

**PALMDALE RECYCLED WATER AUTHORITY (PRWA)
HELD AT CITY OF PALMDALE
CITY HALL COUNCIL CHAMBER
38300 SIERRA HIGHWAY, SUITE B
PALMDALE, CALIFORNIA
REGULAR MEETING
AUGUST 18, 2025
6:00 P.M.**

www.palmdalerwa.org

WELCOME

PLEASE NOTE: You can view this agenda and related items on our website at <https://palmdalerwa.org/>. You can request a copy of this agenda or attachments, if any, by contacting the City Clerk's Office at 661-267-5151.

In general, a **three-minute time limit** will be imposed on all speakers other than staff members, although the chair has the authority to change the amount of time allotted.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk's Office at (661) 267-5151 at least 72 hours prior to the meeting.

If you require oral translation, please contact the City Clerk's Office at (661) 267-5151 at least 72 hours prior to the meeting.

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

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

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. **ROLL CALL** **CHAIR AUSTIN BISHOP, DIRECTORS DON WILSON, SCOTT KELLERMAN, LAURA BETTENCOURT, AND JOE PALLON**

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

NON-AGENDA PUBLIC COMMENTS - Individuals may also address the Board of Directors on any subject regarding Palmdale Recycled Water Authority business. Under state legislation, no action can be taken on items not specifically referenced on the Agenda. **PLEASE NOTE:** A three-minute time limit will be imposed on each speaker other than staff members.

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

- 5.1 Approve the Minutes from the previous meeting held on April 21, 2025. (Staff Reference: Authority Secretary Faber)
- 5.2 Approve receipt and filing of the Treasurer's Report for the seven months ending July 31, 2025. (Staff Reference: Treasurer-Auditor Hoffmeyer)
- 5.3 Approve receipt and filing of the Investment Report for the quarter ending June 30, 2025. (Staff Reference: Treasurer-Auditor Hoffmeyer)
- 5.4 Approve receipt and filing of the annual basic financial statements with independent auditors' report for year ended December 31, 2024. (Staff Reference: Treasurer-Auditor Hoffmeyer)
- 5.5 Adopt Resolution No. PRWA 2025-001, a Resolution of the Board of Directors of the Palmdale Recycled Water Authority designating by title and name those officials who are authorized to sign checks and warrants. (Staff Reference: Treasurer-Auditor Hoffmeyer)

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

6. DISCUSSION ITEM

- 6.1 Discussion regarding JPA Dissolution. (Staff Reference: Authority Attorney Early)

7. DIRECTOR REQUESTS FOR NEW AGENDA ITEMS

8. INFORMATIONAL REPORT OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR

10. ADJOURNMENT

PALMDALE RECYCLED WATER AUTHORITY (PRWA)

**MINUTES
APRIL 21, 2025
PALMDALE RECYCLED WATER AUTHORITY (PRWA)
HELD AT CITY OF PALMDALE
CITY HALL COUNCIL CHAMBER
38300 SIERRA HIGHWAY, SUITE B
6:00 P.M.**

1. CALL TO ORDER

Chair Bishop called the meeting to order at 6:00 p.m.

2. PLEDGE OF ALLEGIANCE

3. ADMINISTRATION OF OATH OF OFFICE (Staff Reference: Authority Secretary Faber)

- **Director Joe Pallon**

**4. ROLL CALL CHAIR AUSTIN BISHOP, DIRECTORS DON WILSON,
SCOTT KELLERMAN, LAURA BETTENCOURT, AND
JOE PALLON**

Present: Directors Bishop, Wilson, Kellerman, Bettencourt, Pallon

5. PUBLIC COMMENTS

None.

NON-AGENDA PUBLIC COMMENTS

None.

6. CONSENT CALENDAR:

- 6.1 Approve the Minutes from the previous meeting held on March 17, 2025. (Staff Reference: Authority Secretary Faber)
- 6.2 Approve receipt and filing of the Treasurer's Report for the three months ending March 31, 2025. (Staff Reference: Treasurer-Auditor Hoffmeyer)
- 6.3 Approve receipt and filing of the Investment Report for the quarter ending March 31, 2025. (Staff Reference: Treasurer-Auditor Hoffmeyer)

Move to approve the recommendations and findings on all items listed under this Consent Calendar

Moved by Director Bettencourt, seconded by Director Kellerman

Vote: (5-0)

Yes: Directors Bishop, Wilson, Kellerman, Bettencourt, and Pallon

7. DISCUSSION ITEM

- 7.1 Discussion of PRWA's status and future. (Staff Reference: Executive Director LaMoreaux)

Executive Director LaMoreaux presented the staff report and provided a brief history of the PRWA. He spoke about rate setting, the Master Plan, and concerns regarding purple pipe.

He stated that Palmdale Water District started looking at blending tertiary water. He spoke about the updates provided to the Board on the Pure Water AV project and the presentation made by Las Virgenes Triunfo regarding their project.

Executive Director LaMoreaux stated that retrofitting the city with purple pipe was more expensive than the pure water project. He also discussed the desire to drought-proof the parks on the eastside.

Chair Bishop discussed succession planning, assets, and who would control PRWA assets. He also discussed the recycled water at McAdam Park.

