Salaries)	<u>\$ 519,488</u>	<u>\$ 1,466,500</u>	<u>\$ -</u>	<u>\$ 947,012</u>	<u>35.42%</u>
Employee Benefits					
1-03-4005-000 Payroll Taxes	43,302	111,500		68,198	38.84%
1-03-4010-000 Health Insurance	97,111	212,500		115,389	45.70%
1-03-4015-000 PERS	43,222	136,750		93,528	31.61%
Subtotal (Benefits)	<u>\$ 183,635</u>	<u>\$ 460,750</u>	<u>\$ -</u>	<u>\$ 277,115</u>	<u>39.86%</u>
Total Personnel Expenses	<u><u>\$ 703,123</u></u>	<u><u>\$ 1,927,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,224,127</u></u>	<u><u>36.48%</u></u>
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 909	\$ 5,253		4,344	17.31%
1-03-4060-000 Staff Conferences & Seminars	2,325	7,880		5,555	29.51%
1-03-4060-001 Staff Training - Auto CAD Civil 3D	-	10,506		10,506	0.00%
1-03-4155-000 Contracted Services	-	1,576		1,576	0.00%
1-03-4165-000 Memberships/Subscriptions	1,014	3,677		2,663	27.58%
1-03-4250-000 General Materials & Supplies	202	4,063		3,861	4.98%
1-03-4250-100 Supplies - Plotter Paper/Toner	-	4,570		4,570	0.00%
1-03-8100-100 Computer Software - Maint. & Support	9,000	-		(9,000)	0.00%
Subtotal Operating Expenses	<u>\$ 13,451</u>	<u>\$ 37,525</u>	<u>\$ -</u>	<u>\$ 24,074</u>	<u>35.84%</u>
Total Departmental Expenses	<u><u>\$ 716,574</u></u>	<u><u>\$ 1,964,775</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,248,201</u></u>	<u><u>36.47%</u></u>

Palmdale Water District
2023 Facilities Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-04-4000-000 Salaries	\$ 963,067	\$ 2,532,750		\$ 1,569,683	38.02%
1-04-4000-100 Overtime	65,576	150,000		84,424	43.72%
Subtotal (Salaries)	<u>\$ 1,028,643</u>	<u>\$ 2,682,750</u>	\$ -	<u>\$ 1,654,107</u>	<u>38.34%</u>
Employee Benefits					
1-04-4005-000 Payroll Taxes	87,045	215,500		128,455	40.39%
1-04-4010-000 Health Insurance	229,217	513,500		284,283	44.64%
1-04-4015-000 PERS	80,351	236,500		156,149	33.97%
Subtotal (Benefits)	<u>\$ 396,613</u>	<u>\$ 965,500</u>	\$ -	<u>\$ 568,887</u>	<u>41.08%</u>
Total Personnel Expenses	<u><u>\$ 1,425,256</u></u>	<u><u>\$ 3,648,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,222,994</u></u>	<u><u>39.07%</u></u>
OPERATING EXPENSES:					
1-04-4050-000 Staff Travel	\$ 1,586	\$ 6,514		\$ 4,928	24.35%
1-04-4060-000 Staff Conferences & Seminars	1,775	16,285		14,510	10.90%
1-04-4155-000 Contracted Services	103,353	254,439		151,086	40.62%
1-04-4175-000 Permits-Dams	36,334	44,126		7,792	82.34%
1-04-4215-100 Natural Gas - Wells & Boosters	195,254	500,000		304,746	39.05%
1-04-4215-200 Natural Gas - Buildings	8,475	10,400		1,925	81.49%
1-04-4220-100 Electricity - Wells & Boosters	525,612	2,300,000		1,774,388	22.85%
1-04-4220-200 Electricity - Buildings	18,751	104,001		85,250	18.03%
1-04-4225-000 Maint. & Repair - Vehicles	14,149	37,628		23,479	37.60%
1-04-4230-100 Maint. & Rep. Office Building	2,474	29,328		26,853	8.44%
1-04-4230-200 Maint. & Rep. Two Way Radios	509	5,534		5,025	9.20%
1-04-4235-110 Maint. & Rep. Equipment	2,817	14,055		11,238	20.04%
1-04-4235-400 Maint. & Rep. Operations - Wells	39,186	93,865		54,679	41.75%
1-04-4235-405 Maint. & Rep. Operations - Boosters	14,385	58,652		44,267	24.53%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	1,433	28,774		27,342	4.98%
1-04-4235-415 Maint. & Rep. Operations - Facilities	17,246	57,549		40,302	29.97%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	71,888	348,612		276,724	20.62%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	5,862	17,154		11,292	34.17%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	-	7,747		7,747	0.00%
1-04-4235-440 Maint. & Rep. Operations - Large Meters	-	17,154		17,154	0.00%
1-04-4235-450 Maint. & Rep. Operations - Hypo Generators	490	8,743		8,253	5.61%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	14,076	48,695		34,619	28.91%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	343	5,755		5,412	5.96%
1-04-4235-461 Maint. & Rep. Operations - Air Vac	1,654	5,755		4,101	28.75%
1-04-4235-470 Maint. & Rep. Operations - Meters Exchanges	9,370	171,539		162,169	5.46%
1-04-4300-100 Testing - Regulatory Compliance	3,686	21,538		17,851	17.12%
1-04-4300-200 Testing - Large Meters	7,350	13,658		6,308	53.81%
1-04-4300-300 Testing - Edison Testing	-	12,608		12,608	0.00%
1-04-6000-000 Waste Disposal	8,961	22,990		14,028	38.98%
1-04-6100-100 Fuel and Lube - Vehicle	65,879	152,732		86,852	43.13%
1-04-6100-200 Fuel and Lube - Machinery	17,715	27,965		10,250	63.35%
1-04-6200-000 Uniforms	13,219	28,439		15,220	46.48%
1-04-6300-100 Supplies - General	17,601	66,018		48,417	26.66%
1-04-6300-300 Supplies - Electrical	1,192	3,047		1,855	39.11%
1-04-6300-800 Supplies - Construction Materials	16,084	35,548		19,464	45.25%
1-04-6400-000 Tools	27,073	45,806		18,733	59.10%
1-04-7000-100 Leases -Equipment	5,738	15,235		9,497	37.66%
1-04-7000-100 Leases -Vehicles	63,550	175,000		111,450	36.31%
Subtotal Operating Expenses	<u>\$ 1,335,071</u>	<u>\$ 4,812,886</u>	<u>\$ -</u>	<u>\$ 3,477,815</u>	<u>27.74%</u>
Total Departmental Expenses	<u><u>\$ 2,760,327</u></u>	<u><u>\$ 8,461,136</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,700,809</u></u>	<u><u>32.62%</u></u>

Palmdale Water District
2023 Operation Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-05-4000-000 Salaries	\$ 493,541	\$ 1,299,250		\$ 805,709	37.99%
1-05-4000-100 Overtime	45,132	100,000		54,868	45.13%
Subtotal (Salaries)	\$ 538,673	\$ 1,399,250	\$ -	\$ 860,577	38.50%
Employee Benefits					
1-05-4005-000 Payroll Taxes	45,853	107,250		61,397	42.75%
1-05-4010-000 Health Insurance	95,139	190,750		95,612	49.88%
1-05-4015-000 PERS	46,019	129,750		83,731	35.47%
Subtotal (Benefits)	\$ 187,010	\$ 427,750	\$ -	\$ 240,740	43.72%
Total Personnel Expenses	\$ 725,683	\$ 1,827,000	\$ -	\$ 1,101,317	39.72%
OPERATING EXPENSES:					
1-05-4050-000 Staff Travel	\$ -	\$ 3,257		\$ 3,257	0.00%
1-05-4060-000 Staff Conferences & Seminars	1,234	3,257		2,023	37.90%
1-05-4120-100 Training - Lab Equipment	-	5,463		5,463	0.00%
1-05-4155-000 Contracted Services	13,890	104,642		90,752	13.27%
1-05-4175-000 Permits	99,478	85,416		(14,063)	116.46%
1-05-4215-200 Natural Gas - WTP	1,642	3,503		1,861	46.88%
1-05-4220-200 Electricity - WTP	132,480	400,000		267,520	33.12%
1-05-4230-110 Maint. & Rep. - Office Equipment	-	5,866		5,866	0.00%
1-05-4235-110 Maint. & Rep. Operations - Equipment	14,420	23,241		8,821	62.04%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	560	6,972		6,412	8.04%
1-05-4235-415 Maint. & Rep. Operations - Facilities	44,987	81,896		36,909	54.93%
1-05-4235-500 Maint. & Rep. Operations - Wind Turbine	-	11,067		11,067	0.00%
1-05-4236-000 Palmdale Lake Management	35,231	142,616		107,385	24.70%
1-05-6000-000 Waste Disposal	1,081	22,990		21,909	4.70%
1-05-6200-000 Uniforms	7,008	16,251		9,243	43.12%
1-05-6300-100 Supplies - Misc.	7,831	15,438		7,607	50.72%
1-05-6300-600 Supplies - Lab	25,159	78,822		53,663	31.92%
1-05-6300-700 Outside Lab Work	20,560	65,685		45,125	31.30%
1-05-6400-000 Tools	610	6,196		5,586	9.84%
1-05-6500-000 Chemicals	485,062	875,000		389,938	55.44%
1-05-7000-100 Leases -Equipment	734	3,047		2,313	24.10%
Subtotal Operating Expenses	\$ 891,967	\$ 1,960,623	\$ -	\$ 1,068,656	45.49%
Total Departmental Expenses	\$ 1,617,650	\$ 3,787,623	\$ -	\$ 2,169,973	42.71%

Palmdale Water District
2023 Finance Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	\$ 403,650	\$ 1,054,500		\$ 650,850	38.28%
1-06-4000-100 Overtime	1,872	6,000		4,128	31.19%
Subtotal (Salaries)	\$ 405,522	\$ 1,060,500	\$ -	\$ 654,978	38.24%
Employee Benefits					
1-06-4005-000 Payroll Taxes	31,726	92,000		60,274	34.48%
1-06-4010-000 Health Insurance	79,686	181,070		101,384	44.01%
1-06-4015-000 PERS	34,208	130,000		95,792	26.31%
Subtotal (Benefits)	\$ 145,620	\$ 403,070	\$ -	\$ 257,450	36.13%
Total Personnel Expenses	\$ 551,142	\$ 1,463,570	\$ -	\$ 912,428	37.66%
OPERATING EXPENSES:					
1-06-4050-000 Staff Travel	\$ -	\$ 3,000		\$ 3,000	0.00%
1-06-4060-000 Staff Conferences & Seminars	-	2,500		2,500	0.00%
1-06-4155-000 Contracted Services	8,375	66,275		57,900	12.64%
1-06-4155-100 Contracted Services - Infosend	117,501	340,000		222,499	34.56%
1-06-4165-000 Memberships/Subscriptions	125	525		400	23.80%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	553		553	0.00%
1-06-4250-000 General Material & Supplies	-	2,031		2,031	0.00%
1-06-4260-000 Business Forms	107	1,576		1,469	6.79%
1-06-4270-100 Telecommunication - Office	23,786	53,000		29,214	44.88%
1-06-4270-200 Telecommunication - Cellular Stipend	11,700	30,000		18,300	39.00%
1-06-7000-100 Leases - Equipment	1,266	3,047		1,781	41.54%
Subtotal Operating Expenses	\$ 162,860	\$ 502,507	\$ -	\$ 339,648	32.41%
Total Departmental Expenses	\$ 714,001	\$ 1,966,077	\$ -	\$ 1,252,076	36.32%

Palmdale Water District
2023 Water Use Efficiency Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-07-4000-000 Salaries	\$ 73,872	\$ 190,250		\$ 116,378	38.83%
1-07-4000-100 Overtime	2,077	10,500		8,423	19.78%
Subtotal (Salaries)	\$ 75,949	\$ 200,750		\$ 124,801	37.83%
Employee Benefits					
1-07-4005-000 Payroll Taxes	6,553	15,500		8,947	42.28%
1-07-4010-000 Health Insurance	16,546	34,000		17,454	48.66%
1-07-4015-000 PERS	7,796	23,750		15,954	32.82%
Subtotal (Benefits)	\$ 30,895	\$ 73,250	\$ -	\$ 42,355	42.18%
Total Personnel Expenses	\$ 106,843	\$ 274,000	\$ -	\$ 167,157	38.99%
OPERATING EXPENSES:					
1-07-4050-000 Staff Travel	\$ 299	\$ 2,732		\$ 2,433	10.95%
1-07-4060-000 Staff Conferences & Seminar	-	3,257		3,257	0.00%
1-07-4190-300 Public Relations - Landscape Workshop/Training	-	5,463		5,463	0.00%
1-07-4190-400 Public Relations - Contests	-	3,257		3,257	0.00%
1-07-4190-500 Public Relations - Education Programs	-	50,000		50,000	0.00%
1-07-4190-900 Public Relations - Other	120	5,463		5,343	2.20%
1-07-6300-100 Supplies - Misc.	1,106	10,000		8,894	11.06%
Subtotal Operating Expenses	\$ 1,525	\$ 80,172	\$ -	\$ 78,647	1.90%
Total Departmental Expenses	\$ 108,368	\$ 354,172	\$ -	\$ 245,804	30.60%

Palmdale Water District
2023 Human Resources Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 120,763	\$ 383,750		\$ 262,987	31.47%
1-08-4000-100 Salaries - Overtime	1,049	5,250		4,201	19.98%
1-08-4000-200 Salaries - Intern Program	-	54,000		54,000	0.00%
Subtotal (Salaries)	<u>\$ 121,811</u>	<u>\$ 443,000</u>	\$ -	<u>\$ 321,189</u>	<u>27.50%</u>
Employee Benefits					
1-08-4005-000 Payroll Taxes	10,246	34,500		24,254	29.70%
1-08-4010-000 Health Insurance	16,349	42,250		25,901	38.70%
1-08-4015-000 PERS	10,634	34,250		23,616	31.05%
Subtotal (Benefits)	<u>\$ 37,229</u>	<u>\$ 111,000</u>	\$ -	<u>\$ 73,771</u>	<u>33.54%</u>
Total Personnel Expenses	<u><u>\$ 159,040</u></u>	<u><u>\$ 554,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 394,960</u></u>	<u><u>28.71%</u></u>
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ 435	\$ 1,576		\$ 1,141	27.63%
1-08-4060-000 Staff Conferences & Seminars	2,333	1,576		(757)	148.05%
1-08-4070-000 Employee Expense	37,062	80,000		42,938	46.33%
1-08-4095-000 Employee Recruitment	4,101	8,000		3,899	51.27%
1-08-4100-000 Employee Retention	230	4,500		4,270	5.11%
1-08-4120-100 Training-Safety	2,766	35,000		32,234	7.90%
1-08-4120-200 Training-Speciality	1,218	15,000		13,782	8.12%
1-08-4121-000 Safety Program	-	1,051		1,051	0.00%
1-08-4165-000 Membership/Subscriptions	150	1,681		1,531	8.92%
1-08-4165-100 HR/Safety Publications	-	1,051		1,051	0.00%
1-08-6300-500 Supplies - Safety	13,421	30,978		17,557	43.32%
Subtotal Operating Expenses	<u>\$ 61,718</u>	<u>\$ 180,412</u>	\$ -	<u>\$ 118,694</u>	<u>34.21%</u>
Total Departmental Expenses	<u><u>\$ 220,758</u></u>	<u><u>\$ 734,412</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 513,654</u></u>	<u><u>30.06%</u></u>

Palmdale Water District
2023 Information Technology Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-09-4000-000 Salaries	\$ 258,254	\$ 714,000	\$ -	\$ 455,746	36.17%
1-09-4000-100 Overtime	5,343	6,500		1,157	82.20%
Subtotal (Salaries)	<u>\$ 263,597</u>	<u>\$ 720,500</u>	<u>\$ -</u>	<u>\$ 456,903</u>	<u>36.59%</u>
Employee Benefits					
1-09-4005-000 Payroll Taxes	22,049	59,250		37,201	37.21%
1-09-4010-000 Health Insurance	52,997	94,500		41,503	56.08%
1-09-4015-000 PERS	26,198	89,500		63,302	29.27%
Subtotal (Benefits)	<u>\$ 101,245</u>	<u>\$ 243,250</u>	<u>\$ -</u>	<u>\$ 142,005</u>	<u>41.62%</u>
Total Personnel Expenses	<u><u>\$ 364,842</u></u>	<u><u>\$ 963,750</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 598,908</u></u>	<u><u>37.86%</u></u>
OPERATING EXPENSES:					
1-09-4050-000 Staff Travel	\$ 199	\$ 3,257		\$ 3,058	6.10%
1-09-4060-000 Staff Conferences & Seminars	-	10,927		10,927	0.00%
1-09-4155-000 Contracted/Cloud Services	143,573	324,148		180,576	44.29%
1-09-4165-000 Memberships/Subscriptions	200	2,732		2,532	7.32%
1-09-4235-445 Maibt & Repair - Telemetry	908	5,568		4,661	16.30%
1-09-4270-000 Telecommunications	59,753	125,129		65,377	47.75%
1-09-6300-400 Supplies - Telemetry	1,485	1,500		15	99.00%
1-09-6450-110 Equipment - GF Signet Flow Meters	-	7,719		7,719	0.00%
1-09-7000-100 Leases - Equipment	23,667	56,877		33,210	41.61%
1-09-8000-100 Computer Equipment - Computers	14,174	45,705		31,531	31.01%
1-09-8000-200 Computer Equipment - Laptops	24,583	45,705		21,122	53.79%
1-09-8000-300 Computer Equipment - Monitors	-	12,188		12,188	0.00%
1-09-8000-500 Computer Equipment - Printer Supplies	2,964	2,539		(425)	116.75%
1-09-8000-550 Computer Equipment - Telephony	-	3,047		3,047	0.00%
1-09-8000-600 Computer Equipment - Other	7,478	30,470		22,992	24.54%
1-09-8000-650 Computer Equipment - Warranty & Support	13,690	15,235		1,545	89.86%
1-09-8100-100 Computer Software - Maint. and Support	107,935	277,944		170,009	38.83%
1-09-8100-150 Computer Software - Dynamics GP Support	33,540	42,025		8,485	79.81%
1-09-8100-200 Computer Software - Software and Upgrades	31,675	21,013		(10,662)	150.74%
Subtotal Operating Expenses	<u>\$ 465,821</u>	<u>\$ 1,033,727</u>	<u>\$ -</u>	<u>\$ 567,906</u>	<u>45.06%</u>
Total Departmental Expenses	<u><u>\$ 830,663</u></u>	<u><u>\$ 1,997,477</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,166,814</u></u>	<u><u>41.59%</u></u>

