



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 16, 2022

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

Committee Members: Don Wilson -Chair, Gloria Dizmang

FOR THE PUBLIC: VIA TELECONFERENCE ONLY

DIAL-IN NUMBER: 571-748-4021 ATTENDEE PIN: 098-682-776#

Submit Public Comments at: <https://www.gomeet.com/098-682-776>

TUESDAY, JUNE 21, 2022

1:00 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 Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale (Government Code Section 54957.5). Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

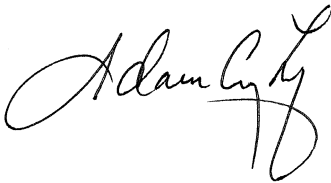
PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will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

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

- 1) Roll call.
- 2) Adoption of agenda.
- 3) Public comments 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 31, 2022.
- 4.2) Consideration and possible action on a recommendation to receive and file the 2021 Annual Financial Report. (Finance Manager Hoffmeyer/Paul Kaymark, Nigro & Nigro)
- 4.3) Discussion and overview of Cash Flow Statement and Current Cash Balances as of May 2022. (Financial Advisor Egan)
- 4.4) Discussion and overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for May 2022. (Finance Manager Hoffmeyer)
- 4.5) Discussion and overview of committed contracts issued. (Finance Manager Hoffmeyer)
- 4.6) Consideration and possible action on a recommendation to upgrade the District's financial system. (\$160,000.00 – Budgeted – Finance Manager Hoffmeyer)
- 5) Reports.
 - 5.1) Finance Manager Hoffmeyer:
 - a) The effect of COVID-19 event.
 - b) 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.



ADAM C. LY,
Assistant General Manager

ACL/dd

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 15, 2022 **June 21, 2022**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Dennis J. Hoffmeyer, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM 4.2 – CONSIDERATION AND POSSIBLE ACTION ON A RECOMMENDATION TO RECEIVE AND FILE THE 2021 ANNUAL FINANCIAL REPORT. (FINANCE MANAGER HOFFMEYER/PAUL KAYMARK, NIGRO & NIGRO)*

Recommendation:

Staff recommends the Finance Committee receive and file the annual basic financial statements with independent auditors' report for year ended December 31, 2021, for final approval by the full Board.

Discussion:

There will be a basic presentation on the financials as audited. This will include changes related to GASB 68/75 Pension and OPEB coverages, new GASB pronouncements that the District will need to implement, and information related to single audit coverage requirements related to federal grant funding received during the year.

Strategic Plan Initiative/Mission Statement:

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


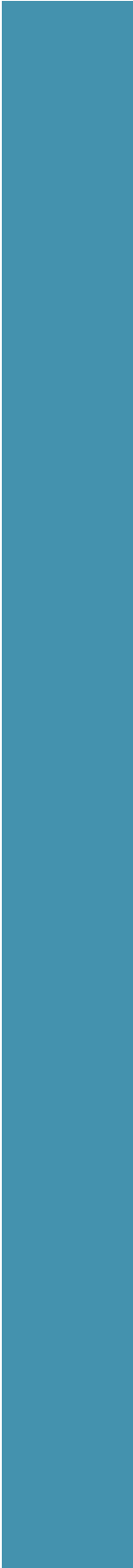
This item directly relates to the District's Mission Statement.

Budget:

This item has no budget impact.

Supporting Documents:

- 2021 Annual Financial Report prepared by Nigro & Nigro



**PALMDALE WATER DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Years Ended
December 31, 2021 and 2020**

NIGRO & NIGRO^{PC}

PALMDALE WATER DISTRICT

For the Years Ended December 31, 2021 and 2020

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Palmdale Water District
Palmdale, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of Palmdale Water District, which comprise the balance sheets as of December 31, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Palmdale Water District as of December 31, 2021 and 2020, 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.

Other Matters*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.

Other 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 June 21, 2022, 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
June 21, 2022

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Years Ended December 31, 2021 and 2020

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, 2021 and 2020. 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 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 2020, the District's net position increased 3.65% or \$1,566,680 from the prior year's net position of \$95,179,779 to \$96,746,459, as a result of this year's operations.
- 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 2020, the District's operating revenues increased by 9.49% or \$2,387,572 from \$25,165,648 to \$27,553,220, from the prior year, primarily due to an increase in water sales – commodity charge of \$2,554,774.
- 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.
- In 2020, the District's operating expenses before overhead absorption and depreciation expense increased by 0.76% or \$190,491 from \$25,091,896 to \$25,282,387, from the prior year, primarily due to an increase in administration expenses of \$510,656 and finance and customer care of \$135,515.