Director Bettencourt voiced her concerns about keeping a seat at the table, continuing to work collaboratively with Palmdale Water District, and not wanting to dissolve the PRWA.

8. DIRECTOR REQUESTS FOR NEW AGENDA ITEMS

Chair Bishop requested that the Authority Attorney bring back a succession plan for the Board's review. Authority Attorney Early asked if the Board was interested in only the dissolution option, revising the JPA, or creating a new JPA. Chair Bishop stated he would like the report to outline the key points of a succession plan and how that would work out.

9. INFORMATIONAL REPORT OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR

There were no informational reports.

10. ADJOURNMENT

Chair Bishop adjourned the meeting at 6:24 p.m. to July 21, 2025, at 6:00 p.m. at the City of Palmdale City Hall Council Chambers located at 38300 Sierra Highway, Suite B, Palmdale, California.

PASSED, APPROVED, and ADOPTED this 18th day of August, 2025.

Austin Bishop
Chair

ATTEST:

Roxanne Faber
Authority Secretary

PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

DATE: August 13, 2025
TO: BOARD OF DIRECTORS
FROM: Dennis J. Hoffmeyer, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

August 18, 2025
Board Meeting

RE: AGENDA ITEM NO 5.2 – TREASURER’S REPORT FOR JULY 31, 2025

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer’s Report for the seven months ending July 31, 2025.

Background:

To comply with provisions required by Section 4.13 of the Joint Powers of Authority Agreement and the responsibilities of the Treasurer, a Financial Report is prepared and submitted to the Board of Directors who certifies the availability of funds for the reports presented. These reports are hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of July 31, 2025, the PRWA has \$ 3,128,493.17 in cash and investments. PRWA had interest and market adjustment of \$8,920.48, received \$2,853.53 in receivables, and there were \$51,405.47 in expenses and fees paid for the month.

Supporting Documents:

Treasurer’s Report for the month ending July 31, 2025.
Balance Sheet for the period ending July 31, 2025.
Income Statement for the period ending July 31, 2025.

Palmdale Recycled Water Authority
Treasurer's Report
Month Ended July 31, 2025

Cash/Funds Available and held at Bank of America, Citizens Business Bank, & UBS Financial Svcs:

Bank Balance, beginning July 1, 2025	3,168,124.63
Less: Expenses Paid	(51,405.47)
Less: Bank Fees Paid (Analysis Fees & Credit Card Processing)	-
Add: Deposits Made	2,853.53
Add: Interest Earned & Market Adjustment on Investments	8,920.48
Add: Deposit in Transit	-
Less: Outstanding Check (Ledger Tie-Out)	-
Bank Balance, ending July 31, 2025	3,128,493.17
Less: Accounts Payable	-
Less: Accrued Purchases	(1,776.45)
Less: Accrued Payroll Taxes	-
Less: Deposits - Customer	(5,000.00)
Add: Accounts Receivable	5,734.07
Add: Interest Receivable	-
Adjusted Bank Balance, ending July 31, 2025	3,127,450.79

Outstanding Checks (Prior Month(s)):

July Checks Issued:

Deposit Refund - Americo Builders	3,056.62
Deposit Refund - Maison's Palmdale LP	48,348.85

Total Checks Issued	<div style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">51,405.47</div>
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Balance Sheet

PRWA (Palmdale Recycled Water Authority)

Last Closed Period: Jul FY_2025

<i>in Whole Dollars</i>		Jul '25 Actual
Current Assets		
[+] Cash & Equivalents		596,657
[+] UBS- Investment Funds		2,531,836
[+] Receivables		5,733
[+] Prepaid Expenses		7,396
Total Current Assets		3,141,622
Non Current Assets		
[+] Capital Assets Depreciated		1,450,892
Total Non Current Assets		1,450,892
Total Assets		4,592,514
Current Liabilities		
[+] Accounts Payable & Accrued Exp		1,776
[+] Construction Deposits		5,000
Total Current Liabilities		6,776
Total Liabilities		6,776
Equity		
[+] Retained Earnings		4,585,737
Total Equity		4,585,737
Total Liabilities Equity		4,592,514

Income Statement

Last Closed Period: Jul FY_2025

PRWA (Palmdale Recycled Water Authority)

in Whole Dollars

2025

Actual

Program Revenue

[+] Water Sales	All Departments	62,070
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Total Program Revenue

62,070

Other Revenue

[+] Interest Earnings	All Departments	34,953
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[+] Market Adjustment on Investments	All Departments	23,285
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Total Other Revenue

58,237

Total Revenue

120,308

General Government

[+] Public Representative	All Departments	-
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[+] Bank fees	All Departments	105
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[+] Insurance Expense	All Departments	6,178
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[+] Memberships	All Departments	250
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[+] Outreach	All Departments	77
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[+] Provision for Bad Debt	All Departments	-
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[+] Utilities - Purchased Water	All Departments	-
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[+] Materials & Supplies	All Departments	-
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Total General Government

6,610

Public Resource

[+] Contracted Services - Audit	All Departments	8,500
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Total Public Resource

8,500

Net Cash Operating Profit/(Loss)

105,198

Cash Operating Margin %

169.5%

Non-Cash Operating Expense

[+] Depreciation	All Departments	31,154
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Total Non-Cash Operating Expense

31,154

Operating (Loss) Income

74,044

Operating Margin %

119.3%

PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

DATE: August 13, 2025 **August 18, 2025**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Dennis J. Hoffmeyer, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

**RE: AGENDA ITEM NO 5.3 – INVESTMENT REPORT FOR THE QUARTER ENDING
JUNE 30, 2025**

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends to the Board of Directors to receive and file the Investment Report for the quarter ending June 30, 2025.