Palmdale Water District
2023 Customer Care Budget
For the Five Months Ending Wednesday, May 31, 2023

	YTD ACTUAL 2023	ORIGINAL BUDGET 2023	ADJUSTMENTS 2023	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-10-4000-000 Salaries	\$ 455,470	\$ 1,134,250		\$ 678,780	40.16%
1-10-4000-100 Overtime	3,189	7,000		3,811	45.55%
Subtotal (Salaries)	\$ 458,659	\$ 1,141,250	\$ -	\$ 682,591	40.19%
Employee Benefits					
1-10-4005-000 Payroll Taxes	32,564	87,500		54,936	37.22%
1-10-4010-000 Health Insurance	109,979	227,500		117,521	48.34%
1-10-4015-000 PERS	36,279	121,250		84,971	29.92%
Subtotal (Benefits)	\$ 178,823	\$ 436,250	\$ -	\$ 257,427	40.99%
Total Personnel Expenses	\$ 637,481	\$ 1,577,500	\$ -	\$ 940,019	40.41%
OPERATING EXPENSES:					
1-10-4050-000 Staff Travel	\$ -	\$ 2,101		\$ 2,101	0.00%
1-10-4060-000 Staff Conferences & Seminars	-	3,257		3,257	0.00%
1-10-4155-000 Contracted Services	4,544	26,686		22,142	17.03%
1-10-4230-110 Maintenance & Repair-Office Equipment	-	203		203	0.00%
1-10-4250-000 General Material & Supplies	288	5,078		4,791	5.67%
1-10-4260-000 Business Forms	-	1,051		1,051	0.00%
Subtotal Operating Expenses	\$ 4,831	\$ 38,376	\$ -	\$ 33,545	12.59%
Total Departmental Expenses	\$ 642,312	\$ 1,615,876	\$ -	\$ 973,564	39.75%

New and Replacement Capital Projects

Budget Year	Project	Project Title	Project Type	Contractor	Approved Contract Amount	Board / Manager Approval	Payments Approved to Date	Contract Balance	Through Dec. 2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2023 Total	2024 Carryover
2017	12-400	PRGRRP - Construction of Monitoring Wells / Test Basin	Water Supply	Environmental Const.	427,490	04/26/2017	330,359	97,131	330,359													-	
2017	12-400	PRGRRP - Construction of Monitoring Wells / Test Basin - Auxiliary Items	Water Supply	Various Vendors			35,742	-	35,742													-	
2021	12-606	Spec 1206 - WM Repl in Division and Avenue Q	Replacement Cap.				80,763	-	80,763													-	
	12-606	Spec 1206 - WM Repl in Division and Avenue Q (Bond Fund)	Replacement Cap.	Toro Enterprises, Inc	2,243,362		2,289,079	(45,717)	2,174,625	114,454												114,454	
2018	18-410	PRV Replacement - 40th ST E (Bypass)	General Project				9,852	-	9,852													-	
2018	18-606	45th ST Tank Site - Altitude Valve Replacement	Replacement Cap.				10,951	-	5,021	790	2,607	1,585	509	440								5,931	
2018	18-606	45th ST Tank Site - Altitude Valve Replacement	Replacement Cap.	Cedro Construction, Inc.			305,963	-	-		305,963											305,963	
2018	18-614	LRD - Interior Access Ladder	Replacement Cap.				27,028	-	27,028													-	
2019	19-601	Spec 1901 - ML Replace Ave P					4,066	-	4,066													-	
	19-601	Spec 1901 - ML Replace Ave P		Cedro Construction, Inc.	434,289		452,372	(18,083)	429,754			22,619										22,619	
2020	20-605	Sierra Hwy Tie-in @ Harold St and Abandonment Plan	Replacement Cap.				6,784	-	6,784													-	
	20-605	Sierra Hwy Tie-in @ Harold St and Abandonment Plan (Bond Fund)	Replacement Cap.	Christensen Bros	669,886		701,848	(31,962)	701,848													-	
2020	20-606	2800 Zone Velocity Deficiency	General Project				16,923	-	720		8,463	92	386	7,261								16,203	
2020	20-607	Move PRV Station @ 45th St E	Replacement Cap.				3,322	-	-					3,322								3,322	
2020	20-608	WM Repl in 17th St E from Ave P4 to Ave P8	Replacement Cap.				-	-	-													-	
2020	20-609	WM Repl in Ave Q6,12th to 16th	Replacement Cap.				10,014	-	5,550				3,053	1,411								4,464	
	20-609	WM Repl in Ave Q6,12th to 16th	Replacement Cap.	Cedro Construction, Inc.	201,043		200,039	1,004	-			190,037		10,002								200,039	
2020	20-610	2950 Zone Booster Station @ 3M Clearwell Site	Replacement Cap.				148,376	-	130,854	5,419	4,038	928	1,560	5,577								17,521	
2020	20-611	2020 Meter Exchange Program	General Project				49,418	-	49,418													-	
2020	20-615	2020 Soft Start Repl Program	General Project				20,040	-	20,040													-	
2020	20-619	25th ST Booster #3 Rehab	General Project				13,259	-	13,259													-	
2020	20-622	Well 36 Design & Const.	General Project				85,729	-	84,762	505	461											967	
	20-622	Well 36 Design & Const. (Bond Fund - Design)	General Project	Hazen and Sawyer	646,836		460,002	186,834	376,182	56,846		13,660		13,315								83,821	
	20-622	Well 36 Design & Const. (Bond Fund - Construction)	General Project	Zim Industries, Inc	2,098,913		1,548,555	550,358	1,548,555													-	
2020	20-623	AMI Meter System	General Project				15,000	-	15,000													-	
2020	20-625	WM Repl - 5th ST & Q1 thru Q5					13,526	-	8,431	660		2,167	948	1,320								5,095	
	20-625	WM Repl - 5th ST & Q1 thru Q5		J.Vega Engineering, Inc.	389,086		393,898	(4,812)	-	286,330	8,128	80,262		19,178								393,898	
2020	20-703	Water Conservation Garden Construct @ MOB	General Project				43,850	-	1,640			42,210										42,210	
2021	21-600	2021 Soft Start Replacement Program	Replacement Cap.				13,231	-	13,231													-	
2021	21-601	2021 Booster Building Rehab					15,900	-	15,900													-	
2021	21-602	Repl Brine Storage Tanks - Wells	Replacement Cap.				78,188	-	52,438					25,750								25,750	
2021	21-607	Design 16" WM Ave P Well #8A					10,139	-	9,910	229												229	
2021	21-609	Design WM from 16"to24" Ave S					2,000	-	2,000													-	
2021	21-610	WM Repl E Ave Q10 & 12th St.	Replacement Cap.				16,798	-	16,798													-	
	21-610	WM Repl E Ave Q10 & 12th St.	Replacement Cap.	J.Vega Engineering, Inc.	142,274		-	142,274	133,546		7,029											7,029	
2021	21-613	Palmdale Ditch Conversion	General Project				90,296	-	90,296													-	
2021	21-615	IPS Pump-Check Valve WTP	Replacement Cap.				28,467	-	28,467													-	
2021	21-616	Booster #1 45th St. - Rotating Assembly	Replacement Cap.				21,836	-	21,786				50									50	
2021	21-617	WTP - NaOCL Repl System	Replacement Cap.				924,912	-	4,047	98,272	444,098	6,551	456	371,488								920,865	
2021	21-618	Repair Well #14	General Project				157,026	-	157,026													-	
2021	21-619	Roof Repl Well #3					1,913	-	1,913													-	
2021	21-703	Main Office - Stucco Repair	General Project				393,108	-	26,248	190,424	1,100	6,265		169,071								366,860	
2022	22-601	Des&Const WM @Pearblossom 53rd	General Project				2,820	-	2,820													-	
2022	22-602	Design WM Repl @10th to R4	General Project				2,280	-	2,280													-	
2022	22-604	Des&Const WM Repl Sierra Hwy	General Project				2,220	-	2,220													-	
2022	22-605	Design Recycled Water Pipeline - Avenue Q	General Project				5,400	-	5,400													-	
2022	22-607	Well 2A Generator Upgrade	General Project				12,510	-	6,166					6,344								6,344	
2022	22-609	TOC Analyzer	Replacement Cap.	Shimadzu Scientific			51,203	-	51,203													-	
2022	22-610	Repair Well #8 Pump	General Project				50,467	-	50,467													-	
2022	22-611	Repair Well #32 Pump	General Project				178,149	-	178,149													-	
2022	22-612	Service Line Replacement @ 20th and Avenue R (Qty. 4)	General Project	Internal - Crew			29,446	-	29,446													-	
2022	22-613	Repair Well #3 Motor	General Project				12,728	-	12,728													-	
2022	22-615	Repair Well #26 Pump	General Project				134,313	-	134,313													-	
2022	22-616	Plm Ditch Improvements (Yr 3)	General Project				29,039	-	15,001			14,038										14,038	
2022	22-617	WM Repl - Avenue R & 12th ST					498	-	-				498									498	
	22-617	WM Repl - Avenue R & 12th ST		J.Vega Engineering, Inc.	125,694		125,694	(0)	-			119,409		6,285								125,694	
2022	22-618	Repair Well #23	General Project				10,922	-	10,922													-	
2022	22-619	Vista View Flushing System					21,499	-	-			5,987	14,131	1,381								21,499	
2022	22-621	Repair Well #33					86,960	-	86,960													-	
2022	22-622	Well 15 Design & Construct Discharge Basin					50,437	-	-	1,490	48,947											50,437	
2022	22-624	50-PPD Sodium Hypo Units (2)		DeNora	126,399		136,408	(10,009)	-				8,329	128,079								136,408	
2022	22-626	Repair Well #15	General Project				166,862	-	61,070	25,700			80,092									105,792	
2022	22-629	WTP - Design & Const. Chemical Feed Lines	General Project				35,056	-	9,570	4,646	20,420			420								25,486	
2022	22-631	Replace Main Office HVAC Unit	General Project				7,389	-	7,353					35								35	
2022	22-701	Slide Gates @ Palmdale Lake					25,832	-	-				25,832									25,832	
2023	23-600	Container Cover Facilities Equipment	General Project				18,900	-	-			18,900										18,900	
2023	23-606	2023 Service Line Replacement (District Forces)	General Project				7,425	-</															

Water Revenue Bond - Series 2021A

Updated: June 14, 2023

Project	Project #	Description	Bond Allocation	Contractual Commitment	Payout to Date	Over/(Under)	Uncommitted Bond \$
		2021A WRB Issue	\$ 9,655,193		\$ -	\$ -	\$ 9,655,193
SIERRA	20-605	WM Repl - Sierra Hwy @ Harold St (Christensen Brothers)	-	732,459	701,848	30,611	(701,848)
		Original Contract Amt: \$447,036.60, C.O.1: \$95,571.07, C.O.2: \$127,278.49, C.O.3: \$62,572.57 (Release back of remaining contract commitment after completion of retention payout)		(30,611)			
W36-Design	20-622	Well 36 - Design & Construction (Hazen and Sawyer)	-	646,836	462,335	184,501	(462,335)
W36-Const	20-622	Well 36 - Design & Construction (Zim Industries)	-	2,098,913	1,548,555	550,358	(1,548,555)
W36-Main	20-622	Well 36 - Watermain 15th ST E (Cedro)	-	303,839	-	303,839	-
PRWAP-MGMT	20-65x	Palmdale Regional Water Augmentation Program (Stantec)	-	3,000,000	2,236,265	763,735	(2,236,265)
PRWAP-RVW	22-650	Palmdale Regional Water Augmentation Program (NWRI)	-	112,950	40,843	72,107	(40,843)
WM-AVE_P	19-601	Spec 1901 - Water Main Replacement Avenue P (Cedro)	-	459,749	452,372	7,377.00	(452,372)
		Original Contract Amt: \$434,289, C.O.1: \$25,460.28					
WM-STAN	12-606	Spec 1206 - WM Repl Division/Q (Toro)	-	172,117	172,117	-	(172,117)
WM-Q10	21-610	WM Repl - Avenue Q10 (J.Vega)	-	142,274	140,574	1,700	(140,574)
		Original Contract Amt: \$137,500, C.O.1: \$4,774.28					
WM-5th	20-625	WM Repl - 5th ST & Q1 thru Q5 (J.Vega)	-	389,086	385,770	3,316	(385,770)
		Original Contract Amt: \$364,050, C.O.1: \$5,854.20, C.O.2: \$7,585.00, C.O.3: \$11,596.95					
ALT-VALVE	18-606	45th St Tank Site - Altitude Valve Repl (Cedro)	-	380,358	305,963	74,394	(305,963)
		Original Contract Amt: \$368,125, C.O.1: \$2,186.78, C.O.2: \$6,527.53, C.O.3: \$3,518.39					
WM-R&12th	22-617	WM Repl - Avenue R & 12th Street (J.Vega)	-	125,694	125,694	-	(125,694)
WM-Q6	20-609	WM Repl - Avenue Q6 at 12th Street (Cedro)	-	201,043	200,039	1,004.00	(200,039)
LAND	1-00-1300-000	Land Purchase - Water Augmentation Plant (Production Site)	-	685,000	691,285	(6,285)	(691,285)
			-		-	-	
PWD		Design, Engineering and Other Preconstruction Costs	344,807	344,807	344,807	-	-
WRB		Bond Issuance Costs	267,309	267,309	267,309	-	
ISS		Issuance Funds	(7,733)	(7,733)	(7,733)		
Totals:			\$ 10,259,576	\$ 10,024,091	\$ 8,068,045	\$ 1,956,046	\$ 2,191,532
				2021A Water Revenue Bonds - Unallocated Funds:			
				\$ 235,485			
					2021A Water Revenue Bonds - Remaining Funds to payout:		
					\$ 2,191,532		

Requisition No.	Payee	Date Approved	Invoice No.	Project	Payment Amount
42	Commonwealth Land Title Company	May 16, 2023	Final Escrow	LAND	689,285.00
41	Hazen and Sawyer - Design Engineers	May 9, 2023	20182-000-23	W36-Design	6,657.50
41	National Water Research Institute - Project Review	May 9, 2023	2023-1012	PRWAP-RVW	12,605.25
41	Cedro Construction, Inc	May 9, 2023	Retention	WM-Q6	10,001.95
41	Hazen and Sawyer - Design Engineers	May 9, 2023	20182-000-22	W36-Design	8,990.00
40	Stantec Consulting Services, Inc.	May 3, 2023	2075117	PRWAP-MGMT	87,266.93
40	J. Vega Engineering, Inc.	May 3, 2023	Retention	WM-5th	19,178.31
40	J. Vega Engineering, Inc.	May 3, 2023	Retention	WM-R&12th	6,284.70
39	Commonwealth Land Title Company	Apr 3, 2023	Escrow Deposit	LAND	2,000.00
38	Stantec Consulting Services, Inc.	Mar 29, 2023	2059691	PRWAP-MGMT	149,061.02
37	Cedro Construction, Inc	Mar 20, 2023	Retention	WM-AVE_P	22,618.61
36	Hazen and Sawyer - Design Engineers	Mar 13, 2023	20182-000-21	W36-Design	13,660.00
36	Stantec Consulting Services, Inc.	Mar 13, 2023	2046506	PRWAP-MGMT	349,992.84
35	Cedro Construction, Inc	Mar 6, 2023	PP #1 20-609	WM-Q6	190,037.05
34	J. Vega Engineering, Inc.	Mar 2, 2023	PP #1 22-617	WM-R&12th	119,409.38
34	J. Vega Engineering, Inc.	Mar 2, 2023	PP #2 20-625	WM-5th	80,261.85
33	J. Vega Engineering, Inc.	Feb 7, 2023	Retention	WM-Q10	7,028.71
33	Cedro Construction, Inc	Feb 7, 2023	PP #1	ALT-VALVE	305,963.36
32	Stantec Consulting Services, Inc.	Jan 26, 2023	2008254	PRWAP-MGMT	243,859.38
32	Toro Enterprises, Inc	Jan 26, 2023	RET11611	WM-STAN	114,453.94
32	Hazen and Sawyer - Design Engineers	Jan 26, 2023	20182-000-20	W36-Design	38,097.00
31	Stantec Consulting Services, Inc.	Jan 12, 2023	2008254	PRWAP-MGMT	413,707.95
30	J. Vega Engineering, Inc.	Jan 9, 2023	PP #1 20-625	WM-5th	286,330.00

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE:	June 14, 2023	June 20, 2023
TO:	FINANCE COMMITTEE	Committee Meeting
FROM:	Mr. Dennis J. Hoffmeyer, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	<i>AGENDA ITEM 5.1 – REPORTS</i>	


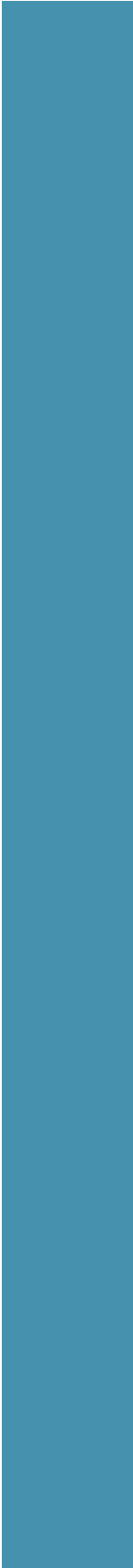
Discussion:

Presented here are financial-related items for your review.