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, 2021 and 2020. 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, 2021 and 2020

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 \$99,917,008 and \$96,746,459 as of December 31, 2021 and 2020, 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, 2021, net position from operations increased \$3,170,549. Also, for the year ended December 31, 2020, net position from operations increased \$1,566,680.

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 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. For 2020, the total of these categories represents a decrease in cash and cash equivalents of \$6,329,853, which is subtracted from the beginning cash and cash equivalents of \$10,066,895, to arrive at ending cash and cash equivalents of \$3,737,042.

PALMDALE WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Balance Sheets

	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020	Change	Balance, Dec. 31, 2019	Change
Assets:					
Current assets	\$ 24,885,227	\$ 20,210,560	\$ 4,674,667	\$ 20,032,372	\$ 178,188
Non-current assets	13,232,582	4,466,060	8,766,522	6,324,308	(1,858,248)
Capital assets, net	168,167,993	166,964,871	1,203,122	162,706,256	4,258,615
Total assets	206,285,802	191,641,491	14,644,311	189,062,936	2,578,555
Deferred outflows of resources	9,072,562	9,018,550	54,012	5,101,099	3,917,451
Total assets and deferred outflows	\$ 215,358,364	\$ 200,660,041	\$ 14,698,323	\$ 194,164,035	\$ 6,496,006
Liabilities:					
Current liabilities	12,222,577	10,168,200	2,054,377	9,212,469	955,731
Non-current liabilities	88,418,833	89,145,383	(726,550)	84,670,431	4,474,952
Total liabilities	100,641,410	99,313,583	1,327,827	93,882,900	5,430,683
Deferred inflows of resources	14,799,946	4,599,999	10,199,947	5,101,356	(501,357)
Net position:					
Net investment in capital assets	111,538,623	110,142,267	1,396,356	106,542,240	3,600,027
Restricted	2,202,482	2,201,548	934	1,958,222	243,326
Unrestricted	(13,824,097)	(15,597,356)	1,773,259	(13,320,683)	(2,276,673)
Total net position	99,917,008	96,746,459	3,170,549	95,179,779	1,566,680
Total liabilities, deferred inflows and net position	\$ 215,358,364	\$ 200,660,041	\$ 14,698,323	\$ 194,164,035	\$ 6,496,006

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

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%.

The District's Net Position as of December 31, 2020 totaled \$96,746,459 compared with \$95,179,779 as of December 31, 2021, an increase of 1.65%.

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, 2021 and 2020

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, 2021</u>	<u>Balance, Dec. 31, 2020</u>	<u>Change</u>	<u>Balance, Dec. 31, 2019</u>	<u>Change</u>
Operating revenues	\$ 30,361,197	\$ 27,553,220	\$ 2,807,977	\$ 25,165,648	\$ 2,387,572
Operating expenses	<u>(28,491,804)</u>	<u>(25,282,387)</u>	<u>(3,209,417)</u>	<u>(25,091,896)</u>	<u>(190,491)</u>
Operating income before overhead absorption	<u>1,869,393</u>	<u>2,270,833</u>	<u>(401,440)</u>	<u>73,752</u>	<u>2,197,081</u>
Overhead absorption	<u>(281,192)</u>	<u>557,620</u>	<u>(838,812)</u>	<u>1,049,246</u>	<u>(491,626)</u>
Operating income before depreciation	<u>1,588,201</u>	<u>2,828,453</u>	<u>(1,240,252)</u>	<u>1,122,998</u>	<u>1,705,455</u>
Depreciation expense	<u>(5,270,174)</u>	<u>(5,144,968)</u>	<u>(125,206)</u>	<u>(5,257,262)</u>	<u>112,294</u>
Operating (loss) after depreciation	<u>(3,681,973)</u>	<u>(2,316,515)</u>	<u>(1,365,458)</u>	<u>(4,134,264)</u>	<u>1,817,749</u>
Non-operating revenues(expenses), net	<u>1,136,186</u>	<u>2,647,757</u>	<u>(1,511,571)</u>	<u>2,972,460</u>	<u>(324,703)</u>
Net loss before capital contributions	<u>(2,545,787)</u>	<u>331,242</u>	<u>(2,877,029)</u>	<u>(1,161,804)</u>	<u>1,493,046</u>
Capital contributions	<u>5,716,336</u>	<u>1,235,438</u>	<u>4,480,898</u>	<u>633,286</u>	<u>602,152</u>
Change in net position	<u>3,170,549</u>	<u>1,566,680</u>	<u>1,603,869</u>	<u>(528,518)</u>	<u>2,095,198</u>
Net position:					
Beginning of year	96,746,459	95,179,779	1,566,680	95,708,297	(528,518)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 99,917,008</u>	<u>\$ 96,746,459</u>	<u>\$ 3,170,549</u>	<u>\$ 95,179,779</u>	<u>\$ 1,566,680</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(decreased) from operations by \$3,170,549, \$1,566,680 and (\$528,518), for the years ended December 31, 2021, 2020, and 2019 respectively.