Background:

To comply with provisions of California Government Code 53646, the attached investment report includes a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values, and the current market values of each component of the portfolio, including funds managed for the Authority by third party contracted managers. The report is hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of June 30, 2025, the PRWA has \$258,926.38 in Money Market, \$1,831,824.04 in U.S. Treasury Bill/Notes, and \$419,701.80 in Certificates of Deposits with UBS Investment Services with accrued interest in the amount of \$12,478.30.

Supporting Documents:

Investment Report for the quarter ending June 30, 2025.

PALMDALE RECYCLED WATER AUTHORITY
INVESTMENT REPORT
June 30, 2025

UBS Money Market Account (SS 30999)

Cash	\$0.00
UBS Select Government Preferred Fund (Money Market)	\$258,926.38

US Government Securities

	CUSIP #	Issuer	Maturity Date	Rate	Face Value	Market Value
1	912797NU7	US Treasury Bill	12/26/2025		450,000	440,847.00
2	9128284Z0	US Treasury Note	08/31/2025	2.750	500,000	498,535.00
3	9128284Z0	US Treasury Note	08/31/2025	2.750	130,000	129,619.10
4	9128285N6	US Treasury Note	11/30/2025	2.875	506,000	503,060.14
5	91282CAZ4	US Treasury Note	11/30/2025	2.875	264,000	259,762.80
					1,850,000	\$1,831,824.04

Certificates of Deposit

	CUSIP #	Issuer	Maturity Date	Rate	Face Value	Market Value
1	52168UMH2	Leader Bank NA	12/08/2025	4.200	210,000	209,848.80
2	13933NBE3	Cape Cod Cooperative	12/11/2025	4.200	210,000	209,853.00
					420,000	\$419,701.80

Acct. Total **\$2,510,452.22**

Accrued interest **\$12,478.30**

TOTAL CASH AND INVESTMENTS **\$2,522,930.52**

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE: August 11, 2025
TO: BOARD OF DIRECTORS
FROM: Dennis J. Hoffmeyer, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

August 18, 2025
Board Meeting

RE: AGENDA ITEM NO 5.4 – BASIC FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS’ REPORT AND REQUIRED SUPPLEMENTAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2024

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the annual basic financial statements with independent auditors’ report for year ended December 31, 2024.

Background:

To comply with provisions required by Section 5.4(b) of the Joint Powers of Authority Agreement and responsibilities of the Authority, a certified public accounting firm has completed the annual auditors’ report and required supplemental information for the Board. These reports are hereby submitted to the Board of Directors for ratification.

Financial Highlights

- The Authority’s net position increased by approximately 0.94% or \$41,866, compared to the prior year.
- The Authority had 2024 operating revenue of \$45,684 as compared to 2023 operating revenue of \$60,899 primarily due to a reduction in water sales in 2024.
- The Authority’s operating expenses for 2024 increased \$7,765 from \$112,096 in 2023 to \$119,861 in 2024 due primarily to an increase of \$9,503 in general and administrative expenses.

The audit did not contain any findings of other matters that are required to be reported to the Board.

Financial Impact:

None

Supporting Documents:

Basic Financial Statements with Independent Auditors’ Report for Year Ended December 31, 2024.

Report to the Board of Directors for Year Ended December 31, 2024

PALMDALE RECYCLED WATER AUTHORITY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Years Ended
December 31, 2024 and 2023

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PALMDALE RECYCLED WATER AUTHORITY
For the Years Ended December 31, 2024 and 2023
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Palmdale Recycled Water Authority
Palmdale, California

Opinion

We have audited the accompanying financial statements of the Palmdale Recycled Water Authority (Authority) as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2024 and 2023, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated June 15, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control over financial reporting and compliance.



Murrieta, California
June 15, 2025

PALMDALE RECYCLED WATER AUTHORITY

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2024 and 2023

Management's Discussion and Analysis (MD&A) offers readers of Palmdale Recycled Water Authority's financial statements a narrative overview of the Authority's financial activities for the years ended December 31, 2024 and 2023. 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

- The Authority's net position increased by approximately 0.94% or \$41,866, compared to the prior year.
- The Authority had 2024 operating revenue of \$45,684 as compared to 2023 operating revenue of \$60,899 primarily due to a reduction in water sales in 2024.
- The Authority's operating expenses for 2024 increased \$7,765 from \$112,096 in 2023 to \$119,861 in 2024 due primarily to an increase of \$9,503 in general and administrative expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis serves as an introduction to the Authority's financial statements. The Authority'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 and results of operations during the year ending December 31, 2024 and 2023. 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.