- 1. Accounts receivable overview.
 - a. Shown below is the makeup of the various account types that have past due balances over 60 days with amounts greater than \$50.00. This includes their current outstanding balances as part of the total.

	Accounts	Outstanding	Over 90 Days
Remaining Accounts	4	7,779	\$193
Commercial/Industrial	7	\$12,524	\$129
Multi-Family Residential	4	\$1,250	-
Single Family Residential	674	\$183,650	\$16,999
SFR (Apr 2023)	837	\$237,662	\$31,773

- b. Staff continues to work with the customers offering payment arrangements to encourage payment of outstanding balances. We have 15 arrangements as of May 31. The total amount in arrangements is \$18,298 with \$6,390 already collected and \$11,908 outstanding.
- 2. Revenue Projections (attachment):
 - a. Revenue projections for 2023 based on selling 14,500 AF shown as of May 31, revenue is behind projections by approximately \$1,082,146. This amount has the drought surcharge only included through the month of March.



**PALMDALE WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Years Ended
December 31, 2022 and 2021**

NIGRO & NIGRO^{PC}

PALMDALE WATER DISTRICT

For the Years Ended December 31, 2022 and 2021

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Palmdale Water District
Palmdale, California

Opinion

We have audited the accompanying basic financial statements of Palmdale Water District, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Palmdale Water District as of December 31, 2022 and 2021, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Notes 1, 4 and 7 to the financial statements, as of January 1, 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and schedule of OPEB contributions, 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 31, 2023, 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 the effectiveness of the District's 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.

Murrieta, California
May 31, 2023

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2022 and 2021

Management's Discussion and Analysis (MD&A) offers readers of Palmdale Water District's financial statements a narrative overview of the District's financial activities for the years ended December 31, 2022 and 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- In 2022, the District's net position increased 7.75% or \$7,745,970 from the prior year's net position of \$99,917,008 to \$107,662,978, as a result of this year's operations, as well as a prior period adjustment due to a change in accounting principle.
- In 2021, the District's net position increased 3.28% or \$3,170,549 from the prior year's net position of \$96,746,459 to \$99,917,008, as a result of this year's operations.
- In 2022, the District's operating revenues increased by 3.16% or \$959,242 from \$30,361,197 to \$31,320,439, from the prior year, primarily due to an increase in monthly meter service charges of \$1,582,962.
- In 2021, the District's operating revenues increased by 10.19% or \$2,807,977 from \$27,553,220 to \$30,361,197, from the prior year, primarily due to an increase in water sales – commodity charge of \$1,362,436 and an increase in monthly meter service charges of \$1,386,643.
- In 2022, the District's operating expenses before overhead absorption and depreciation expense decreased by 6.98% or \$1,989,863 from \$28,491,804 to \$26,501,941, from the prior year, primarily due to a decrease in source of supply – water purchases of \$2,947,954.
- In 2021, the District's operating expenses before overhead absorption and depreciation expense increased by 12.69% or \$3,209,417 from \$25,282,387 to \$28,491,804, from the prior year, primarily due to an increase in source of supply – water purchases of \$2,989,503.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include four components: (1) Balance Sheet; (2) Statement of Revenues, Expenses, and Changes in Net Position; (3) Statement of Cash Flows; and (4) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position, results of operations, and changes in cash flow during the years ending December 31, 2022 and 2021. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2022 and 2021

REQUIRED FINANCIAL STATEMENTS

Balance Sheets

The Balance Sheet presents information on the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, zoning, and new or changed legislation or regulations also need to be considered when establishing financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflow of resources, resulting in a net position of \$107,662,978 and \$99,917,008 as of December 31, 2022 and 2021, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the year. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the year and can be used to determine if the District has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the District's core activities. Non-operating revenues and expenses are not directly related to the core activities of the District (e.g. interest income, interest expense, property taxes, gain or loss on sale of assets). For the year ended December 31, 2022, net position from operations increased \$7,745,970, which included an increase of \$11,804 as the result of prior period adjustment from the implementation of GASB 87 (See Note 14). Also, for the year ended December 31, 2021, net position from operations increased \$3,170,549.

Statement of Cash Flows

The Statement of Cash Flows presents information regarding the District's use of cash during the year. It reports cash receipts, cash payments, and net changes in cash resulting from operations, financing and investing activities. The Statement of Cash Flows provides answers to such questions as: Where did cash come from? What was cash used for? What was the change in the cash balance during the reporting period?

District cash flows for the years have been categorized into one of the following activities: operating, noncapital financing, capital and related financing, or investing. For 2022, the total of these categories represents a decrease in cash and cash equivalents of \$3,194,572, which is subtracted from the beginning cash and cash equivalents of \$14,635,211, to arrive at ending cash and cash equivalents of \$11,440,639. For 2021, the total of these categories represents a increase in cash and cash equivalents of \$10,898,169, which is added to the beginning cash and cash equivalents of \$3,737,042, to arrive at ending cash and cash equivalents of \$14,635,211.

PALMDALE WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2022 and 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheets

	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021	Change	Balance, Dec. 31, 2020	Change
Assets:					
Current assets	\$ 26,645,883	\$ 24,885,227	\$ 1,760,656	\$ 20,210,560	\$ 4,674,667
Non-current assets	10,677,947	13,232,582	(2,554,635)	4,466,060	8,766,522
Capital assets, net	179,433,790	168,167,993	11,265,797	166,964,871	1,203,122
Total assets	216,757,620	206,285,802	10,471,818	191,641,491	14,644,311
Deferred outflows of resources	11,706,450	9,072,562	2,633,888	9,018,550	54,012
Total assets and deferred outflows	\$ 228,464,070	\$ 215,358,364	\$ 13,105,706	\$ 200,660,041	\$ 14,698,323
Liabilities:					
Current liabilities	14,724,327	12,222,577	2,501,750	10,168,200	2,054,377
Non-current liabilities	96,042,029	88,418,833	7,623,196	89,145,383	(726,550)
Total liabilities	110,766,356	100,641,410	10,124,946	99,313,583	1,327,827
Deferred inflows of resources	10,034,736	14,799,946	(4,765,210)	4,599,999	10,199,947
Net position:					
Net investment in capital assets	119,416,779	111,538,623	7,878,156	110,142,267	1,396,356
Restricted	2,206,782	2,202,482	4,300	2,201,548	934
Unrestricted	(13,960,583)	(13,824,097)	(136,486)	(15,597,356)	1,773,259
Total net position	107,662,978	99,917,008	7,745,970	96,746,459	3,170,549
Total liabilities, deferred inflows and net position	\$ 228,464,070	\$ 215,358,364	\$ 13,105,706	\$ 200,660,041	\$ 14,698,323

The condensed statement above presents a summary of the District's statement of net position.

The District's Net Position as of December 31, 2022 totaled \$107,662,978 compared with \$99,917,008 as of December 31, 2021, an increase of 7.75%.

The District's Net Position as of December 31, 2021 totaled \$99,917,008 compared with \$96,746,459 as of December 31, 2020, an increase of 3.28%.

Net position is accumulated from revenues, expenses, and contributed capital combined with the beginning balance of net position as presented in the Statement of Revenues, Expenses, and Changes in Net Position.

PALMDALE WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2022 and 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>Balance, Dec. 31, 2022</u>	<u>Balance, Dec. 31, 2021</u>	<u>Change</u>	<u>Balance, Dec. 31, 2020</u>	<u>Change</u>
Operating revenues	\$ 31,320,439	\$ 30,361,197	\$ 959,242	\$ 27,553,220	\$ 2,807,977
Operating expenses	(26,501,941)	(28,491,804)	1,989,863	(25,282,387)	(3,209,417)
Operating income before overhead absorption	<u>4,818,498</u>	<u>1,869,393</u>	<u>2,949,105</u>	<u>2,270,833</u>	<u>(401,440)</u>
Overhead absorption	(2,057,284)	(281,192)	(1,776,092)	557,620	(838,812)
Operating income before depreciation	<u>2,761,214</u>	<u>1,588,201</u>	<u>1,173,013</u>	<u>2,828,453</u>	<u>(1,240,252)</u>
Depreciation expense	(5,359,892)	(5,270,174)	(89,718)	(5,144,968)	(125,206)
Operating loss after depreciation	<u>(2,598,678)</u>	<u>(3,681,973)</u>	<u>1,083,295</u>	<u>(2,316,515)</u>	<u>(1,365,458)</u>
Non-operating revenues(expenses), net	4,770,576	1,136,186	3,634,390	2,647,757	(1,511,571)
Net income(loss) before capital contributions	<u>2,171,898</u>	<u>(2,545,787)</u>	<u>4,717,685</u>	<u>331,242</u>	<u>(2,877,029)</u>
Capital contributions	5,562,268	5,716,336	(154,068)	1,235,438	4,480,898
Change in net position	<u>7,734,166</u>	<u>3,170,549</u>	<u>4,563,617</u>	<u>1,566,680</u>	<u>1,603,869</u>
Net position:					
Beginning of year	99,917,008	96,746,459	3,170,549	95,179,779	1,566,680
Prior period adjustment	<u>11,804</u>	<u>-</u>	<u>11,804</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 107,662,978</u>	<u>\$ 99,917,008</u>	<u>\$ 7,745,970</u>	<u>\$ 96,746,459</u>	<u>\$ 3,170,549</u>

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 increased from operations by \$7,734,166, \$3,170,549, and \$1,566,680, for the years ended December 31, 2022, 2021, and 2020 respectively.

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2022 and 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Total Revenues

	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021	Change	Balance, Dec. 31, 2020	Change
Operating revenues:					
Water sales – commodity charge	\$ 11,701,601	\$ 12,501,007	\$ (799,406)	\$ 11,138,571	\$ 1,362,436
Water sales – wholesale	500,102	561,298	(61,196)	467,776	93,522
Monthly meter service charge	16,801,752	15,218,790	1,582,962	13,832,147	1,386,643
Water quality fees	623,061	704,782	(81,721)	824,429	(119,647)
Elevation fees	357,741	379,529	(21,788)	363,869	15,660
Other charges for services	1,336,182	995,791	340,391	926,428	69,363
Total operating revenues	31,320,439	30,361,197	959,242	27,553,220	2,807,977
Non-operating:					
Property taxes – ad valorem	2,640,066	1,660,944	979,122	1,678,388	(17,444)
Property tax assessment for State Water Project	7,169,879	5,179,076	1,990,803	5,194,911	(15,835)
Successor agency component of property taxes	836,598	840,880	(4,282)	731,045	109,835
Rental revenue – cellular towers	193,519	18,012	175,507	15,394	2,618
Investment earnings	97,234	(1,067)	98,301	170,760	(171,827)
Change in investment – PRWA	4,300	934	3,366	243,326	(242,392)
Legal and insurance refunds/settlements	74,172	61,746	12,426	2,491	59,255
Department of Water Resources – FCR	349,339	368,950	(19,611)	299,879	69,071
Other non-operating revenues	162,401	87,839	74,562	42,971	44,868
Total non-operating	11,527,508	8,217,314	3,310,194	8,379,165	(161,851)
Total revenues	\$ 42,847,947	\$ 38,578,511	\$ 4,269,436	\$ 35,932,385	\$ 2,646,126

In 2022, the District's operating revenues increased by 3.16% or \$959,242 from \$30,361,197 to \$31,320,439, from the prior year, primarily due to an increase in monthly meter service charges of \$1,582,962.

In 2021, the District's operating revenues increased by 10.19% or \$2,807,977 from \$27,553,220 to \$30,361,197, from the prior year, primarily due to an increase in water sales – commodity charge of \$1,362,436 and an increase in monthly meter service charges of \$1,386,643.

PALMDALE WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2022 and 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Total Expenses

	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021	Change	Balance, Dec. 31, 2020	Change
Operating expenses:					
Source of supply – water purchases	\$ 2,337,064	\$ 5,285,018	\$ (2,947,954)	\$ 2,295,515	\$ 2,989,503
Operations and production	3,626,458	3,533,551	92,907	3,542,182	(8,631)
Facilities	7,662,975	7,484,342	178,633	7,463,258	21,084
Engineering	1,691,545	1,670,042	21,503	1,836,486	(166,444)
Water conservation	509,733	381,068	128,665	373,612	7,456
Administration	7,325,826	6,760,997	564,829	6,598,878	162,119
Finance and customer care	3,348,340	3,376,786	(28,446)	3,172,456	204,330
Operating expenses before overhead absorption	26,501,941	28,491,804	(1,989,863)	25,282,387	3,209,417
Overhead absorption	2,057,284	281,192	1,776,092	(557,620)	838,812
Operating expenses before depreciation	28,559,225	28,772,996	(213,771)	24,724,767	4,048,229
Depreciation and amortization	5,359,892	5,270,174	89,718	5,144,968	125,206
Total operating expenses	33,919,117	34,043,170	(124,053)	29,869,735	4,173,435
Non-operating expenses:					
Cost of debt issuance	7,500	333,796	(326,296)	398,953	(65,157)
State Water Project amortization expense	4,008,232	4,222,272	(214,040)	2,854,227	1,368,045
Rate assistance program expense	304,008	-	304,008	-	-
Interest expense – long-term debt	2,437,192	2,525,060	(87,868)	2,478,228	46,832
Total non-operating	6,756,932	7,081,128	(324,196)	5,731,408	1,349,720
Total expenses	\$ 40,676,049	\$ 41,124,298	\$ (448,249)	\$ 35,601,143	\$ 5,523,155

In 2022, the District's operating expenses before overhead absorption and depreciation expense decreased by 6.98% or \$1,989,863 from \$28,491,804 to \$26,501,941, from the prior year, primarily due to a decrease in source of supply – water purchases of \$2,947,954.

In 2021, the District's operating expenses before overhead absorption and depreciation expense increased by 12.69% or \$3,209,417 from \$25,282,387 to \$28,491,804, from the prior year, primarily due to an increase in source of supply – water purchases of \$2,989,503.

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2022 and 2021

CAPITAL ASSETS

At the end of 2022, 2021 and 2020, the District's investment in capital assets was \$179,433,790, \$168,167,993 and \$166,964,871, net of accumulated depreciation, respectively. Capital asset additions during the years ended December 31, 2022 and 2021 were \$14,139,799 and \$5,006,246, for various projects and equipment. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$5.2 million and \$5.2 million as of December 31, 2022 and 2021, respectively.

Table A-5: Capital Assets at Year End, Net of Depreciation

Capital assets:	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020
Non-depreciable assets	\$ 21,316,338	\$ 10,995,185	\$ 25,856,069
Depreciable assets	357,426,072	347,561,242	322,008,332
Accumulated depreciation	<u>(199,308,620)</u>	<u>(190,388,434)</u>	<u>(180,899,530)</u>
Total capital assets, net	<u>\$ 179,433,790</u>	<u>\$ 168,167,993</u>	<u>\$ 166,964,871</u>

LONG-TERM DEBT

At year-end the District had \$71.3 million in capital leases, loan payables, and revenue bonds payables – an increase(decrease) of (\$372,807) and \$9,009,737 in 2022 and 2021 respectively – as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements).