PALMDALE WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Total Revenues

	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020	Change	Balance, Dec. 31, 2019	Change
Operating revenues:					
Water sales – commodity charge	\$ 12,501,007	\$ 11,138,571	\$ 1,362,436	\$ 8,583,797	\$ 2,554,774
Water sales – wholesale	561,298	467,776	93,522	524,847	(57,071)
Monthly meter service charge	15,218,790	13,832,147	1,386,643	13,967,724	(135,577)
Water quality fees	704,782	824,429	(119,647)	760,377	64,052
Elevation fees	379,529	363,869	15,660	336,093	27,776
Other charges for services	995,791	926,428	69,363	992,810	(66,382)
Total operating revenues	30,361,197	27,553,220	2,807,977	25,165,648	2,387,572
Non-operating:					
Property taxes – ad valorem	1,660,944	1,678,388	(17,444)	1,783,332	(104,944)
Property tax assessment for State Water Project	5,179,076	5,194,911	(15,835)	4,790,480	404,431
Successor agency component of property taxes	840,880	731,045	109,835	724,595	6,450
Rental revenue – cellular towers	18,012	15,394	2,618	24,059	(8,665)
Investment earnings	(1,067)	170,760	(171,827)	451,831	(281,071)
Change in investment – PRWA	934	243,326	(242,392)	289,932	(46,606)
Legal and insurance refunds/settlements	61,746	2,491	59,255	54,050	(51,559)
Department of Water Resources – FCR	368,950	299,879	69,071	247,469	52,410
Other non-operating revenues	87,839	42,971	44,868	71,953	(28,982)
Total non-operating	8,217,314	8,379,165	(161,851)	8,437,701	(58,536)
Total revenues	\$ 38,578,511	\$ 35,932,385	\$ 2,646,126	\$ 33,603,349	\$ 2,329,036

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 2020, the District's operating revenues increased by 9.49% or \$2,387,572 from \$25,165,648 to \$27,553,220, from the prior year, primarily due to an increase in water sales – commodity charge of \$2,554,774

PALMDALE WATER DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Total Expenses

	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020	Change	Balance, Dec. 31, 2019	Change
Operating expenses:					
Source of supply – water purchases	\$ 5,285,018	\$ 2,295,515	\$ 2,989,503	\$ 2,579,380	\$ (283,865)
Operations and production	3,533,551	3,542,182	(8,631)	3,671,450	(129,268)
Facilities	7,484,342	7,463,258	21,084	7,249,738	213,520
Engineering	1,670,042	1,836,486	(166,444)	1,985,475	(148,989)
Water conservation	381,068	373,612	7,456	480,690	(107,078)
Administration	6,760,997	6,598,878	162,119	6,088,222	510,656
Finance and customer care	3,376,786	3,172,456	204,330	3,036,941	135,515
Operating expenses before overhead absorption	28,491,804	25,282,387	3,209,417	25,091,896	190,491
Overhead absorption	281,192	(557,620)	838,812	(1,049,246)	491,626
Operating expenses before depreciation	28,772,996	24,724,767	4,048,229	24,042,650	682,117
Depreciation	5,270,174	5,144,968	125,206	5,257,262	(112,294)
Total operating expenses	34,043,170	29,869,735	4,173,435	29,299,912	569,823
Non-operating expenses:					
Cost of debt issuance	333,796	398,953	(65,157)	-	398,953
State Water Project amortization expense	4,222,272	2,854,227	1,368,045	2,854,227	-
Interest expense – long-term debt	2,525,060	2,478,228	46,832	2,611,014	(132,786)
Total non-operating	7,081,128	5,731,408	1,349,720	5,465,241	266,167
Total expenses	\$ 41,124,298	\$ 35,601,143	\$ 5,523,155	\$ 34,765,153	\$ 835,990

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.