REQUIRED FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet presents information on the Authority's assets and liabilities 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 Authority 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 exceed liabilities, resulting in a net position of \$4,510,694 as of December 31, 2024.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the year. All of the year's revenues and expenses are accounted for in this statement. This statement measures the results of the Authority's operations for the year and can be used to determine if the Authority has successfully recovered all of its costs through user fees and other charges. Operating revenues and expenses are related to the Authority's core activities. Non-operating revenues and expenses are not directly related to the core activities of the Authority. For the year ended December 31, 2024 net position increased by 0.94% or \$41,866.

PALMDALE RECYCLED WATER AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2024 and 2023

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheet

	2024	2023	Change
ASSETS			
Current assets	\$ 3,060,691	\$ 2,971,412	\$ 89,279
Capital assets, net (note 3)	1,482,047	1,535,454	(53,407)
Total assets	\$ 4,542,738	\$ 4,506,866	\$ 35,872
LIABILITIES			
Current liabilities	\$ 32,044	\$ 38,038	\$ (5,994)
Total liabilities	32,044	38,038	(5,994)
NET POSITION			
Investment in capital assets	1,482,047	1,535,454	(53,407)
Unrestricted	3,028,647	2,933,374	95,273
Total net position	4,510,694	4,468,828	41,866
Total liabilities and net position	\$ 4,542,738	\$ 4,506,866	\$ 35,872

The Authority's net position increased by approximately 0.94% or \$41,866 compared to the prior year.

Analysis of Revenues and Expenses

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

	2024	2023	Change
Operating revenues	\$ 45,684	\$ 60,899	\$ (15,215)
Operating expenses	119,861	112,096	7,765
Operating income	(74,177)	(51,197)	(22,980)
Non-operating revenues	116,043	106,460	9,583
Change in net position	41,866	55,263	\$ (13,397)
Net position			
Beginning of year	4,468,828	4,413,565	
End of year	\$ 4,510,694	\$ 4,468,828	

PALMDALE RECYCLED WATER AUTHORITY
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2024 and 2023

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers to the nature and source of these changes. The main factor in the change in net position is due to the following:

- The Authority had 2024 operating revenue of \$45,684 as compared to 2023 operating revenue of \$60,899 primarily due to a decrease in water sales in 2024.
- The Authority's operating expenses for 2024 increased \$7,765 from \$112,096 in 2023 to \$119,861 in 2024 due primarily to an increase of \$9,503 in general and administrative expenses.

CAPITAL ASSETS

At the end of 2024, the Authority had \$1,482,047 as an investment in net capital assets that includes the recycled water pipeline and pumping facilities. This asset was transferred from the City of Palmdale to the Authority as part of the joint-powers agreement in prior years.

FACTORS AFFECTING CURRENT FINANCIAL POSITION

The Authority anticipates that operating revenues and expenses for the year 2025 will be about the same as year 2024. This is reflected in the Authority's budget for the 2025 calendar year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide the Board of Directors, customers, taxpayers, creditors, and other interested parties with general overview of the Authority's financial operations and condition at the year ended December 31, 2024, and to demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report or need additional information, you may contact Palmdale Water District, Finance Department, at 2029 E Avenue Q, Palmdale, CA 93550 or (661) 947-4111.

PALMDALE RECYCLED WATER AUTHORITY*Balance Sheets**December 31, 2024 and 2023*

	2024	2023
ASSETS		
Cash and cash equivalents (note 2)	\$ 1,110,393	\$ 607,506
Investments (note 2)	1,922,690	2,333,387
Interest receivable	21,890	23,765
Accounts receivable	3,238	4,607
Prepaid expenses	2,480	2,147
Capital assets, net (note 3)	<u>1,482,047</u>	<u>1,535,454</u>
Total assets	<u><u>\$ 4,542,738</u></u>	<u><u>\$ 4,506,866</u></u>
LIABILITIES		
Accounts payable	\$ 27,044	\$ 33,038
Customer deposits	<u>5,000</u>	<u>5,000</u>
Total liabilities	<u>32,044</u>	<u>38,038</u>
NET POSITION		
Investment in capital assets	1,482,047	1,535,454
Unrestricted	<u>3,028,647</u>	<u>2,933,374</u>
Total net position	<u>4,510,694</u>	<u>4,468,828</u>
Total liabilities and net position	<u><u>\$ 4,542,738</u></u>	<u><u>\$ 4,506,866</u></u>

PALMDALE RECYCLED WATER AUTHORITY*Statements of Revenues Expenses and Changes in Net Position
For the Years Ended December 31, 2024 and 2023*

	<u>2024</u>	<u>2023</u>
Operating revenues		
Water sales	\$ 20,560	\$ 18,139
Meter and other revenue	<u>25,124</u>	<u>42,760</u>
Total operating revenues	<u>45,684</u>	<u>60,899</u>
Operating expenses		
Source of supply	28,228	29,966
General and administrative	38,226	28,723
Depreciation	<u>53,407</u>	<u>53,407</u>
Total operating expenses	<u>119,861</u>	<u>112,096</u>
Operating income(loss)	<u>(74,177)</u>	<u>(51,197)</u>
Non-operating revenues		
Investment earnings	<u>116,043</u>	<u>106,460</u>
Total non-operating revenues	<u>116,043</u>	<u>106,460</u>
Change in net position	41,866	55,263
Net position		
Beginning of year	<u>4,468,828</u>	<u>4,413,565</u>
End of year	<u><u>\$ 4,510,694</u></u>	<u><u>\$ 4,468,828</u></u>