Table A-6: Outstanding Long-Term Debt at Year-End

Long-term debt:	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020
Right-to-use asset financing	\$ 2,400,000	\$ 88,250	\$ 175,290
Loan payable – 2012	1,342,628	2,643,024	3,904,026
Revenue bonds payable, net – 2013	10,359,167	11,056,295	21,253,423
Revenue bonds payable, net – 2018	13,508,927	13,795,973	13,833,019
Revenue refunding bonds – non-taxable – 2020	8,952,691	8,965,604	8,978,105
Revenue refunding bonds – taxable – 2020	14,190,000	14,355,000	14,555,000
Revenue bonds – 2021A	10,225,880	10,255,124	-
Revenue refunding bonds – 2021	10,356,500	10,549,330	-
Total	<u>\$ 71,335,793</u>	<u>\$ 71,708,600</u>	<u>\$ 62,698,863</u>

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2022 and 2021

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

- The District was required to meet the State of California's mandatory 20% drought restrictions put in place in April of 2022. The District's customers have responded to the mandate by changing their water usage habits.
- Billed water consumption for the year ended December 31, 2022 was at 15,903-acre feet compared to 17,984-acre feet for the year ended December 31, 2021.
- The District's assessed valuation has increased to \$2.26 billion for FY 2021/2022 from \$2.15 billion for FY 2020/2021.
- The District received \$2.6 million in ad valorem property tax revenue for 2022.
- The District received \$836,598 in successor agency component property taxes for 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's ratepayer, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives and the stewardship of the facilities it owns and operates. If you have questions about this report or need additional information, please contact Palmdale Water District, Finance Department, 2029 East Avenue Q, Palmdale, California 93550 or (661) 947-4111.

PALMDALE WATER DISTRICT

Balance Sheets

December 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents (Note 2)	\$ 3,716,677	\$ 3,605,111
Investments (Note 2)	12,378,256	10,978,339
Accrued interest receivable	37,140	32,152
Accounts receivable – water sales and services, net (Note 3)	2,454,125	2,604,798
Accounts receivable – property taxes and assessments	5,459,701	4,374,275
Lease receivable (Note 4)	102,586	-
Accounts receivable – other	221,643	581,268
Materials and supplies inventory	1,451,130	1,894,031
Prepaid expenses	824,625	815,253
Total current assets	26,645,883	24,885,227
Non-current assets:		
Restricted – cash and cash equivalents (Note 2)	7,723,962	11,030,100
Lease receivable (Note 4)	380,463	-
Investment in Palmdale Recycled Water Authority (Note 5)	2,206,782	2,202,482
Right-to-use asset – being amortized, net (Note 7)	366,740	-
Capital assets – not being depreciated (Note 6)	21,316,338	10,995,185
Capital assets – being depreciated, net (Note 6)	158,117,452	157,172,808
Total non-current assets	190,111,737	181,400,575
Total assets	216,757,620	206,285,802
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt defeasance, net (Note 9)	3,583,794	4,049,130
Deferred amounts related to net OPEB obligation (Note 10)	2,887,977	3,245,025
Deferred amounts related to net pension liability (Note 11)	5,234,679	1,778,407
Total deferred outflows of resources	11,706,450	9,072,562
Total assets and deferred outflows of resources	\$ 228,464,070	\$ 215,358,364

PALMDALE WATER DISTRICT
Balance Sheets (continued)
December 31, 2022 and 2021

LIABILITIES	2022	2021
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,489,452	\$ 3,758,161
Customer deposits for water service	3,700,690	3,488,304
Construction and developer deposits	1,641,722	1,641,078
Accrued interest payable	524,635	561,941
Long-term liabilities – due within one year:		
Compensated absences (Note 8)	178,216	168,704
Right-to-use lease payable (Note 7)	126,686	-
Right-to-use asset financing (Note 9)	447,281	88,250
Loan payable (Note 9)	1,342,628	1,300,396
Revenue bonds payable (Note 9)	1,273,017	1,215,743
Total current liabilities	14,724,327	12,222,577
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 8)	534,647	506,112
Right-to-use lease payable (Note 7)	229,028	-
Right-to-use asset financing (Note 9)	1,952,719	-
Loan payable (Note 9)	-	1,342,628
Revenue bonds payable, net (Note 9)	66,320,148	67,761,583
Net other post-employment benefits obligation (Note 10)	13,275,385	12,751,874
Net pension liability (Note 11)	13,730,102	6,056,636
Total non-current liabilities	96,042,029	88,418,833
Total liabilities	110,766,356	100,641,410
DEFERRED INFLOWS OF RESOURCES		
Unearned property taxes and assessments	4,300,000	4,100,000
Deferred amounts related to leases (Note 7)	460,575	-
Deferred amounts related to net OPEB obligation (Note 10)	4,502,897	5,201,829
Deferred amounts related to net pension liability (Note 11)	771,264	5,498,117
Total deferred inflows of resources	10,034,736	14,799,946
NET POSITION		
Net investment in capital assets (Note 12)	119,416,779	111,538,623
Restricted – Palmdale Recycled Water Authority (Note 5)	2,206,782	2,202,482
Unrestricted (Deficit) (Note 13)	(13,960,583)	(13,824,097)
Total net position	107,662,978	99,917,008
Total liabilities, deferred inflows of resources and net position	\$ 228,464,070	\$ 215,358,364

PALMDALE WATER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Water sales – commodity charge	\$ 11,701,601	\$ 12,501,007
Water sales – wholesale	500,102	561,298
Monthly meter service charge	16,801,752	15,218,790
Water quality fees	623,061	704,782
Elevation fees	357,741	379,529
Other charges for services	1,336,182	995,791
Total operating revenues	<u>31,320,439</u>	<u>30,361,197</u>
Operating expenses:		
Source of supply – water purchases	2,337,064	5,285,018
Operations and production	3,626,458	3,533,551
Facilities	7,662,975	7,484,342
Engineering	1,691,545	1,670,042
Water conservation	509,733	381,068
Administration	7,325,826	6,760,997
Finance and customer care	3,348,340	3,376,786
Total operating expenses	<u>26,501,941</u>	<u>28,491,804</u>
Operating income before overhead absorption	4,818,498	1,869,393
Overhead absorption	<u>(2,057,284)</u>	<u>(281,192)</u>
Operating income before depreciation and amortization expense	2,761,214	1,588,201
Depreciation expense (Note 6)	(5,223,047)	(5,270,174)
Right-to-use asset amortization expense (Note 7)	<u>(136,845)</u>	<u>-</u>
Operating loss	<u>(2,598,678)</u>	<u>(3,681,973)</u>
Non-operating revenues(expenses):		
Property taxes – ad valorem	2,640,066	1,660,944
Property tax assessment for State Water Project	7,169,879	5,179,076
Successor agency component of property taxes	836,598	840,880
Rental revenue – cellular towers	193,519	18,012
Investment earnings	97,234	(1,067)
Changes in investment – Palmdale Recycled Water Authority (Note 4)	4,300	934
Legal and insurance refunds/settlements	74,172	61,746
Department of Water Resources – fixed charge recovery	349,339	368,950
Other non-operating revenues	162,401	87,839
Cost of debt issuance (Note 9)	(7,500)	(333,796)
State Water Project amortization expense (Note 6)	(4,008,232)	(4,222,272)
Rate assistance program expense	(304,008)	-
Interest expense – long-term debt	<u>(2,437,192)</u>	<u>(2,525,060)</u>
Total non-operating revenue(expense), net	<u>4,770,576</u>	<u>1,136,186</u>
Net income(loss) before capital contributions	<u>2,171,898</u>	<u>(2,545,787)</u>
Capital contributions:		
Capital improvement fees	5,408,187	5,247,538
Federal and state capital grants	<u>154,081</u>	<u>468,798</u>
Total capital contributions	<u>5,562,268</u>	<u>5,716,336</u>
Change in net position	7,734,166	3,170,549
Net position:		
Beginning of year	99,917,008	96,746,459
Prior period adjustment (Note 14)	<u>11,804</u>	<u>-</u>
End of year	<u>\$ 107,662,978</u>	<u>\$ 99,917,008</u>

PALMDALE WATER DISTRICT

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts from water sales and services	\$ 31,684,142	\$ 30,131,082
Cash receipts from others	656,007	21,743
Cash paid to employees for salaries and wages	(9,849,959)	(9,492,550)
Cash paid to vendors and suppliers for materials and services	<u>(14,316,572)</u>	<u>(18,001,487)</u>
Net cash provided by operating activities	<u>8,173,618</u>	<u>2,658,788</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	2,591,238	3,268,102
Proceeds from property tax assessment for State Water Project	7,169,879	5,179,076
Acquisition of State Water Project participation rights	<u>(6,357,278)</u>	<u>(5,689,322)</u>
Net cash provided by non-capital financing activities	<u>3,403,839</u>	<u>2,757,856</u>
Cash flows from capital and related financing activities:		
Right-to-use leased asset, net	(408,390)	-
Right-to-use leases payable, net	396,586	-
Acquisition and construction of capital assets	(14,139,799)	(5,006,246)
Proceeds from capital improvement fees and capital grants	5,562,268	5,716,336
Proceeds from issuance of revenue refunding bonds	-	20,816,639
Proceeds from issuance of right-to-use asset financing	2,080,319	-
Purchase of state and local government securities (SLGS) for refunding	-	(9,530,000)
Cost of debt issuance	(7,500)	(333,796)
Principal paid on right-to-use leased asset	(136,068)	-
Principal paid on long-term debt	(2,604,389)	(2,125,543)
Interest paid on long-term debt	<u>(3,074,043)</u>	<u>(2,324,905)</u>
Net cash provided by (used in) capital and related financing activities	<u>(12,331,016)</u>	<u>7,212,485</u>
Cash flows from investing activities:		
Purchase of investments	(9,947,893)	(7,981,649)
Sales of investments	7,373,951	6,123,795
Investment earnings	<u>132,929</u>	<u>126,894</u>
Net cash used in investing activities	<u>(2,441,013)</u>	<u>(1,730,960)</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,194,572)</u>	<u>10,898,169</u>
Cash and cash equivalents:		
Beginning of year	<u>14,635,211</u>	<u>3,737,042</u>
End of year	<u>\$ 11,440,639</u>	<u>\$ 14,635,211</u>
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents	\$ 3,716,677	\$ 3,605,111
Restricted assets – cash and cash equivalents	<u>7,723,962</u>	<u>11,030,100</u>
Total cash and cash equivalents	<u>\$ 11,440,639</u>	<u>\$ 14,635,211</u>

PALMDALE WATER DISTRICT*Statements of Cash Flows (continued)**For the Years Ended December 31, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (2,598,678)	\$ (3,681,973)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	5,359,892	5,270,174
Overhead absorption	2,057,284	281,192
Rental revenue – cellular towers	193,519	18,012
Legal and insurance refunds/settlements	74,172	61,746
Department of Water Resources – fixed charge recovery	349,339	368,950
Other non-operating revenues	162,401	87,839
Change in assets – (increase)decrease:		
Accounts receivable – water sales and services, net	150,673	(300,821)
Lease receivable	(483,049)	-
Accounts receivable – other	359,625	(514,804)
Materials and supplies inventory	442,901	(825,930)
Prepaid expenses	(9,372)	(158,209)
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net OPEB obligation	357,048	105,825
Deferred amounts related to net pension liability	(3,456,272)	277,546
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	1,731,291	1,460,153
Customer deposits for water service	212,386	39,010
Construction and developer deposits	644	31,696
Compensated absences	38,047	(16,497)
Net other post-employment benefits obligation	523,511	(3,727,933)
Net pension liability	7,673,466	(5,517,135)
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to leases	460,575	-
Deferred amounts related to net OPEB obligation	(698,932)	4,166,510
Deferred amounts related to net pension liability	(4,726,853)	5,233,437
Total adjustments	<u>10,772,296</u>	<u>6,340,761</u>
Net cash provided by operating activities	<u>\$ 8,173,618</u>	<u>\$ 2,658,788</u>
Non-cash investing, capital and financing transactions:	2022	2021
Change in fair-value of investments	\$ (40,683)	\$ (122,287)
Amortization of deferred amount on debt defeasance	\$ (375,340)	\$ (192,583)
Deferred amount on debt defeasance	\$ -	\$ 1,795,890
Amortization of net premium(discount) on revenue bonds	\$ 168,418	\$ 151,359
Changes in investment – Palmdale Recycled Water Authority	\$ 4,300	\$ 934

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

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, solely for the purpose of acquiring and or constructing various public facilities and providing financial assistance to the District. Accordingly, this component unit is blended within the financial statements of the District.

The Palmdale Water District Public Financing Authority (Authority) was organized on April 10, 2013, pursuant to a Joint Exercise of Powers Agreement by and between the Palmdale Water District and the California Municipal Finance Authority, solely for the purpose of providing financing for District capital improvements. Accordingly, this component unit is blended within the financial statements of the District.

C. Basis of Presentation, Basis of Accounting

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and change 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.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position 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 an 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 a 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.

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

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at the carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

2. Investments (continued)

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

3. Allowance for Doubtful 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.

4. Lease Receivable and Deferred Inflows of Resources

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. As a lessor, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

5. Prepays

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

6. 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 are charged to expense at the time that individual items are consumed.

7. Right-To-Use Lease Asset and Right-To-Use Lease Payable

The primary objective is to enhance the relevance and consistency of information about the governments' leasing activities. The District has established a single model for lease accounting based on the principle that leases are financings of a right-to-use underlying asset. As a lessee, the District is required to recognize a lease liability (payable) and an intangible right-to-use leased asset. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life. The District monitors changes in circumstances that would require remeasurement of its lease and will remeasure the leased asset and lease payable if certain changes occur that are expected to significantly affect the amount of the lease payable.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. Estimated service lives for the District’s classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Capital Equipment	10 Years
Furniture	7-10 Years
Vehicles	5-10 Years
Small Equipment	3-5 Years

9. State Water Project – Participation Rights

The District participates in the State Water Project (the Project) entitling it to certain participation rights. The District’s participation in the Project is through payments to the California Department of Water Resources from tax assessments collected from within the District’s service area. 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.

10. 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.

11. Compensated Absences

The liability for compensated absences reported on the balance sheet consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plans and addition to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS’s website.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

<u>CalPERS</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Measurement Period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

13. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s Other Post-Employment Retiree Benefits Plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

<u>OPEB</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Valuation Date	December 31, 2021	December 31, 2020
Measurement Date	December 31, 2022	December 31, 2021
Measurement Period	Jan. 1, 2022 to Dec. 31, 2022	Jan. 1, 2021 to Dec. 31, 2021

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

14. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

E. Property Taxes

Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent of county-wide assessed valuations. This one percent is allocated pursuant to state law to the appropriate units of local government. Tax levies are limited to 1% of full market value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. The County of Los Angeles bills and collects property taxes on behalf of the District. The County's tax year is July 1, to December 31. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and March 1, and become delinquent after December 10, and April 10.

F. Water Sales

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

G. 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 required capital expenditures or capacity commitment.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

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

I. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2022, the District has implemented a new pronouncement as follows:

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95 postponed its effective date by 18 months due to the COVID-19 pandemic and its effect on the audit/accounting industry. The District adopted the Statement as of July 1, 2020. See Note 4 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

Description	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021
Cash and cash equivalents	\$ 3,716,677	\$ 3,605,111
Investments	12,378,256	10,978,339
Restricted – cash and cash equivalents	7,723,962	11,030,100
Total	\$ 23,818,895	\$ 25,613,550

Cash and investments consisted of the following:

Description	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021
Cash on hand	\$ 5,700	\$ 5,700
Demand deposits held with financial institutions	1,278,353	2,059,109
Local Agency Investment Fund (LAIF)	12,778	12,693
Money-market funds	2,419,846	1,527,609
Money-market funds – restricted	7,723,962	11,030,100
Investments	12,378,256	10,978,339
Total	\$ 23,818,895	\$ 25,613,550

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

This table identifies the investment types that are authorized by the California Government Code and the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5-years	None	None
District issued bonds	5-years	None	None
Government sponsored agency securities	5-years	None	None
Certificates-of-deposit	5-years	60%	None
Money-market funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Investment contracts	None	None	None
Money-market funds	N/A	None	None

Demand Deposits with Financial Institutions

At December 31, 2022 and 2021, the carrying amount of the District's demand deposits were \$1,278,353 and \$2,059,109, respectively, and the financial institution's balance were \$1,343,013 and \$1,948,795, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

Money-Market Funds

Money-market funds are an investment whose objective is to earn modest investment earnings while maintaining a net asset value (NAV) of \$1 per share (which is the funds main goal – preservation of principal). A money-market fund's portfolio is typically comprised of short-term, or less than one year, securities representing high-quality, liquid debt and monetary instruments with minimal credit risk. Money-market funds are Level 1 investments (with quoted prices in active markets for identical assets) that are Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers money-market funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of December 31, 2022, the District held \$2,419,846 in unrestricted money-market funds and \$7,723,962 in restricted money-market funds. As of December 31, 2021, the District held \$1,527,609 in unrestricted money-market funds and \$11,030,100 in restricted money-market funds.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of December 31, 2022, and 2021, the District held \$12,778 and \$12,693 in LAIF, respectively.

The investment policy of the District limits the amount that can be invested in an external investment pool (LAIF). A maximum limit has been set at \$500,000 that can be invested in LAIF at any point in time.