In 2020, the District's operating expenses before overhead absorption and depreciation expense increased by 0.76% or \$190,491 from \$25,091,896 to \$25,282,387, from the prior year, primarily due to an increase in administration expenses of \$510,656 and finance and customer care of \$135,515.

PALMDALE WATER DISTRICT

Management's Discussion and Analysis (Unaudited) For the Years Ended December 31, 2021 and 2020

CAPITAL ASSETS

At the end of 2021, 2020 and 2019, the District's investment in capital assets was \$168,167,993, \$166,964,871, and \$162,706,256, net of accumulated depreciation, respectively. Capital asset additions during the years ended December 31, 2021 and 2020 were \$5,006,246 and \$7,019,603, for various projects and equipment. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year exceeded \$5.2 million and \$5.1 million as of December 31, 2021 and 2020, respectively.

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

Capital assets:	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020	Balance, Dec. 31, 2019
Non-depreciable assets	\$ 10,995,185	\$ 25,856,069	\$ 20,107,192
Depreciable assets	347,561,242	322,008,332	315,711,756
Accumulated depreciation	<u>(190,388,434)</u>	<u>(180,899,530)</u>	<u>(173,112,692)</u>
Total capital assets, net	<u>\$ 168,167,993</u>	<u>\$ 166,964,871</u>	<u>\$ 162,706,256</u>

LONG-TERM DEBT

At year-end the District had \$71.7 million in capital leases, loan payables, and revenue bonds payables – an increase(decrease) of \$9,009,737 \$160,321 in 2021 and 2020 respectively – as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

Long-term debt:	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020	Balance, Dec. 31, 2019
Capital leases payable	\$ 88,250	\$ 175,290	\$ 429,317
Loan payable – 2012	2,643,024	3,904,026	5,128,609
Revenue bonds payable, net – 2013	11,056,295	21,253,423	43,110,553
Revenue bonds payable, net – 2018	13,795,973	13,833,019	13,870,063
Revenue refunding bonds – non-taxable – 2020	8,965,604	8,978,105	-
Revenue refunding bonds – taxable – 2020	14,355,000	14,555,000	-
Revenue refunding bonds – non-taxable, net – 2021	10,255,124	-	-
Revenue refunding bonds – taxable – 2021	<u>10,549,330</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 71,708,600</u>	<u>\$ 62,698,863</u>	<u>\$ 62,538,542</u>

PALMDALE WATER DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Years Ended December 31, 2021 and 2020*

CONDITIONS AFFECTING CURRENT FINANCIAL POSITION

- The District continued to see a good water usage trend for 2021. The District's customers continue to change their water habits after being required to meet the mandatory drought restrictions back in 2016.
- Billed water consumption for the year ended December 31, 2021 was at 17,213-acre feet compared to 17,213-acre feet for the year ended December 31, 2020.
- The District's assessed valuation has increased to \$2.02 billion for FY 2020/2021 from \$2.02 billion for FY 2019/2020.
- The District received \$1.660 million in ad valorem property tax revenue for 2021.
- The District received \$840,880 in successor agency component property taxes for 2021.

OTHER FACTORS AFFECTING THE DISTRICT'S FUTURE FINANCIAL POSITION

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2022 and beyond. However, the potential impact to the District is unknown at this time.

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, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents (Note 2)	\$ 3,605,111	\$ 1,472,530
Investments (Note 2)	10,978,339	10,264,065
Accrued interest receivable	32,152	37,826
Accounts receivable – water sales and services, net (Note 3)	2,604,798	2,303,977
Accounts receivable – property taxes and assessments	4,374,275	4,340,553
Accounts receivable – other	581,268	66,464
Materials and supplies inventory	1,894,031	1,068,101
Prepaid expenses	815,253	657,044
Total current assets	24,885,227	20,210,560
Non-current assets:		
Restricted – cash and cash equivalents (Note 2)	11,030,100	2,264,512
Investment in Palmdale Recycled Water Authority (Note 4)	2,202,482	2,201,548
Capital assets – not being depreciated (Note 5)	10,995,185	25,856,069
Capital assets – being depreciated, net (Note 5)	157,172,808	141,108,802
Total non-current assets	181,400,575	171,430,931
Total assets	206,285,802	191,641,491
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt defeasance, net (Note 7)	4,049,130	3,611,747
Deferred amounts related to net OPEB obligation (Note 8)	3,245,025	3,350,850
Deferred amounts related to net pension liability (Note 9)	1,778,407	2,055,953
Total deferred outflows of resources	9,072,562	9,018,550
Total assets and deferred outflows of resources	\$ 215,358,364	\$ 200,660,041