PALMDALE RECYCLED WATER AUTHORITY*Statements of Cash Flows**For the Years Ended December 31, 2024 and 2023*

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from water and other revenue	\$ 46,720	\$ 31,119
Cash payments for operating expenses	<u>(72,448)</u>	<u>(45,406)</u>
Net cash provided by (used in) operating activities	<u>(25,728)</u>	<u>(14,287)</u>
Cash flows from investing activities:		
Purchases of investments	(3,046,914)	(4,122,085)
Sales of investments	3,498,999	4,084,012
Investment earnings	<u>76,531</u>	<u>31,012</u>
Net cash provided by (used in) investing activities	<u>528,616</u>	<u>(7,061)</u>
Net increase (decrease) in cash and cash equivalents	<u>502,888</u>	<u>(21,348)</u>
Cash and cash equivalents:		
Beginning of year	<u>607,506</u>	<u>628,854</u>
End of year	<u><u>\$ 1,110,394</u></u>	<u><u>\$ 607,506</u></u>
Supplemental disclosure of cash flow information:		
Non-cash investing and financing activities:		
Change in unrealized gains/(losses) of investments	<u>\$ 41,387</u>	<u>\$ 58,725</u>
	<u>2024</u>	<u>2023</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:		
Operating income(loss)	\$ (74,177)	\$ (51,197)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation	53,407	53,407
(Increase) decrease in assets:		
Accounts receivable	1,369	1,849
Prepaid expenses	(333)	(185)
Increase (decrease) in liabilities:		
Accounts payable	(5,994)	13,283
Customer deposits	<u>-</u>	<u>(31,444)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (25,728)</u></u>	<u><u>\$ (14,287)</u></u>

PALMDALE RECYCLED WATER AUTHORITY

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

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

Basis of Accounting and Measurement Focus

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

Financial Reporting

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States Board (GAAP), as applied to enterprise funds, The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Authority's proprietary fund.

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

Cash and Cash Equivalents

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

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.

PALMDALE RECYCLED WATER AUTHORITY

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

In accordance with fair value measurements, the Authority 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 Authority 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.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Authority'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.

Prepaid Expenses

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

Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the Authority'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 life for the Authority's recycled water distribution system is 40-years.

Net Position

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

Investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

PALMDALE RECYCLED WATER AUTHORITY

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Agency Contributions

The Authority's joint exercise of powers agreement provides that any member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority's operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the member and approved by the board and the governing body of the member. There were no contributions made in 2024 or 2023.

Grants

Grant revenues are recorded when earned on grants that have been approved and funded by the grantor.

Member's Equity

In the event of a member withdrawal, member termination, or dissolution of the Authority, any property interest remaining in the Authority, following a discharge of all obligations shall be disposed of pursuant to the Joint Powers Agreements as adopted by the Governing Board.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at December 31, 2024 and 2023, are classified on the balance sheet as follows:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,110,393	\$ 607,506
Investments	<u>1,922,690</u>	<u>2,333,387</u>
Total cash and investments	<u>\$ 3,033,083</u>	<u>\$ 2,940,893</u>

Cash and investments at December 31, 2024 and 2023, are reported at fair value and consisted of the following:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Demand deposits with financial institutions	\$ 874,399	\$ 606,659
Money-market funds	235,994	847
Investments	<u>1,922,690</u>	<u>2,333,387</u>
Total cash and investments	<u>\$ 3,033,083</u>	<u>\$ 2,940,893</u>

Demand Deposits with Financial Institutions

At December 31, 2024 and 2023, the carrying amount of the Authority's demand deposits were \$581,271 and \$606,659, respectively, and the financial institution's balance were \$582,462 and \$608,982, respectively. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the Authority's balance for each year.

PALMDALE RECYCLED WATER AUTHORITY

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

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 Authority 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 Depositary 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.

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 Authority considers money-market funds a cash equivalent due to their highly liquid nature and NAV of \$1 per share. As of December 31, 2024 and 2023, the Authority held \$235,994 and \$847 in money-market funds, respectively.

Authorized Investments and Investment Policy

The Authority is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase of reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 53600. The Authority does not have a formal policy for investments that is more restrictive than the noted Government Code.

Maturities and credit ratings of investments held at December 31, 2024, consisted of the following:

Type of Investments	Measurement Input	Credit Rating	2024 Fair Value	Maturity
				12 Months or Less
U.S. Treasury notes	Level 1	Exempt	\$ 1,537,550	\$ 1,537,550
Certificates-of-deposit	Level 1	Not Rated	385,140	385,140
Total investments			\$ 1,922,690	\$ 1,922,690

PALMDALE RECYCLED WATER AUTHORITY*Notes to Financial Statements**December 31, 2024 and 2023***NOTE 2 – CASH AND INVESTMENTS (continued)**

Maturities and credit ratings of investments held at December 31, 2023, consisted of the following:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>2023 Fair Value</u>	<u>Maturity</u>
				<u>12 Months or Less</u>
U.S. Treasury notes	Level 1	Exempt	\$ 1,582,111	\$ 1,582,111
Certificates-of-deposit	Level 1	Not Rated	751,276	751,276
Total investments			<u>\$ 2,333,387</u>	<u>\$ 2,333,387</u>

Investments - Interest Rate Risk

The Authority's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Authority's investment policy limits investment purchases to investments with a term not to exceed five-years.