Investments

Investment maturities and credit ratings as of December 31, 2022, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity
				12 Months or Less
U.S. Treasury notes	Level 1	Exempt	\$ 7,749,428	\$ 7,749,428
Certificates-of-deposit	Level 1	Not Rated	4,628,828	4,628,828
Total investments			\$ 12,378,256	\$ 12,378,256

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments (continued)

Investment maturities and credit ratings as of December 31, 2021, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity	
				12 Months or Less	13 to 24 Months
U.S. Treasury notes	Level 1	Exempt	\$ 6,521,620	\$ 6,521,620	\$ -
Certificates-of-deposit	Level 1	Not Rated	4,456,719	3,958,074	498,645
Total investments			\$ 10,978,339	\$ 10,479,694	\$ 498,645

Investments – Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed five-years. The District's did not hold any investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Investments – Credit Risk

The District's investment policy limits investment choices to investment securities allowed by the California Government Code. At December 31, 2022 and 2021, all investments represented investment securities which were issued, registered and held by the District's agent in the District's name.

Investments – Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At December 31, 2022 and 2021, the District had the following investments that represented more than five percent of the Authority's net investment balance.

Investments greater than 5% for the year ended December 31, 2022, were as follows:

Investments with Maturity Dates	Fair Value	Percentage of Investments
U.S. Treasury note - January 1, 2023	\$ 1,115,829	9.01%
U.S. Treasury bill - January 26, 2023	748,140	6.04%
U.S. Treasury note - March 15, 2023	1,339,713	10.82%
U.S. Treasury bill - March 23, 2023	743,018	6.00%
U.S. Treasury note - September 15, 2023	968,630	7.83%
Total	\$ 4,915,330	39.71%

Investments greater than 5% for the year ended December 31, 2021, were as follows:

Investments with Maturity Dates	Fair Value	Percentage of Investments
U.S. Treasury note - March 15, 2022	\$ 2,009,020	18.30%
U.S. Treasury note - March 31, 2022	1,003,960	9.14%
U.S. Treasury note - June 30, 2022	756,975	6.90%
U.S. Treasury note - September 15, 2022	756,420	6.89%
U.S. Treasury note - November 30, 2022	997,730	9.09%
Total	\$ 5,524,105	50.32%

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 3 – ACCOUNTS RECEIVABLE – WATER SALES AND SERVICES, NET

The balances consisted of the following:

Description	Balance, Dec. 31, 2022	Balance, Dec. 31, 2021
Accounts receivable – water sales and services	\$ 2,508,756	\$ 2,640,368
Allowance for doubtful accounts	(54,631)	(35,570)
Accounts receivable – water sales and services, net	\$ 2,454,125	\$ 2,604,798

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES

Changes in the District’s lease receivable for the year ended December 31, 2022 was as follows:

Description	Balance, Jan. 1, 2022	Additions	Deletions	Balance, Dec. 31, 2022
Cellular antenna site rental No. 1	\$ -	\$ 271,774	\$ (37,534)	\$ 234,240
Cellular antenna site rental No. 2	-	204,159	(35,968)	168,191
Cellular antenna site rental No. 3	-	99,785	(19,167)	80,618
	\$ -	\$ 575,718	\$ (92,669)	\$ 483,049

The District is reporting a total lease receivable of \$483,049 and a total related deferred inflows of resources of \$460,575 for the year ending June 30, 2022. Also, the District is reporting total lease revenue of \$155,144 and interest revenue of \$10,683 related to payments received from the above three leases for the year ending June 30, 2022.

The leases held by the District do not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease revenue to the net present value. In some cases, leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease. Also, certain leasing-types are considered “volatile leases.” Those volatile leases were not extended past their initial lease period for financial statement recognition due to their volatility.

Cellular Antenna Site Rental No. 1

The District, on January 1, 2022, renewed a continuous lease with Sprint/AT&T for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$271,774. As of December 31, 2022, the value of the lease receivable was \$234,240. The lease is required to make monthly fixed payments of \$3,194 for the first 3-month period, then increase 15.0% on April 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$217,420 as of December 31, 2022. The District recognized lease revenue of \$54,355 and interest revenue of \$5,103 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

Cellular Antenna Site Rental No. 2

The District, on January 1, 2022, renewed a continuous lease with T-Mobile for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$204,159. As of December 31, 2022, the value of the lease receivable was \$168,191. The lease is required to make monthly fixed payments of \$3,257 for the first 7-month period, then increase 4.0% on August 1st of each year. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$163,327 as of December 31, 2022. The District recognized lease revenue of \$40,832 and interest revenue of \$3,758 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Cellular Antenna Site Rental No. 3

The District, on January 1, 2022, renewed a continuous lease with Crown Castle USA, Inc., for 60 months as lessor for the use of a cellular antenna site rental. An initial lease receivable was recorded in the amount of \$99,785. As of December 31, 2022, the value of the lease receivable was \$80,618. The lease is required to make monthly fixed payments of \$1,749 for the first 12-month period, then will be evaluated annually for increases. The lease has an interest rate of 2.00%. The value of the deferred inflow of resources was \$79,828 as of December 31, 2022. The District recognized lease revenue of \$19,957 and interest revenue of \$1,821 during the fiscal year. The lessee will be evaluated by the District for future extensions after the completion of this lease period. Since this is considered a volatile lease only this lease period has been recognized.

Minimum future lease receipts for the next four fiscal years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 102,586	\$ 10,767	\$ 113,353
2024	113,735	6,589	120,324
2025	126,287	4,202	130,489
2026	<u>140,441</u>	<u>1,549</u>	<u>141,990</u>
Total	483,049	<u>\$ 23,107</u>	<u>\$ 506,156</u>
Less: current	<u>(102,586)</u>		
Total non-current	<u>\$ 380,463</u>		

Changes in the District's deferred inflows of resources related to leases for December 31, 2022 is as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, Dec. 31, 2022</u>
Cellular antenna site rental No. 1	\$ -	\$ 271,774	\$ (54,354)	\$ 217,420
Cellular antenna site rental No. 2	-	204,159	(40,832)	163,327
Cellular antenna site rental No. 3	-	<u>99,785</u>	<u>(19,957)</u>	<u>79,828</u>
	<u>\$ -</u>	<u>\$ 575,718</u>	<u>\$ (115,143)</u>	<u>\$ 460,575</u>

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 4 – LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES – LEASES (continued)

The amounts reported as deferred inflows of resources related to leases for the year ended December 31, 2022, will be amortized in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended Dec. 31, 2022</u>	<u>Deferred Inflows</u> <u>of Resources</u>
2023	\$ 115,144
2024	115,144
2025	115,144
2026	115,143
Total	<u>\$ 460,575</u>

Cellular Antenna Site Rental No. 4

The District had a lease agreement with Verizon Wireless as lessor for the use of a cellular antenna site rental. On May 30, 2022, the agreement expired and was not renewed, and therefore no lease receivable and deferred inflow of resources was recorded. The District recognized lease revenue of \$16,883 during the fiscal year.

Fin Feather Club Lease

The District has a lease agreement with the Fin Feather Club for use of District owned land and lake by the club’s members, for activities including hunting, fishing, archery practice, as well as other recreational activities. The lease originated in 2006 and runs for five-year terms, with the club having the right to unilaterally terminate the lease with a six-month written notice to the District. The terms of the lease call for annual rent payments to the District of \$3,000 or five percent of gross, non-retail based receipts of the Club as per the Club’s annual audit for the previous calendar year. Due to the uncertain nature of the annual rent received by the District, this lease agreement was not included in the GASB 87 calculations.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 5 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY

The Palmdale Recycled Water Authority (the 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 (the City) and Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (the 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.

For 2022, the District reports its equity interest as of the date of the last audited financial statements of the Authority as of December 31, 2022, which was audited by our firm, whose report dated June 15, 2022 expressed an unmodified opinion on those financial statements.

For 2021, the District reports its equity interest as of the date of the last audited financial statements of the Authority as of December 31, 2021, which was audited by our firm, whose report dated June 15, 2022 expressed an unmodified opinion on those financial statements.

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 5 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY (continued)

The following is the condensed financial statement of the Authority for the year ended December 31, 2022:

Palmdale Recycled Water Authority
Condensed Balance Sheet
December 31, 2022

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Assets:			
Total assets	\$ 4,469,764	\$ 2,234,882	\$ 2,234,882
Liabilities:			
Total liabilities	56,199	28,100	28,100
Net position:			
Total net position	4,413,565	2,206,783	2,206,783
Total liabilities and net position	<u>\$ 4,469,764</u>	<u>\$ 2,234,882</u>	<u>\$ 2,234,882</u>

Palmdale Recycled Water Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Operating revenues:			
Total operating revenues	\$ 105,587	\$ 52,794	\$ 52,794
Operating expenses:			
Total operating expenses	106,755	53,378	53,378
Operating income	(1,168)	(584)	(584)
Non-operating revenues:			
Total non-operating revenue	9,769	4,885	4,885
Change in net position	8,601	4,301	4,301
Net position:			
Beginning of year	4,404,964	2,202,482	2,202,482
End of year	<u>\$ 4,413,565</u>	<u>\$ 2,206,783</u>	<u>\$ 2,206,783</u>

Palmdale Recycled Water Authority
Condensed Statement of Cash Flows
For the Year Ended December 31, 2022

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Cash flows from operating activities:			
Net cash provided by operating activities	\$ 47,063	\$ 23,532	\$ 23,532
Cash flows from investing activities:			
Net cash used in investing activities	(311,139)	(155,570)	(155,570)
Net increase in cash and cash equivalents	(264,076)	(132,038)	(132,038)
Cash and cash equivalents:			
Beginning of year	892,930	446,465	446,465
End of year	<u>\$ 628,854</u>	<u>\$ 314,427</u>	<u>\$ 314,427</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (1,168)	\$ (584)	\$ (584)
Depreciation	53,407	26,704	26,704
Change in assets	5,873	2,937	2,937
Change in liabilities	(11,049)	(5,525)	(5,525)
Net cash provided by operating activities	<u>\$ 47,063</u>	<u>\$ 23,532</u>	<u>\$ 23,532</u>

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 5 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY (continued)

The following is the condensed financial statement of the Authority for the year ended December 31, 2021:

Palmdale Recycled Water Authority
Condensed Balance Sheet
December 31, 2021

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Assets:			
Total assets	\$ 4,472,212	\$ 2,236,106	\$ 2,236,106
Liabilities:			
Total liabilities	67,248	33,624	33,624
Net position:			
Total net position	4,404,964	2,202,482	2,202,482
Total liabilities and net position	<u>\$ 4,472,212</u>	<u>\$ 2,236,106</u>	<u>\$ 2,236,106</u>

Palmdale Recycled Water Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Operating revenues:			
Total operating revenues	\$ 136,495	\$ 68,248	\$ 68,248
Operating expenses:			
Total operating expenses	135,262	67,631	67,631
Operating income	1,233	617	617
Non-operating revenues:			
Total non-operating revenue	635	318	318
Change in net position	1,868	934	934
Net position:			
Beginning of year	4,403,096	2,201,548	2,201,548
End of year	<u>\$ 4,404,964</u>	<u>\$ 2,202,482</u>	<u>\$ 2,202,482</u>

Palmdale Recycled Water Authority
Condensed Statement of Cash Flows
For the Year Ended December 31, 2021

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Cash flows from operating activities:			
Net cash provided by operating activities	\$ 65,107	\$ 32,554	\$ 32,554
Cash flows from investing activities:			
Net cash used in investing activities	(166,028)	(83,014)	(83,014)
Net increase in cash and cash equivalents	(100,921)	(50,461)	(50,461)
Cash and cash equivalents:			
Beginning of year	993,851	496,926	496,926
End of year	<u>\$ 892,930</u>	<u>\$ 446,465</u>	<u>\$ 446,465</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,233	\$ 617	\$ 617
Depreciation	53,407	26,704	26,704
Change in assets	(11,695)	(5,848)	(5,848)
Change in liabilities	22,162	11,081	11,081
Net cash provided by operating activities	<u>\$ 65,107</u>	<u>\$ 32,554</u>	<u>\$ 32,554</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2022, was as follows:

Description	Balance, Jan. 1, 2022	Additions	Deletions/ Transfers	Balance, Dec. 31, 2022
Non-depreciable assets:				
Land and land rights	\$ 1,809,677	\$ -	\$ -	\$ 1,809,677
Water rights – Armagosa Creek	-	2,127,355	-	2,127,355
Construction-in-process	9,185,508	10,867,275	(2,673,477)	17,379,306
Total non-depreciable assets	10,995,185	12,994,630	(2,673,477)	21,316,338
Depreciable assets:				
Buildings, wells and distribution system	239,872,263	3,642,219	(248,032)	243,266,450
SWP – participation rights	95,744,037	6,357,278	-	102,101,315
Machinery and equipment	11,944,942	176,427	(63,062)	12,058,307
Total depreciable assets	347,561,242	10,175,924	(311,094)	357,426,072
Accumulated depreciation:				
Buildings, wells and distribution system	(137,343,554)	(5,077,245)	248,032	(142,172,767)
SWP – participation rights	(41,696,272)	(4,008,232)	-	(45,704,504)
Machinery and equipment	(11,348,608)	(145,803)	63,062	(11,431,349)
Total accumulated depreciation	(190,388,434)	(9,231,280)	311,094	(199,308,620)
Total depreciable assets, net	157,172,808	944,644	-	158,117,452

Capital asset activity for the year ended December 31, 2021, was as follows:

Changes in capital assets for fiscal year 2021 were as follows:

Description	Balance, Jan. 1, 2021	Additions	Deletions/ Transfers	Balance, Dec. 31, 2021
Non-depreciable assets:				
Land and land rights	\$ 1,796,367	\$ 13,310	\$ -	\$ 1,809,677
Construction-in-process	24,059,702	3,024,929	(17,899,123)	9,185,508
Total non-depreciable assets	25,856,069	3,038,239	(17,899,123)	10,995,185
Depreciable assets:				
Buildings, wells and distribution system	220,279,706	19,596,099	(3,542)	239,872,263
SWP – participation rights	90,054,715	5,689,322	-	95,744,037
Machinery and equipment	11,673,911	271,031	-	11,944,942
Total depreciable assets	322,008,332	25,556,452	(3,542)	347,561,242
Accumulated depreciation:				
Buildings, wells and distribution system	(132,409,042)	(4,938,054)	3,542	(137,343,554)
SWP – participation rights	(37,474,000)	(4,222,272)	-	(41,696,272)
Machinery and equipment	(11,016,488)	(332,120)	-	(11,348,608)
Total accumulated depreciation	(180,899,530)	(9,492,446)	3,542	(190,388,434)
Total depreciable assets, net	141,108,802	16,064,006	-	157,172,808

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)

Construction-In-Process

The balance consists of the following projects:

Project Description	Balance	Balance	Balance
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022
Sediment removal - Littlerock Dam	\$ 4,366,255	\$ -	\$ -
Palmdale Regional Groundwater Recharge Project	4,179,778	4,209,279	4,209,279
Grade control structure - Littlerock Dam	10,697,276	-	-
2020 Meter Exchange Project	9,044	294,302	907,390
2950 Zone Booster @3M Clearwell	31,400	163,032	223,981
Upper Armagosa Creek project	2,127,355	2,127,355	-
45th St Tank Site - Altitude Valve Replacement	123,584	127,466	492,768
Well 36 - Construction	19,180	265,377	2,182,284
Well 14 - Rehabilitation	-	145,816	157,578
Design and remodel District offices	595,268	-	-
Spec 1601 - ML Replacement Avenue P/25th	432,350	-	-
Spec 1504 - ML Replacement Avenue V5	302,306	-	-
Well 7 - Rehabilitation	206,800	-	-
2020 Large Meter/Vault Replacement Program	203,602	-	-
2021 Large Meter/Vault Replacement Program	-	276,153	-
2022 Large Meter/Vault Replacement Program	-	-	188,202
Sierra Hwy Tie-in @ Harold St	14,908	709,889	811,764
Spec 1206 - ML Replacement Division/Q	-	72,701	2,562,044
Pure Water AV - Design (Demonstration)	-	-	1,085,726
Spec 1901 - ML Replace Avenue P	-	64,687	582,608
Pure Water AV - Planning	-	-	576,562
Water Main Replacement 5th St & Q1 thru Q5	-	17,077	355,257
John Deere 30 SL Backhoe (2)	-	-	257,468
Well 8 Rehabilitation	-	-	367,764
Main Office- Stucco Repair	-	11,935	222,183
Well 32 Rehabilitation	-	-	196,615
Water Main Replacement E Ave Q10 & 12th St	-	5,947	174,356
Well 26 Submersible Pump	-	-	143,899
NaOCL Replacement System - WTP	-	1,517	137,491
2015 Kenworth T370 Crane	-	-	133,419
Various other minor projects <\$100,000	750,596	692,975	1,410,668
Total construction-in-process	\$ 24,020,536	\$ 9,185,508	\$ 17,379,306

Armagosa Creek Project – Water Rights

In December 2013, the District entered into with the City of Palmdale (City), Antelope Valley-East Kern Water Agency (AVEK), and Los Angeles County Waterworks District No. 40, Antelope Valley (Waterworks), to construct and later maintain, the Amargosa Creek Flood Control, Recharge, and Habitat Restoration Project (Project). Each Party contributed 25% of the funds required to complete the project and in turn received a 25% share of the project and water rights. The project was completed in 2022. The District's total share of the costs to complete the project was \$2,127,355.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION (continued)

State Water Project – Participation Rights

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

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

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

In addition to system on-aqueduct power facilities, the State has, either on 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 expenses 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.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2022 and 2021***NOTE 7 – RIGHT-TO-USE LEASED ASSET AND RIGHT-TO-USE LEASE PAYABLE**

Changes in right-to-use leased asset for fiscal year ending December 31, 2022 was as follows:

Description	Balance, Jan. 1, 2022	Additions	Deletions	Balance, Dec. 31, 2022
Right-to-use leased asset:				
Vehicle fleet	\$ 648,230	\$ 95,195	\$ (44,121)	\$ 699,304
Accumulated amortization:				
Vehicle fleet	(239,840)	(136,845)	44,121	(332,564)
Total right-to-use leased asset, net	\$ 408,390	\$ (41,650)	\$ -	\$ 366,740

Changes in right-to-use leased payable for fiscal year ending December 31, 2022 was as follows:

Balance, Jan. 1, 2022	Additions	Deletions	Balance, Dec. 31, 2022	Due Within One Year	Due in More Than One Year
\$ 396,586	\$ 95,195	\$ (136,067)	\$ 355,714	\$ 126,686	\$ 229,028

Annual debt service requirements for the right-to-use lease payable are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 126,686	\$ 2,995	\$ 129,681
2024	109,121	1,458	110,579
2025	70,793	569	71,362
2026	38,027	323	38,350
2027	11,087	80	11,167
Total	355,714	\$ 5,425	\$ 361,139
Less: current	(126,686)		
Total non-current	\$ 229,028		

The District is reporting a total right-to-use leased asset, net of \$366,740 and a right-to-use lease payable of \$355,714 for the year ending December 31, 2022. Also, the District is reporting total amortization expense of \$136,845, principal payments of \$136,068 and interest expense of \$7,501 related to the above noted leases.

The lease held by the District does not have an implicit rate of return, therefore the District used their incremental borrowing rate of 2.00% to discount the lease payments to the net present value. In some cases, leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 7 – RIGHT-TO-USE LEASED ASSET AND RIGHT-TO-USE LEASE PAYABLE (continued)

The District’s lease is summarized as follows:

Vehicle Fleet

The District leases its fleet of vehicles from Enterprise FM Trust with terms for individual vehicles ranging from 48 to 60 months. An initial right-to-use liability was recorded on January 1st, 2022, in the amount of \$396,586. The District’s monthly payments vary based on invoiced amounts determined by the number of vehicles leased, as well as any costs associated with initiating or concluding a lease for an individual vehicle. The leases have an implied interest rate of 2%. The District is amortizing the right-to-use asset of \$699,304 at \$11,404 per month. As of December 31, 2022, the District had 28 leased fleet vehicles.

NOTE 8 – COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended December 31, 2022, were as follows:

<u>Balance, Jan. 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, Dec. 31, 2022</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
<u>\$ 674,816</u>	<u>\$ 719,853</u>	<u>\$ (681,806)</u>	<u>\$ 712,863</u>	<u>\$ 178,216</u>	<u>\$ 534,647</u>

Summary changes to compensated absences balances for the year ended December 31, 2021, were as follows:

<u>Balance, Jan. 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, Dec. 31, 2021</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
<u>\$ 691,313</u>	<u>\$ 673,944</u>	<u>\$ (690,441)</u>	<u>\$ 674,816</u>	<u>\$ 168,704</u>	<u>\$ 506,112</u>

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 9 – LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2022, were as follows:

Long-Term Debt	Balance, Jan. 1, 2022	Additions/ Adjustments	Payments/ Amortization	Balance, Dec. 31, 2022	Current Portion	Non-Current Portion
Right-to-use lease financing – 2017	\$ 88,250	\$ -	\$ (88,250)	\$ -	\$ -	\$ -
Right-to-use lease financing – 2022	-	2,400,000	-	2,400,000	447,281	1,952,719
Loan payable – 2012	2,643,024	-	(1,300,396)	1,342,628	1,342,628	-
Revenue bonds payable – 2013	8,835,000	-	(595,000)	8,240,000	620,000	7,620,000
Revenue bonds payable – discount	(93,541)	-	4,301	(89,240)	-	(89,240)
Revenue bonds payable – premium	2,314,836	-	(106,429)	2,208,407	-	2,208,407
Revenue bonds payable, net – 2013	11,056,295	-	(697,128)	10,359,167	620,000	9,739,167
Revenue bonds payable - 2018	12,805,000	-	(250,000)	12,555,000	265,000	12,290,000
Revenue bonds payable - premium	990,973	-	(37,046)	953,927	-	953,927
Revenue bonds payable, net - 2018	13,795,973	-	(287,046)	13,508,927	265,000	13,243,927
Revenue refunding bonds - non-taxable -	8,965,604	-	(12,913)	8,952,691	13,337	8,939,354
Revenue refunding bonds - taxable - 2020	14,355,000	-	(165,000)	14,190,000	165,000	14,025,000
Revenue refunding bonds - 2020	23,320,604	-	(177,913)	23,142,691	178,337	22,964,354
Revenue bonds - 2021A	9,390,000	-	-	9,390,000	-	9,390,000
Revenue refunding bonds - 2021	10,549,330	-	(192,830)	10,356,500	209,680	10,146,820
Revenue bonds payable - premium	865,124	-	(29,244)	835,880	-	835,880
Revenue bonds payable, net - 2021	20,804,454	-	(222,074)	20,582,380	209,680	20,372,700
Total long-term debt	\$ 71,708,600	\$ 2,400,000	\$ (2,772,807)	\$ 71,335,793	\$ 3,062,926	\$ 68,272,867

Changes in long-term debt for the year ended December 31, 2021, were as follows:

Long-Term Debt	Balance, Jan. 1, 2021	Additions/ Adjustments	Payments/ Amortization	Balance, Dec. 31, 2021	Current Portion	Non-Current Portion
Right-to-use lease financing – 2017	\$ 175,290	\$ -	\$ (87,040)	\$ 88,250	\$ 88,250	\$ -
Loan payable – 2012	3,904,026	-	(1,261,002)	2,643,024	1,300,396	1,342,628
Revenue bonds payable – 2013	18,930,000	(9,530,000)	(565,000)	8,835,000	595,000	8,240,000
Revenue bonds payable – discount	(97,842)	-	4,301	(93,541)	-	(93,541)
Revenue bonds payable – premium	2,421,265	-	(106,429)	2,314,836	-	2,314,836
Revenue bonds payable, net – 2013	21,253,423	(9,530,000)	(667,128)	11,056,295	595,000	10,461,295
Revenue bonds payable - 2018	12,805,000	-	-	12,805,000	250,000	12,555,000
Revenue bonds payable - premium	1,028,019	-	(37,046)	990,973	-	990,973
Revenue bonds payable, net - 2018	13,833,019	-	(37,046)	13,795,973	250,000	13,545,973
Revenue refunding bonds - non-taxable -	8,978,105	-	(12,501)	8,965,604	12,913	8,952,691
Revenue refunding bonds - taxable - 2020	14,555,000	-	(200,000)	14,355,000	165,000	14,190,000
Revenue refunding bonds - 2020	23,533,105	-	(212,501)	23,320,604	177,913	23,142,691
Revenue bonds - 2021A	-	9,390,000	-	9,390,000	-	9,390,000
Revenue refunding bonds - 2021	-	10,549,330	-	10,549,330	192,830	10,356,500
Revenue bonds payable - premium	-	877,309	(12,185)	865,124	-	865,124
Revenue bonds payable, net - 2021	-	20,816,639	(12,185)	20,804,454	192,830	20,611,624
Total long-term debt	\$ 62,698,863	\$ 11,286,639	\$ (2,264,717)	\$ 71,708,600	\$ 2,604,389	\$ 69,104,211

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 9 – LONG-TERM DEBT (continued)

A. Right-To-Use Lease Financing – 2017

On January 18, 2017, the District entered into an \$830,000 installment purchase agreement in order to acquire, construct, equip, and furnish certain improvements to its facilities. Right-to-use lease financing payments consisting of principal and interest in the amount of \$89,477 are due every six months beginning in July 2017 until January 2022 at an annual interest rate of 2.78%. The balance of the right-to-use lease financing was paid in full as of December 31, 2022.

Right-To-Use Lease Financing – 2022

On October 10, 2022, the District entered into a \$2,400,000 installment purchase agreement in order to acquire, construct, equip, and furnish certain improvements to its facilities. The agreement contains a buyout provision that can be exercised beginning in year three of the agreement. Right-to-use lease financing payments consisting of principal and interest in the amount of \$263,701 are due every six months beginning in April 2023 until October 2027 at an annual interest rate of 3.50%.

Annual debt service requirements for the right-to-use lease financing are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 447,281	\$ 80,121	\$ 527,402
2024	463,073	64,329	527,402
2025	479,423	47,979	527,402
2026	496,349	31,053	527,402
2027	513,874	13,528	527,402
Total	2,400,000	\$ 237,010	\$ 2,637,010
Less: current	(447,281)		
Total non-current	\$ 1,952,719		

B. Loan Payable – 2012

In November 2012, the District issued \$12,765,208 in a private-placement Loan Payable-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 District has pledged 100% of its water revenues to collateralize the debt.

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 difference 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.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 9 – LONG-TERM DEBT (continued)

B. Loan Payable – 2012 (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,342,628	\$ 31,296	\$ 1,373,918
Total	1,342,628	<u>\$ 31,296</u>	<u>\$ 1,373,918</u>
Less: current	<u>(1,342,628)</u>		
Total non-current	<u>\$ -</u>		

C. 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 Financing Authority (Authority) 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% and 5.00% pursuant to an Indenture of Trust, dated as of May 1, 2013, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Bonds-2013 were 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 in case of default; (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. The District has pledged 100% of its water revenues to collateralize the debt.

The refunding resulted in a premium on the issuance of \$3,228,354 and a discount of (\$130,456) which are being amortized over the remaining debt service years. Principal and interest payments are due in April and October of each year.

The advance refunding resulted in a difference 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 amount on debt defeasance.

In 2020, the District advanced refunded \$21,220,000 of debt service payments from 2031 to 2043 by issuing a non-taxable and a taxable issue.

In 2021, the District advanced refunded \$9,530,000 of debt service payments from 2025 to 2028 by issuing a bond.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 9 – LONG-TERM DEBT (continued)

C. Revenue Bonds Payable (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 620,000	\$ 271,300	\$ 891,300
2024	2,145,000	240,638	2,385,638
2025	-	191,625	191,625
2026	-	191,625	191,625
2027	-	191,625	191,625
2028-2030	5,475,000	432,818	5,907,818
Total	8,240,000	\$ 1,519,631	\$ 9,759,631
Less: current	(620,000)		
Total non-current	\$ 7,620,000		

Deferred Amount on Debt Defeasance, Net

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2022, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2022</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2022</u>
Deferred amount on debt defeasance, net	\$ 1,695,054	\$ -	\$ (242,718)	\$ 1,452,336

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2021, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2021</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2021</u>
Deferred amount on debt defeasance, net	\$ 1,851,747	\$ -	\$ (156,693)	\$ 1,695,054

Revenue Bonds Payable – 2018

The Palmdale Water District Public Financing Authority (Authority) issued \$12,805,000 in Water Revenue Bonds, Series 2018A (2018A Bonds) with maturities from 2022 through 2048 with an interest rate range between 3.125% and 5.00% pursuant to an Indenture of Trust, dated as of June 1, 2018, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2018A Bonds are being issued: (i) to finance certain improvements to the District's water system, including Littlerock Dam; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2018A Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy in case of default; and (iv) to pay the costs of issuing the 2018A Bonds. The District has pledged 100% of its water revenues to collateralize the debt. Interest due on the 2018A Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2018, while principal payments are payable on October 1 of each year, commencing October 1, 2022.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 9 – LONG-TERM DEBT (continued)

D. Revenue Refunding Bonds Payable (continued)

Revenue Bonds Payable – 2018 (continued)

The 2018A Bond issuance resulted in a \$1,120,632 premium which is being amortized over the remaining debt service years. Cost of the debt issuance was \$308,867 which was expensed in the year of issuance. Annual debt service requirements for the revenue bonds payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 265,000	\$ 556,394	\$ 821,394
2024	275,000	545,794	820,794
2025	290,000	532,044	822,044
2026	305,000	517,544	822,544
2027	320,000	502,294	822,294
2028-2032	1,850,000	2,255,469	4,105,469
2033-2037	2,275,000	1,826,369	4,101,369
2038-2042	2,735,000	1,364,625	4,099,625
2043-2047	3,455,000	645,300	4,100,300
2048	<u>785,000</u>	<u>34,575</u>	<u>819,575</u>
Total	12,555,000	<u>\$ 8,780,408</u>	<u>\$ 21,335,408</u>
Less: current	<u>(265,000)</u>		
Total non-current	<u>\$ 12,290,000</u>		

Revenue Refunding Bonds – Non-Taxable – 2020

In May 2020, the Palmdale Water District Public Financing Authority (Authority) issued \$9,008,523 in Revenue Refunding Bonds – Non-Taxable – Series 2020 (Bonds-2020) with maturities from 2020 through 2043 with an interest rate range coupon of 3.29% pursuant to a private placement, dated as of May 28, 2020, by and between the Authority and Western Alliance Bank as a private-placement. The Bonds-2020 were issued: (i) to prepay the \$8,810,000 of District's outstanding Bonds-2013 principal from 2035 to 2043; and (ii) to pay the costs of issuing the Bonds-2020 of \$130,000. The District has pledged 100% of its water revenues to collateralize the debt. Principal and interest payments are due in April and October of each year.

The advance refunding resulted in a net present value benefit to the District of \$751,628 in interest savings from the refunding.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2022 and 2021*

NOTE 9 – LONG-TERM DEBT (continued)**D. Revenue Refunding Bonds Payable (continued)****Revenue Refunding Bonds – Non-Taxable – 2020 (continued)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 13,337	\$ 294,544	\$ 307,881
2024	13,776	294,105	307,881
2025	14,229	293,652	307,881
2026	14,698	293,183	307,881
2027	15,181	292,700	307,881
2028-2032	83,734	1,455,670	1,539,404
2033-2037	2,675,323	1,358,081	4,033,404
2038-2042	5,017,678	687,726	5,705,404
2043	<u>1,104,735</u>	<u>36,346</u>	<u>1,141,081</u>
Total	8,952,691	<u>\$ 5,006,007</u>	<u>\$ 13,958,698</u>
Less: current	<u>(13,337)</u>		
Total non-current	<u>\$ 8,939,354</u>		

Revenue Refunding Bonds – Taxable – 2020

In November 2020, the Palmdale Water District Public Financing Authority (Authority) issued \$14,555,000 in Revenue Refunding Bonds – Taxable – Series 2020 (Bonds-2020 Taxable) with maturities from 2020 through 2034 with an interest rate coupon of 2.79% pursuant to an Indenture of Trust, dated as of November 3, 2020, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. The Bonds-2020 Taxable were issued: (i) to prepay the \$12,410,000 of District's outstanding Bonds-2013 principal from 2031 to 2034; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Bonds-2020 Taxable in case of default; and (iii) to pay the costs of issuing the Bonds-2020 Taxable \$268,953. The District has pledged 100% of its water revenues to collateralize the debt. Principal and interest payments are due in October of each year.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$1,795,890. This difference is being amortized through 2034 (the life of the debt) using the straight-line method as a deferred amount on debt defeasance.

The advance refunding resulted in a net present value benefit to the District of \$784,897 in interest savings from the refunding.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2022 and 2021***NOTE 9 – LONG-TERM DEBT (continued)****D. Revenue Refunding Bonds Payable (continued)****Revenue Refunding Bonds – Taxable – 2020 (continued)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 165,000	\$ 387,727	\$ 552,727
2024	170,000	386,290	556,290
2025	170,000	384,305	554,305
2026	170,000	381,894	551,894
2027	175,000	378,870	553,870
2028-2032	6,765,000	1,755,323	8,520,323
2033-2034	6,575,000	290,842	6,865,842
Total	14,190,000	\$ 3,965,251	\$ 18,155,251
Less: current	(165,000)		
Total non-current	\$ 14,025,000		

Deferred Amount on Debt Defeasance, Net

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2022, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2022</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2022</u>
Deferred amount on debt defeasance, net	\$ 1,724,110	\$ -	\$ (132,622)	\$ 1,591,488

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2021, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2021</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2021</u>
Deferred amount on debt defeasance, net	\$ 1,760,000	\$ -	\$ (35,890)	\$ 1,724,110

Water Revenue Bonds – Non-Taxable – 2021

In July 2021, the Palmdale Water District Public Financing Authority (Authority) issued \$9,390,000 in Water Revenue Bonds – Series 2021A (Bonds-2021A) with maturities from 2021 through 2051 with an interest rate range coupon of 4.00% by and between the Authority and the Bank of New York Mellon Trust Company. The Bonds-2021A were issued: (i) to finance certain improvements to the District's Water system; and (ii) to pay the costs of issuing the Bonds-2021A of \$267,309. The District has pledged 100% of its water revenues to collateralize the debt. The issuance resulted in a premium on the issuance of \$877,309 which is being amortized over the remaining debt service years. Principal and interest payments are due in April and October of each year as noted.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 9 – LONG-TERM DEBT (continued)

D. Revenue Refunding Bonds Payable (continued)

Water Revenue Bonds – Series 2021A (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 299,725	\$ 299,725
2024	-	299,725	299,725
2025	-	299,725	299,725
2026	-	299,725	299,725
2027	-	299,725	299,725
2028-2032	-	1,498,625	1,498,625
2033-2037	1,295,000	1,448,225	2,743,225
2038-2042	2,480,000	1,097,938	3,577,938
2043-2047	2,925,000	649,200	3,574,200
2048-2051	2,690,000	170,000	2,860,000
Total	9,390,000	\$ 6,362,613	\$ 15,752,613
Less: current	-	-	-
Total non-current	\$ 9,390,000	-	-

Revenue Refunding Bonds – 2021

In August 2021, the Palmdale Water District Public Financing Authority (Authority) issued \$10,549,330 in Revenue Refunding Bonds – 2021 (Bonds-2021) with maturities from 2021 through 2028 with an interest rate coupon of 1.53% pursuant to an Installment Purchase Agreement dated August 31, 2021. The Bonds-2021 were issued: (i) to prepay the \$9,530,000 of District’s outstanding Bonds-2013 principal from 2025 to 2028; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the Bonds-2021 in case of default; and (iii) to pay the costs of issuing the Bonds-2021 \$115,000. The District has pledged 100% of its water revenues to collateralize the debt. Principal and interest payments are due in October of each year.