Investments - Credit Risk

The Authority's investment policy limits investment choices to investment securities allowed by the California Government Code. At December 31, 2024 and 2023, all investments represented investment securities which were issued, registered and held by the Authority's agent in the Authority's name.

Investments - Concentration of Credit Risk

The Authority does not place limits on the amount it may invest in any one issuer.

At December 31, 2024, the Authority had the following investments that represented more than five percent of the Authority's net investment balance.

<u>Investments with Maturity Dates</u>	<u>2024 Balance</u>	<u>Percentage of Investments</u>
U.S. Treasury note – February 28, 2025	\$ 413,954	21.53%
U.S. Treasury note – August 31, 2025	623,820	32.45%
U.S. Treasury note – November 30, 2025	499,776	25.99%
Certificate-of-deposit – January 10, 2025	135,030	7.02%
Certificate-of-deposit – January 21, 2025	250,110	13.01%
Total	<u>\$ 1,922,690</u>	<u>100.00%</u>

PALMDALE RECYCLED WATER AUTHORITY*Notes to Financial Statements**December 31, 2024 and 2023***NOTE 2 – CASH AND INVESTMENTS (continued)**

At December 31, 2023, the Authority had the following investments that represented more than five percent of the Authority's net investment balance.

<u>Investments with Maturity Dates</u>	<u>2023 Balance</u>	<u>Percentage of Investments</u>
U.S. Treasury note – February 29, 2024	\$ 380,675	16.31%
U.S. Treasury note – June 30, 2024	497,733	21.33%
U.S. Treasury note – August 31, 2024	205,833	8.82%
U.S. Treasury note – October 31, 2024	497,870	21.34%
Certificate-of-deposit – March 4, 2024	124,047	5.32%
Certificate-of-deposit – March 14, 2024	115,999	4.97%
Certificate-of-deposit – March 22, 2024	125,056	5.36%
Certificate-of-deposit – April 1, 2024	132,065	5.66%
Certificate-of-deposit – May 1, 2024	110,005	4.71%
Certificate-of-deposit – September 27, 2024	144,104	6.18%
Total	<u><u>\$ 2,333,387</u></u>	<u><u>100.00%</u></u>

NOTE 3 – CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

Capital asset activity for the year ended December 31, 2024, was as follows:

<u>Description</u>	<u>Balance Jan 1, 2024</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance Dec 31, 2024</u>
Depreciable assets:				
Recycled water distribution system	\$ 2,136,283	\$ -	\$ -	\$ 2,136,283
Accumulated depreciation:				
Recycled water distribution system	<u>(600,829)</u>	<u>(53,407)</u>	<u>-</u>	<u>(654,236)</u>
Total capital assets, net	<u><u>\$ 1,535,454</u></u>	<u><u>\$ (53,407)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,482,047</u></u>

Capital asset activity for the year ended December 31, 2023, was as follows:

<u>Description</u>	<u>Balance Jan 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance Dec 31, 2023</u>
Depreciable assets:				
Recycled water distribution system	\$ 2,136,283	\$ -	\$ -	\$ 2,136,283
Accumulated depreciation:				
Recycled water distribution system	<u>(547,422)</u>	<u>(53,407)</u>	<u>-</u>	<u>(600,829)</u>
Total capital assets, net	<u><u>\$ 1,588,861</u></u>	<u><u>\$ (53,407)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,535,454</u></u>

PALMDALE RECYCLED WATER AUTHORITY

Notes to Financial Statements

December 31, 2024 and 2023

NOTE 4 – RELATED PARTY TRANSACTIONS

The board of the Authority has assigned staff from the Palmdale Water District and the City of Palmdale to serve in various administrative duties of the Authority. All payroll cost related to staff time while serving the Authority is incurred by the respective agencies and none of the payroll costs are incurred by the Authority nor are they charged to the Authority for such services. Other transactions with the member agencies are accounted for as exchange-like transactions between the parties involved.

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased various commercial insurance policies to manage the potential liabilities that may occur from the previously named sources.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The Authority 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.

Litigation

The Authority is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 7 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 15, 2025, the date which the financial statements were available to be issued.

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 Recycled Water Authority
Palmdale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Palmdale Recycled Water Authority (Authority) which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 15, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority'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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
June 15, 2025

PALMDALE RECYCLED WATER AUTHORITY

Report to the Board of Directors

**For the Fiscal Year Ended
December 31, 2024**

**NIGRO
& NIGRO^{PC}**

PALMDALE RECYCLED WATER AUTHORITY

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For the Fiscal Year Ended December 31, 2024

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Governing Board
Palmdale Recycled Water Authority
Palmdale, California

We are pleased to present this report related to our audit of the financial statements of the Palmdale Recycled Water Authority (Authority) as of and for the year ended December 31, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority' financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Authority.