The advance refunding resulted in a difference between the reacquisition price and the net carrying value amount of the old debt of \$734,960. This difference is being amortized through 2028 (the life of the debt) using the straight-line method as a deferred amount on debt defeasance.

The advance refunding resulted in a net present value benefit to the District of \$719,502 in interest savings from the refunding.

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2022 and 2021***NOTE 9 – LONG-TERM DEBT (continued)****D. Revenue Refunding Bonds Payable (continued)****Revenue Refunding Bonds – Series 2021 (continued)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 209,680	\$ 157,652	\$ 367,332
2024	212,890	154,432	367,322
2025	2,426,140	142,709	2,568,849
2026	2,467,760	105,430	2,573,190
2027	2,499,270	67,553	2,566,823
2028	2,540,760	29,155	2,569,915
Total	10,356,500	\$ 656,931	\$ 11,013,431
Less: current	(209,680)		
Total non-current	\$ 10,146,820		

Deferred Amount on Debt Defeasance, Net

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2022, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2022</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2022</u>
Deferred amount on debt defeasance, net	\$ 629,966	\$ -	\$ (89,996)	\$ 539,970

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2021, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2021</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2021</u>
Deferred amount on debt defeasance, net	\$ -	\$ 734,960	\$ (104,994)	\$ 629,966

NOTE 10 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2022</u>	<u>2021</u>
OPEB related deferred outflows	\$ 2,887,977	\$ 3,245,025
Net other post-employment benefits obligation	13,275,385	12,751,874
OPEB related deferred inflows	4,502,897	5,201,829

Plan Description - Eligibility

The District administers its post-employment benefits plan, a single-employer defined benefit plan (the 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).

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 10 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

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. The following is a description of the current retiree benefit plan:

	<u>Participants</u>
Benefit types provided	Medical, dental and vision
Duranton of benefits	Lifetime
Required service	CalPERS Retirement and 20 years service
Minimum age	55 years and CalPERS Retirement from District
Dependent coverage	Spouse and dependent up to cap
District contribution	Maximum up to \$1,850 cap
District cap on coverage	\$1,850

Employees covered by benefit terms

At December 31, 2022 and 2021, the following employees were covered by the benefit terms:

<u>Plan Members</u>	<u>Covered Participants</u>	
	<u>2022</u>	<u>2021</u>
Active members	86	85
Inactives entitled to but not yet receiving benefits	-	-
Inactives currently receiving benefits	27	23
Total plan members	113	108

A. Total OPEB Liability

The District's total OPEB liabilities of \$13,275,385 and \$12,751,874 as of December 31, 2022 and 2021, respectively, were measured as of December 31, 2021 and 2020 (Measurement Dates), and were determined by an actuarial valuation as of December 31, 2020.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2021 and 2020 (Measurement Dates) actuarial valuation roll-forwards were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>2022</u>	<u>2021</u>
Discount Rate	2.06%	2.12%
Inflation	2.50%	2.50%
Salary Increases	2.75% per annum, in aggregate	2.75% per annum, in aggregate
Investment Rate of Return	2.06%	2.12%
Mortality Rate	CalPERS Membership Data	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data	CalPERS Membership Data
Healthcare Trend Rate	Non-Medicare 6.5% to Medicare 5.65%	Non-Medicare 6.5% to Medicare 5.65%

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 10 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

A. Total OPEB Liability (continued)

Mortality, Retirement & Turnover Assumptions

The mortality assumptions are based on the 1997-2015 Experience Study for CalPERS Active and Retiree Mortality for Miscellaneous and Safety Employees table created by CalPERS.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.06% as of December 31, 2021 and 2.12% as of December 31, 2020. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The Bond Buyer 20 Bond Index was used.

B. Changes in the Total OPEB Liability

The following table is based on the roll-forward of the December 31, 2021 (Measurement Date) actuarial valuation:

	Total OPEB Liability
Balance at January 1, 2022 (MD Jan. 1, 2021)	\$ 12,751,874
Changes for the year:	
Service cost	596,605
Interest	278,018
Assumption changes	117,793
Benefit payments	(468,905)
Net changes	523,511
Balance at December 31, 2022 (MD Dec. 31, 2021)	\$ 13,275,385

The following table is based on the roll-forward of the December 31, 2020 (Measurement Date) actuarial valuation:

	Total OPEB Liability
Balance at January 1, 2021 (MD Jan. 1, 2020)	\$ 16,479,807
Changes for the year:	
Service cost	677,977
Interest	464,926
Assumption changes	231,952
Changes of benefit terms	142,064
Actual vs expected experience	(4,865,442)
Benefit payments	(379,410)
Net changes	(3,727,933)
Balance at December 31, 2021 (MD Dec. 31, 2020)	\$ 12,751,874

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 10 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

B. Changes in the Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate.

The following table is based on the December 31, 2021 (Measurement Date) actuarial valuation:

<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<u>1.06%</u>	<u>2.06%</u>	<u>3.06%</u>
<u>\$ 15,475,203</u>	<u>\$ 13,275,385</u>	<u>\$ 11,489,554</u>

The following table is based on the December 31, 2020 (Measurement Date) actuarial valuation:

<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<u>1.12%</u>	<u>2.12%</u>	<u>3.12%</u>
<u>\$ 14,844,495</u>	<u>\$ 12,751,874</u>	<u>\$ 11,052,701</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates.

The following table is based on the December 31, 2021 (Measurement Date) actuarial valuation:

<u>1% Decrease</u>	<u>Healthcare Cost Current Trend</u>	<u>1% Increase</u>
<u>\$ 11,045,032</u>	<u>\$ 13,275,385</u>	<u>\$ 16,180,025</u>

The following table is based on the December 31, 2020 (Measurement Date) actuarial valuation:

<u>1% Decrease</u>	<u>Healthcare Cost Current Trend</u>	<u>1% Increase</u>
<u>\$ 10,734,986</u>	<u>\$ 12,751,874</u>	<u>\$ 15,362,029</u>

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 10 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022 and 2021, the District recognized OPEB expense/(credit) of \$616,051 and \$1,013,307, respectively.

At December 31, 2022, the District reported \$2,887,977 of deferred outflows of resources and \$4,502,897 of deferred inflows of resources for related to the net OPEB obligation as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date of the net OPEB liability	\$ 434,424	\$ -
Changes in assumptions	2,453,553	(730,813)
Net difference in earnings on plan investments	-	(3,772,084)
Total	<u>\$ 2,887,977</u>	<u>\$ (4,502,897)</u>

At December 31, 2022, the District reported \$434,424 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the coming year. Amortization of the remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

	<u>Amount</u>
Year Ended June 30:	
2023	\$ (258,572)
2024	(258,572)
2025	(258,572)
2026	(274,373)
2027	(307,119)
Thereafter	<u>(692,136)</u>
Total	<u>\$ (2,049,344)</u>

At December 31, 2021, the District reported \$3,245,025 of deferred outflows of resources and \$5,201,829 of deferred inflows of resources for related to the net OPEB obligation as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date of the net OPEB liability	\$ 468,905	\$ -
Changes in assumptions	2,776,120	(883,066)
Net difference in earnings on plan investments	-	(4,318,763)
Total	<u>\$ 3,245,025</u>	<u>\$ (5,201,829)</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 10 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At December 31, 2021, the District reported \$468,905 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the coming year. Amortization of the remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

Year Ended June 30:	<u>Amount</u>
2022	\$ (271,660)
2023	(271,660)
2024	(271,660)
2025	(271,660)
2026	(287,461)
Thereafter	<u>(1,051,608)</u>
Total	<u>\$ (2,425,709)</u>

NOTE 11 – PENSION PLAN

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Pension related deferred outflows	\$ 5,234,679	\$ 1,778,407
Net pension liability	13,730,102	6,056,636
Pension related deferred inflows	771,264	5,498,117

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan". The net pension liability balances have a Measurement Date of June 30, 2022 and June 30, 2021, respectively, which are rolled-forward for the District's fiscal years ended December 31, 2022 and December 31, 2021.

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

A. General Information about the Pension Plan

The Plan

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

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of 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	6.908%	6.750%
Required employer contribution rates – FY 2022	11.031%	7.732%
Required employer contribution rates – FY 2021	10.221%	6.985%

Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The District contributes to the miscellaneous risk pool within the Plan. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2021 Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS website under Forms and Publications.

The California Public Employees’ Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement benefits are applied, and places compensation limits on members. As a result of these changes since PEPRA’s adoption in January 2013, the District now has two unique CalPERS plans to which it makes contributions within the miscellaneous risk pool: the “classic” plan, which includes covered employees who have established membership in a CalPERS plan prior to January 2013, as well as the “PEPRA/new” plan, which includes covered employees who have established membership in a CalPERS plan after January 2013. Each plan or membership contains unique benefits levels, which are enumerated in the June 30, 2022 and 2021 Annual Actuarial Valuation Reports.

At June 30, 2022, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	49	37	86
Transferred and terminated members	40	7	47
Retired members and beneficiaries	66	1	67
Total plan members	155	45	200

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description, Benefits Provided and Employees Covered (continued)

At June 30, 2021, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	55	31	86
Transferred and terminated members	42	6	48
Retired members and beneficiaries	58	1	59
Total plan members	155	38	193

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers 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 the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, 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 employees.

Contributions for the year ended December 31, 2022, (Measurement Date June 30, 2022) were as follows:

Contribution Type	Total
Contributions – employer	\$ 1,700,412
Contributions – members	577,873
Total contributions	\$ 2,278,285

Contributions for the year ended December 31, 2021, (Measurement Date June 30, 2021) were as follows:

Contribution Type	Total
Contributions – employer	\$ 1,619,062
Contributions – members	550,227
Total contributions	\$ 2,169,289

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

For the years ended December 31, 2022 and 2021, the contributions recognized as part of pension expense for the Plan were \$1,700,412 and \$1,619,062.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (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:

Changes in the net pension liability for the year ended December 31, 2022, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 51,562,557	\$ 45,505,922	\$ 6,056,635
Balance as of June 30, 2022 (Measurement Date)	\$ 57,665,907	\$ 43,935,805	\$ 13,730,102
Change in Plan Net Pension Liability	\$ 6,103,350	\$ (1,570,117)	\$ 7,673,467

Changes in the net pension liability for the year ended December 31, 2021, were as follows:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2020 (Measurement Date)	\$ 47,806,269	\$ 36,232,498	\$ 11,573,771
Balance as of June 30, 2021 (Measurement Date)	\$ 51,562,557	\$ 45,505,922	\$ 6,056,635
Change in Plan Net Pension Liability	\$ 3,756,288	\$ 9,273,424	\$ (5,517,136)

For the year ended December 31, 2022 and 2021 pension expense was \$1,279,553 and \$829,587, respectively.

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 dates (June 30, 2021 and 2020). 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, 2022 and 2021). 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, 2022 and 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY 2021-2022 and FY 2020-2021).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

- (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).

As of December 31, 2022 and 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$13,730,102 and \$6,056,636, respectively.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2021 and 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 and 2017 rolled forward to December 31, 2021 and 2020 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	December 31, 2022	December 31, 2021	
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	
Percentage of Risk Pool Net Pension Liability	0.29343%	0.31897%	-0.02554%
Percentage of Plan (PERF C) Net Pension Liability	0.11887%	0.11199%	0.00688%

The District’s proportionate share of the net pension liability for the June 30, 2021, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	December 31, 2021	December 31, 2020	
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Percentage of Risk Pool Net Pension Liability	0.31897%	0.27439%	0.04458%
Percentage of Plan (PERF C) Net Pension Liability	0.11199%	0.10637%	0.00562%

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

The total amount of \$924,538 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Pension contributions made after the measurement date	\$ 924,538	\$ -
Difference between actual and proportionate share of employer contributions	-	(527,042)
Adjustment due to differences in proportions	112,488	(59,549)
Differences between expected and actual experience	275,727	(184,670)
Differences between projected and actual earnings on pension plan investments	2,514,990	-
Changes in assumptions	1,406,936	-
Total Deferred Outflows/(Inflows) of Resources	\$ 5,234,679	\$ (771,261)

The total amount of \$835,739 reported as deferred outflows of resources related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended December 31, 2022. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Pension contributions made after the measurement date	\$ 835,739	\$ -
Difference between actual and proportionate share of employer contributions	-	(210,995)
Adjustment due to differences in proportions	263,481	-
Differences between expected and actual experience	679,187	-
Differences between projected and actual earnings on pension plan investments	-	(5,287,122)
Changes in assumptions	-	-
Total Deferred Outflows/(Inflows) of Resources	\$ 1,778,407	\$ (5,498,117)

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

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

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended December 31, 2022, will be amortized to pension expense in future periods as follows:

Amortization Period	Deferred
Fiscal Year Ended December 31	Outflows/(Inflows)
	of Resources
2023	\$ 885,634
2024	728,832
2025	386,161
2026	1,538,253
Total	\$ 3,538,880

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended December 31, 2021, will be amortized to pension expense in future periods as follows:

Amortization Period	Deferred
Fiscal Year Ended December 31	Outflows/(Inflows)
	of Resources
2022	\$ 908,090
2023	1,009,095
2024	1,177,177
2025	1,461,087
Total	\$ 4,555,449

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 and 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 and 2020, total pension liability. The December 31, 2022 and 2021, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF B was 6.90%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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	Assumed Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	100%		

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 Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Changes in the discount rate for the year ended June 30, 2022, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
CalPERS – Miscellaneous Plan	\$ 21,591,005	\$ 13,730,102	\$ 7,262,530

PALMDALE WATER DISTRICT
Notes to Financial Statements
 December 31, 2022 and 2021

NOTE 11 – PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (continued)

Changes in the discount rate for the year ended June 30, 2021, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	\$ 12,864,486	\$ 6,056,635	\$ 428,682

Pension Plan Fiduciary Net Position

Detailed information about the pension 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.

C. Payable to the Pension Plans

At December 31, 2022 and 2021, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended December 31, 2022 and 2021.

NOTE 12 – NET POSITION – NET INVESTMENT IN CAPITAL ASSETS

The District's net -position – net investment in capital assets for the years ended December 31, 2022 and 2021 were calculated as follows:

Description	Balance Dec. 31, 2022	Balance Dec. 31, 2021
Restricted – cash and cash equivalents		
– revenue bond proceeds for construction	\$ 7,723,962	\$ 11,030,100
Right-to-use asset, net – being amortized	366,740	-
Capital assets – not being depreciated	21,316,338	10,995,185
Capital assets, net – being depreciated	158,117,452	157,172,808
Deferred loss on debt defeasance, net	3,583,794	4,049,130
Right-to-use lease payable – current	(126,686)	-
Right-to-use asset financing – current	(447,281)	(88,250)
Loan payable – current	(1,342,628)	(1,300,396)
Revenue bonds payable – current	(1,273,017)	(1,215,743)
Right-to-use lease payable	(229,028)	-
Right-to-use asset financing	(1,952,719)	-
Loan payable	-	(1,342,628)
Revenue bonds payable, net	(66,320,148)	(67,761,583)
Total net investment in capital assets	<u>\$ 119,416,779</u>	<u>\$ 111,538,623</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 13 – NET POSITION – UNRESTRICTED (DEFICIT)

As of December 31, 2022 and 2021, the District has an unrestricted net position deficit of (\$13,960,583) and (\$13,824,097). Due to the nature of the deficit from the implementation of GASB Statements No. 68 & 75 in the past fiscal years, the District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension and net OPEB obligations funding requirements for future periods to reduce its deficit position.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Beginning net position as of January, 2022 was restated by \$11,804, for the District’s retroactive restatement for the adoption of *GASB No. 87 - Leases* as noted below as the lease started prior to January 1, 2022:

<u>Description</u>	<u>Balance</u>
Net position as of January 1, 2022 – as previously reported	\$ 99,917,008
GASB Statement No. 87 restatement for:	
Right-to-use asset, net	408,390
Right-to-use payable, net	<u>(396,586)</u>
Total adjustments	<u>11,804</u>
Net position as of January 1, 2022 – as restated	<u><u>\$ 99,928,812</u></u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 15 – RISK MANAGEMENT

The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing pool that provides insurance coverage and related services.