Very truly yours,

Nigro & Nigro, PC
Murrieta, California
June 15, 2025

Required Communications

PALMDALE RECYCLED WATER AUTHORITY

Required Communications

For the Fiscal Year Ended December 31, 2024

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated December 15, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.
Accounting Policies and Practices	<p>Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p>Adoption of, or Change in, Significant Accounting Policies or Their Application Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p>
Audit Adjustments	Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries .
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

PALMDALE RECYCLED WATER AUTHORITY

Required Communications

For the Fiscal Year Ended December 31, 2024

Area	Comments
Discussions With Management	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	No significant difficulties were encountered in performing our audit.

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

Disclosure of Audit Adjustments and Reclassifications

As part of our external audit engagement, we operate under the presumption that the Authority's books and records are materially accurate and appropriately closed prior to the commencement of audit fieldwork. Nonetheless, audit adjustments and reclassifications are often proposed during the course of the audit to ensure the Authority's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and to enhance comparability with prior-year financial data. In the interest of transparency and governance, we have included, as an attachment to this letter, a summary of audit adjustments and reclassification journal entries identified during the audit.

The existence or absence of such adjustments does not inherently indicate deficiencies, but rather reflects the auditor's role in enhancing the fair presentation of the financial statements. Disclosure of these items provides the Board of Directors with insight into the scope and depth of the audit procedures performed.

To promote timely and accurate financial reporting, we recommend that management strengthen internal controls and oversight over the year-end financial close process. Enhancing these procedures can reduce the volume of post-closing audit adjustments and reclassifications, improve the quality of interim and year-end financial reporting, and support the Authority's efforts in maintaining compliance with financial reporting requirements and best practices in fiscal governance.

Summary of Adjusting Journal Entries

PALMDALE RECYCLED WATER AUTHORITY

Summary of Adjusting Journal Entries

For the Fiscal Year Ended December 31, 2024

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To rollforward retained earnings			
2500-000	Retained Earnings	1,000.00	
2250-200	Deposits - Construction		1,000.00
Total		1,000.00	1,000.00
Adjusting Journal Entries JE # 2			
PBC - To accrue water purchase			
6000-000	Utilities - Purchased Water	11,264.91	
2050-000	Accrued Purchases		11,264.91
Total		11,264.91	11,264.91
Adjusting Journal Entries JE # 3			
PBC - To adjust AR - Other account			
5000-000	Bank Fees	9.75	
1750-300	Accounts Receivable - Other		9.75
Total		9.75	9.75
	Total Adjusting Journal Entries	12,274.66	12,274.66

PALMDALE RECYCLED WATER AUTHORITY BOARD MEMORANDUM

DATE: August 11, 2025
TO: BOARD OF DIRECTORS
FROM: Dennis J. Hoffmeyer, Treasurer-Auditor, PRWA
VIA: Mr. Dennis LaMoreaux, Executive Director, PRWA

**August 18, 2025
Board Meeting**

RE: AGENDA ITEM NO 5.5 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. PRWA 2025-001, A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE RECYCLED WATER AUTHORITY DESIGNATING BY TITLE AND NAME THOSE OFFICIALS WHO ARE AUTHORIZED TO SIGN CHECKS AND WARRANTS.

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors adopt Resolution No. PRWA 2025-001, a Resolution of the Board of Directors of the Palmdale Recycled Water Authority designating by title and name those officials who are authorized to sign checks and warrants.

Background:

Resolution No. PRWA 2025-001 will reflect the appointment or deletion of the following, and add or delete him or her as an authorized signer of checks and warrants for the Palmdale Recycled Water Authority:

Vincent Dino – Deleting
Juan Carrillo – Deleting
Dennis Hoffmeyer – Deleting
Keith Kang - Deleting
Christina Kosick – Retaining
Austin Bishop – Adding
Don Wilson – Adding
Viridiana Iguaran – Adding

Financial Impact:

None

Supporting Documents:

PRWA Resolution No. 2025-001

RESOLUTION NO. PRWA 2025-001

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE
RECYCLED WATER AUTHORITY DESIGNATING THOSE OFFICIALS
WHO ARE AUTHORIZED TO SIGN CHECKS AND WARRANTS,
EFFECTIVE AUGUST 18, 2025.

WHEREAS, the Palmdale Recycled Water Authority has engaged various financial institutions as depositories of Palmdale Recycled Water Authority moneys and funds administered by the Palmdale Recycled Water Authority Board of Directors; and

WHEREAS, The Board of Directors has, by Resolution, heretofore designated by title certain officials who are authorized to sign checks, drafts, warrants, or other orders for the payment of money drawn in the name of the Palmdale Recycled Water Authority.