A. Entity	ACWA-JPIA
B. Purpose	To pool member contributions and realize the
C. Participants	As of September 30, 2022 – 396 member districts
D. Governing board	Nine representatives employed by members
E. District payments for FY 2022:	\$385,236
F. Condensed financial information	September 30, 2022
Audit signed	February 7, 2023

Statement of financial position:	Sept. 30, 2022
Total assets	<u>\$ 246,615,214</u>
Deferred outflows	<u>6,108,562</u>
Total liabilities	<u>137,126,606</u>
Deferred inflows	<u>2,813,249</u>
Net position	<u>\$ 112,783,921</u>
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 175,619,417
Total expenses	<u>(212,646,028)</u>
Change in net position	(37,026,611)
Beginning – net position	<u>149,810,532</u>
Ending – net position	<u>\$ 112,783,921</u>
G. Member agencies share of year-end financial position	Not Calculated

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. At December 31, 2022 and 2021, the District participated in the self-insured liability, property, and worker’s compensation insurance programs provided by ACWA/JPIA through AON Risk Insurance Services West, Inc. as follows:

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 15 – RISK MANAGEMENT (continued)

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 an 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

Workers' 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 since 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.

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, 2022, 2021, and 2020. 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, 2022, 2021, and 2020.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 16 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in an IRS Code Section 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 17 – COMMITMENTS AND CONTINGENCIES

State Water Contract

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

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 8,190,722
2024	8,345,912
2025	9,499,653
2026	9,013,626
2027	9,045,633

As of December 31, 2022, the District has expended approximately \$129,751,826 since the District started participating in the State Water Contract.

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

<u>Type of Long-Term Obligation</u>	<u>Amount</u>
State Water Project Contract:	
Transportation facilities	\$87,786,818
Delta water charges	25,621,596
Off-aqueduct power facilities	174,832
Revenue bond surcharge	<u>4,171,857</u>
Total	<u>\$117,755,103</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

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 (the 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 \$2,242,309 to complete the open construction contracts as of December 31, 2022. These include the following:

<u>Project Description</u>	<u>Cost of Project to Date</u>	<u>Estimated Costs to Complete</u>	<u>Total Expected Project Cost</u>
Littlerock Creek Groundwater Recharge Project	\$ 4,209,279	\$ 790,721	\$ 5,000,000
Various Water Main Replacements	2,736,400	326,737	3,063,137
Well 36 Construction	2,182,284	1,124,851	3,307,135
Total	<u>\$ 9,127,963</u>	<u>\$ 2,242,309</u>	<u>\$ 11,370,272</u>

Excluded Leases – Short-Term Leases and De Minimis Leases

The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 17 – COMMITMENTS AND CONTINGENCIES (continued)

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.

NOTE 18 – CURRENT AND SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 31, 2023, the date on which the financial statements were available to be issued.

Required Supplementary Information

PALMDALE WATER DISTRICT

Schedule of Proportionate Share of the Net Pension Liability For the Years Ended December 31, 2022 and 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's	Plan's Fiduciary
				Share of the Net Pension Liability as a Percentage of Covered Payroll	Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.10201%	\$ 6,347,533	\$ 6,027,591	105.31%	79.93%
June 30, 2015	0.09802%	6,727,907	6,377,315	105.50%	79.62%
June 30, 2016	0.10037%	8,685,489	6,778,010	128.14%	75.59%
June 30, 2017	0.10166%	10,081,661	6,482,822	155.51%	74.68%
June 30, 2018	0.10180%	9,809,458	6,735,592	145.64%	76.68%
June 30, 2019	0.10434%	10,691,338	7,391,878	144.64%	75.92%
June 30, 2020	0.10637%	11,573,771	7,675,493	150.79%	75.79%
June 30, 2021	0.11199%	6,056,636	8,369,880	72.36%	88.25%
June 30, 2022	0.11887%	13,730,102	8,690,330	157.99%	76.19%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

For fiscal years June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

The discount rate was reduced from 7.15% to 6.90%, and the the inflation rate as reduced from 2.50% to 2.30%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

PALMDALE WATER DISTRICT
Schedule of Pension Contributions
For the Years Ended December 31, 2022 and 2021

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 805,370	\$ (805,370)	\$ -	\$ 6,027,591	13.36%
2015	819,205	(819,205)	-	6,377,315	12.85%
2016	945,678	(945,678)	-	6,778,010	13.95%
2017	1,026,759	(1,026,759)	-	6,482,822	15.84%
2018	1,178,448	(1,178,448)	-	6,735,592	17.50%
2019	1,373,023	(1,373,023)	-	7,391,878	18.57%
2020	1,559,864	(1,559,864)	-	7,675,493	20.32%
2021	1,655,630	(1,655,630)	-	8,369,880	19.78%
2022	1,789,211	(1,789,211)	-	8,690,330	20.59%

Notes to Schedule:

Measurement Date	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2014	June 30, 2013	Entry Age	Market Value	2.75%	7.50%
June 30, 2015	June 30, 2014	Entry Age	Market Value	2.75%	7.65%
June 30, 2016	June 30, 2015	Entry Age	Market Value	2.75%	7.65%
June 30, 2017	June 30, 2016	Entry Age	Market Value	2.75%	7.65%
June 30, 2018	June 30, 2017	Entry Age	Market Value	2.75%	7.15%
June 30, 2019	June 30, 2018	Entry Age	Market Value	2.50%	7.15%
June 30, 2020	June 30, 2019	Entry Age	Market Value	2.50%	7.15%
June 30, 2021	June 30, 2020	Entry Age	Market Value	2.50%	7.15%
June 30, 2022	June 30, 2021	Entry Age	Market Value	2.30%	6.90%

Amortization Method Level percentage of payroll, closed
Salary Increases Depending on age, service, and type of employment
Investment Rate of Return Net of pension plan investment expense, including inflation
Retirement Age 50 years (2%@55), 52 years (2%@62)
Mortality Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

PALMDALE WATER DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Years Ended December 31, 2022 and 2021

Fiscal Year Ended Measurement Date	Last Ten Fiscal Years*				
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Total OPEB liability:					
Service cost	\$ 596,605	\$ 677,977	\$ 459,128	\$ 533,709	\$ 471,435
Interest	278,018	464,926	542,470	480,852	475,129
Changes of assumptions	117,793	231,952	2,835,458	(1,339,825)	695,190
Differences between expected and actual experience	-	(4,865,442)	-	-	-
Changes of benefit terms	-	142,064	-	-	-
Benefit payments	(468,905)	(379,410)	(322,930)	(307,191)	(283,520)
Net change in total OPEB liability	523,511	(3,727,933)	3,514,126	(632,455)	1,358,234
Total OPEB liability - beginning	12,751,874	16,479,807	12,965,681	13,598,136	12,239,902
Total OPEB liability - ending	\$ 13,275,385	\$ 12,751,874	\$ 16,479,807	\$ 12,965,681	\$ 13,598,136
Covered-employee payroll	\$ 9,492,550	\$ 8,522,694	\$ 8,492,001	\$ 8,067,557	\$ 7,459,193
District's net OPEB liability as a percentage of covered-employee payroll	139.85%	149.62%	194.06%	160.71%	182.30%

Notes to Schedule:

Benefit Changes:

Measurement Date December 31, 2017 – There were no changes in benefits
 Measurement Date December 31, 2018 – There were no changes in benefits
 Measurement Date December 31, 2019 – There were no changes in benefits
 Measurement Date December 31, 2020 – There were no changes in benefits
 Measurement Date December 31, 2021 – There were no changes in benefits

Changes in Assumptions:

Measurement Date December 31, 2017 – Discount rate was updated to 3.44% from 3.78% as of December 31, 2016
 Measurement Date December 31, 2018 – Discount rate was updated to 4.09% from 3.44% as of December 31, 2017
 Measurement Date December 31, 2019 – Discount rate was updated to 2.74% from 4.09% as of December 31, 2018
 Measurement Date December 31, 2020 – Discount rate was updated to 2.12% from 2.74% as of December 31, 2019
 Measurement Date December 31, 2021 – Discount rate was updated to 2.06% from 2.12% as of December 31, 2020

* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

PALMDALE WATER DISTRICT

Schedule of OPEB Contributions

For the Years Ended December 31, 2022 and 2021

Last Ten Fiscal Years*

**The Plan is not administered through a qualified trust.
Therefore, there is no Actuarially Determined Contribution (ADC)**

Fiscal Year Ended	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Contributions made	\$ 345,386	\$ 381,892	\$ 305,410	\$ 245,893	\$ 240,695
Implied subsidy	89,038	87,013	74,000	77,037	66,496
Total contributions	<u>\$ 434,424</u>	<u>\$ 468,905</u>	<u>\$ 379,410</u>	<u>\$ 322,930</u>	<u>\$ 307,191</u>

Notes to Schedule:

Valuation Date	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
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Methods and Assumptions Used to Determine Contribution Rates:

Discount rate	2.12%	2.12%	2.74%	4.09%	3.44%
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%
Payroll increases	2.75%	2.75%	3.00%	3.00%	3.00%
Mortality	1	1	1	1	1
Disability	1	1	1	1	1
Retirement	1	1	1	1	1
Termination	1	1	1	1	1
Healthcare trend rates	2	2	2	2	2

(1) CalPERS 2000-2019 Experience Study

(2) Pre-65 - 7.50% trending down to 4.00% in 2076

Post-65 - 6.50% trending down to 4.00% in 2076

* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

Supplementary Information

PALMDALE WATER DISTRICT
Schedules of Debt Service Net Revenues Coverage
For the Year Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Total revenues:		
Operating revenues	\$ 31,320,439	\$ 30,361,197
Non-operating revenues	11,527,508	8,217,314
Capital contributions – capital improvement fees and grants	<u>5,562,268</u>	<u>5,716,336</u>
Total revenues	<u>48,410,215</u>	<u>44,294,847</u>
Total expenses:		
Operating expenses before depreciation expense	<u>26,501,941</u>	<u>28,491,804</u>
Non-operating expenses	6,452,924	7,081,128
Less debt service items:		
Interest expense – long-term debt	<u>(2,437,192)</u>	<u>(2,525,060)</u>
Total non-operating expenses adjusted for debt service items	<u>4,015,732</u>	<u>4,556,068</u>
	<u>30,517,673</u>	<u>33,047,872</u>
Net revenues available for debt service	<u>\$ 17,892,542</u>	<u>\$ 11,246,975</u>
Debt service for the fiscal year	<u>\$ 5,678,432</u>	<u>\$ 4,450,448</u>
Debt service net revenues coverage ratio	<u>315%</u>	<u>253%</u>

Other Independent Auditors' Reports



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

Board of Directors
Palmdale Water District
Palmdale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Palmdale Water District (District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 31, 2023.

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) as a basis for designing audit procedures 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

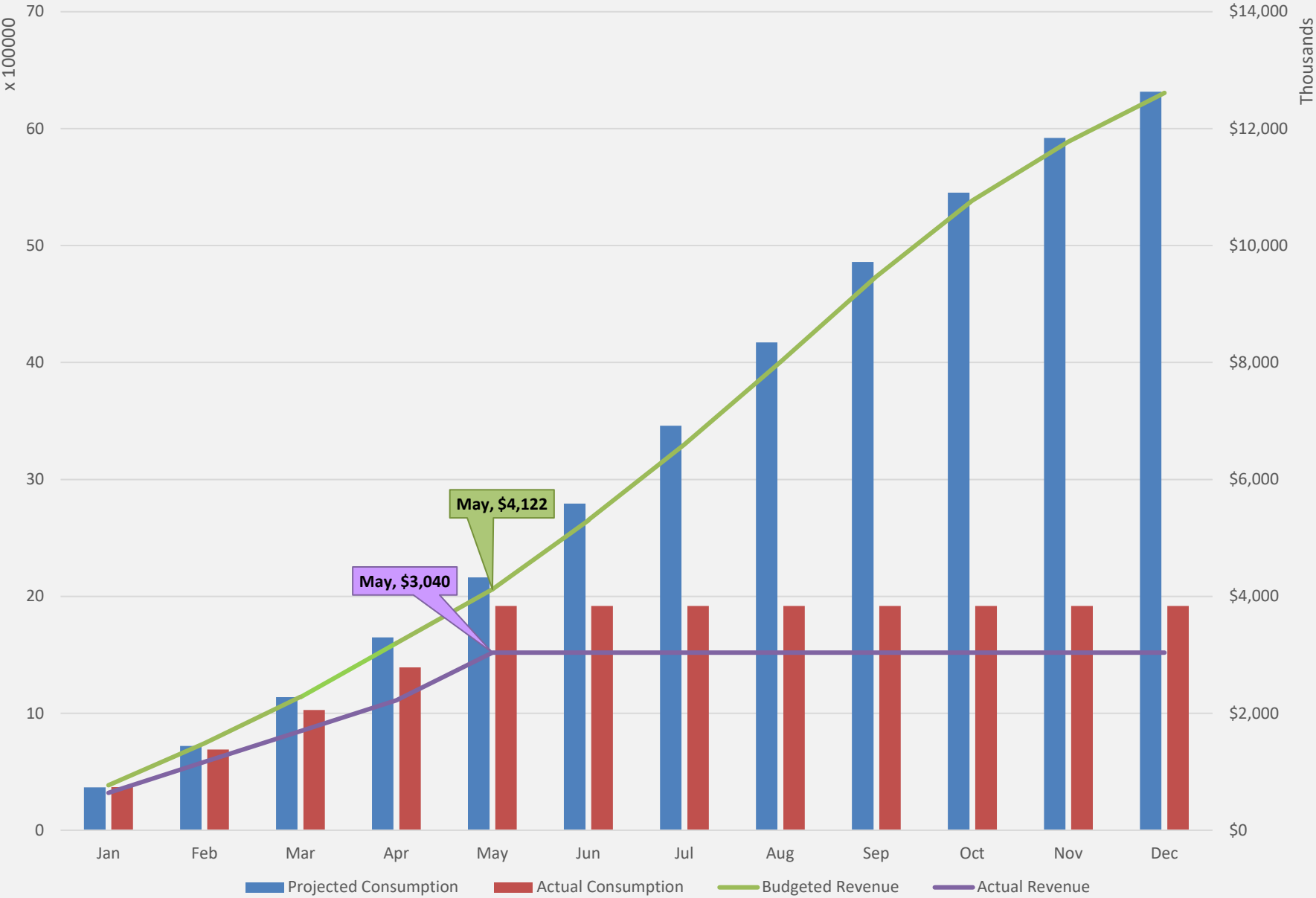
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
May 31, 2023

2023 Revenue Projections Based on 14,500 AF



AGENDA ITEM NO. 5.2a

PALMDALE WATER DISTRICT
Debt Service Coverage (\$000s)

	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Apr 2022 - Mar 2023	May 2022 - Apr 2023	Jun 2022 - May 2023
OPERATING REVENUES	25,166	27,653	30,361	31,320	31,563	31,167	31,224
Rate Stabilization Fund		(100)	(100)	(146)			
	25,166	27,553	30,261	31,174	31,563	31,167	31,224
OPERATING EXPENSES							
Gross operating expenses	25,092	25,282	28,492	26,502	28,524	29,119	29,111
Overhead adjustment	(1,049)	(558)	281	2,057			
SWP Fixed operations and maint	(23)	(38)	(26)	(33)	(32)	(32)	(32)
Non-Cash Related OPEB Expense	(865)	(1,171)	(894)	(17)			
Capital portion included above							
TOTAL EXPENSES	23,155	23,516	27,853	28,509	28,492	29,087	29,079
NET OPERATING REVENUES	2,010	4,037	2,408	2,665	3,071	2,080	2,145
NON-OPERATING REVENUE							
Ad valorem property taxes	2,508	2,409	2,502	3,477	3,769	3,840	3,808
Interest income	452	171	121	138	143	161	179
Capital improvement fees	624	1,235	5,248	2,318	1,310	1,288	1,327
Other income	72	43	88	162	407	395	448
TOTAL NON-OPERATING INCOME	3,656	3,859	7,958	6,095	5,630	5,684	5,762
NET REV AVAILABLE FOR DEBT SERVICE	5,666	7,896	10,366	8,761	8,701	7,764	7,907
NET DEBT SERVICE							
2012 Issue - Bank of Nevada	1,373	1,261	1,373	1,372	1,374	1,373	1,373
2013A Water Revenue Bond	2,346	2,346	1,845	1,377	1,373	1,362	1,362
2018A Water Revenue Bond	569	569	569	819	821	813	813
2020 Private Placement			279	308	308	308	308
2020 Water Revenue Refunding Bond			160	554	553	553	553
2021 Water Revenue Bond				359	300	300	300
2021 Water Revenue Refunding Bond				368	368	353	353
2017 Capital Lease	179	179	179	88			
2022 Capital Lease					527	527	527
TOTAL DEBT SERVICE	4,467	4,355	4,406	5,246	5,624	5,589	5,589
DEBT SERVICE COVERAGE	1.27	1.81	2.35	1.67	1.55	1.39	1.41
NET REV AVAILABLE AFTER D/S	1,199	3,541	5,960	3,515	3,077	2,175	2,318