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

SECTION 1: For purposes of implementing Section 1 of Resolution No. PRWA 2021-003, the following persons are designated by name and are expressly authorized to sign checks, drafts, warrants or other orders for the payment of money drawn in the name of the Palmdale Recycled Water Authority:

Chair	AUSTIN BISHOP
Vice-Chair	DON WILSON
Treasurer	VIRIDIANA IGUARAN
Assistant Treasurer	CHRISTINA KOSICK

SECTION 2: The following persons are no longer authorized to sign checks, drafts, warrants or other orders on behalf of the Palmdale Recycled Water Authority:

Chair JUAN CARRILLO

Vice-Chair VINCENT DINO

Treasurer DENNIS HOFFMEYER

Assistant Treasurer KEITH KANG

SECTION 3: The Clerk of the Authority shall certify to the adoption of this Resolution and enter it into the official records of the Authority.

PASSED, APPROVED and ADOPTED this 18th day of August 2025 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____ ABSENT: _____

Austin Bishop, Chair

ATTEST:

Roxanne Faber,
Authority Secretary

Approved as to form:

Paul Early
Authority Attorney

TO: Board of Directors
Palmdale Recycled Water Authority

FROM: Paul J. Early

DATE: August 18, 2025

RE: JPA Dissolution

This memo addresses the current Palmdale Recycled Water Authority Joint Powers Authority Agreement (“PRWA”) and processes and options related to dissolution and termination of the Authority.

BACKGROUND

The PRWA was formed in 2012 between the City of Palmdale (“City”) and the Palmdale Water District (“District”) (then named the Palmdale Irrigation District) pursuant to the Joint Exercise of Powers Act, Government Code Sections 6500, et seq. The PRWA has no termination date and can only be dissolved as set forth in the Joint Powers Agreement (“Agreement”) that created it. The stated purpose of the PRWA is to “establish an independent public agency in order to study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Sanitation Districts 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.”

TERMINATION

Pursuant to Article 8 of the Agreement, the PRWA may be dissolved and the Agreement terminated by:

1. “the mutual agreement of both Members at any time”, or
2. “one Member after the tenth anniversary of the execution of this Agreement.” In the event the Agreement is terminated by one Member, “the Members agree to engage in the dispute resolution procedure under section 9.10, and such termination shall not be effective until six months after the completion of that procedure.”

If the Members both agree, the termination of the Agreement can be effectuated by a simple written agreement terminating the PRWA, approved by the City Council for the City and the Board of Directors for the District. That Agreement would set forth the disposition of any property and obligations which could be in accordance with the PRWA Agreement of as agreed by the parties.

Since the 10th anniversary of the Agreement has passed, it appears that either Member could call for a termination of the Agreement independently and without the consent of the other. In such a case, the following procedure must first be followed:

Representatives of each Member shall meet and use their best efforts and in good faith to settle any dispute, claim, question or disagreement in an effort to identify the needs and justification to continue the PRWA. These meetings may continue for a period of up to thirty (30) days. If no resolution has been agreed upon during this period, then a meeting of the PRWA Board shall be set within sixty (60) days after the first meeting of the Party representatives to discuss and attempt to resolve during the public Board meeting. If the Members continue to not agree on the dissolution, they shall submit to mediation to be held within thirty (30) days of the request for mediation. If mediation is not successful, the Agreement will terminate six months after the final mediation date.

EFFECT OF TERMINATION

If not otherwise agreed upon by the parties, the Agreement provides that upon termination:

1. In the event of termination of the Authority where there is a successor public entity which will carry on the activities of the Authority and assume its obligations, Authority property, funds, and other assets, including any interest earned in deposits, remaining upon termination of the Authority and after payment of all obligations, shall be transferred to the successor public entity.

2. If there is no successor public entity which would carry on any of the activities of the Authority or assume any of its obligations, Authority property, funds, and other assets,, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall first be used to return any unreimbursed contribution of each Member, and the remainder shall be divided equally between the Members. While there may also be other contributions set forth in documents executed after the formation of the PRWA, the Agreement does provide that the City, at the time of Authority's formation, has contributed the recycled water infrastructure installed to date known as Phase I which provides recycled water to McAdam Park, Palmdale, CA.

3. If there is a successor public agency which would undertake some of the functions of the Authority and assume some of its obligations, Authority property, funds, and other assets, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall be allocated by the Board between the successor public entity and Members.

4. In the event the Authority is terminated and remaining funds must be allocated under the circumstances falling within (2) or (3) above, all decisions of the Board with regard to determination of amounts to be transferred to Members or any successor shall be final.

ALTERNATIVES

If there are additional joint projects to be considered between the City and the District that may not fall within the stated purpose of the PRWA or if the PRWA is dissolved, there are other means for the city and District to work together to achieve those goals. These include:

1. Amend the PRWA Agreement to broaden or narrow the purpose and scope to include projects the parties want to jointly work towards;

2. Form a new Joint Powers Authority to address new project needs. This is a good option for larger infrastructure related projects where independent financing may be necessary and separates the new agency from both the District and the City from liability from those debts. This is the only alternative that could issue its own bonds.

3. Create a Joint Powers Agreement. The Joint Exercise of Powers Act allows for both the creation of a new, independent agency like the current PRWA. However, it also allows for the creation of an Agreement, without establishing a new agency. This is a useful tool when both agencies want to maintain their own independence over their affairs but work together to authorize use of shared facilities or exercising jurisdiction within each other's boundaries for limited purposes. Risks and liabilities remain with each agency. This also has the benefit of low overhead and no Brown Act, financial audit or other administrative concerns.