PALMDALE WATER DISTRICT
Balance Sheets (continued)
December 31, 2021 and 2020

LIABILITIES	2021	2020
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,758,161	\$ 2,298,008
Customer deposits for water service	3,488,304	3,449,294
Construction and developer deposits	1,641,078	1,609,382
Accrued interest payable	561,941	513,145
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	168,704	172,828
Capital lease payable (Note 7)	88,250	87,040
Loan payable (Note 7)	1,300,396	1,261,002
Revenue bonds payable (Note 7)	1,215,743	777,501
Total current liabilities	12,222,577	10,168,200
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	506,112	518,485
Capital lease payable (Note 7)	-	88,250
Loan payable (Note 7)	1,342,628	2,643,024
Revenue bonds payable, net (Note 7)	67,761,583	57,842,046
Net other post-employment benefits obligation (Note 8)	12,751,874	16,479,807
Net pension liability (Note 9)	6,056,636	11,573,771
Total non-current liabilities	88,418,833	89,145,383
Total liabilities	100,641,410	99,313,583
DEFERRED INFLOWS OF RESOURCES		
Unearned property taxes and assessments	4,100,000	3,300,000
Deferred amounts related to net OPEB obligation (Note 8)	5,201,829	1,035,319
Deferred amounts related to net pension liability (Note 9)	5,498,117	264,680
Total deferred inflows of resources	14,799,946	4,599,999
NET POSITION		
Net investment in capital assets (Note 10)	111,538,623	110,142,267
Restricted – Palmdale Recycled Water Authority (Note 4)	2,202,482	2,201,548
Unrestricted (Deficit) (Note 11)	(13,824,097)	(15,597,356)
Total net position	99,917,008	96,746,459
Total liabilities, deferred inflows of resources and net position	\$ 215,358,364	\$ 200,660,041

PALMDALE WATER DISTRICT

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water sales – commodity charge	\$ 12,501,007	\$ 11,138,571
Water sales – wholesale	561,298	467,776
Monthly meter service charge	15,218,790	13,832,147
Water quality fees	704,782	824,429
Elevation fees	379,529	363,869
Other charges for services	995,791	926,428
Total operating revenues	<u>30,361,197</u>	<u>27,553,220</u>
Operating expenses:		
Source of supply – water purchases	5,285,018	2,295,515
Operations and production	3,533,551	3,542,182
Facilities	7,484,342	7,463,258
Engineering	1,670,042	1,836,486
Water conservation	381,068	373,612
Administration	6,760,997	6,598,878
Finance and customer care	3,376,786	3,172,456
Total operating expenses	<u>28,491,804</u>	<u>25,282,387</u>
Operating income before overhead absorption	1,869,393	2,270,833
Overhead absorption	(281,192)	557,620
Operating income before depreciation expense	1,588,201	2,828,453
Depreciation expense (Note 5)	(5,270,174)	(5,144,968)
Operating (loss)	<u>(3,681,973)</u>	<u>(2,316,515)</u>
Non-operating revenues(expenses):		
Property taxes – ad valorem	1,660,944	1,678,388
Property tax assessment for State Water Project	5,179,076	5,194,911
Successor agency component of property taxes	840,880	731,045
Rental revenue – cellular towers	18,012	15,394
Investment earnings	(1,067)	170,760
Changes in investment – Palmdale Recycled Water Authority (Note 4)	934	243,326
Legal and insurance refunds/settlements	61,746	2,491
Department of Water Resources – fixed charge recovery	368,950	299,879
Other non-operating revenues	87,839	42,971
Cost of debt issuance (Note 7)	(333,796)	(398,953)
State Water Project amortization expense (Note 5)	(4,222,272)	(2,854,227)
Interest expense – long-term debt	(2,525,060)	(2,478,228)
Total non-operating revenue(expense), net	<u>1,136,186</u>	<u>2,647,757</u>
Net (loss) before capital contributions	<u>(2,545,787)</u>	<u>331,242</u>
Capital contributions:		
Capital improvement fees	5,247,538	1,235,438
Federal and state capital grants	468,798	-
Total capital contributions	<u>5,716,336</u>	<u>1,235,438</u>
Change in net position	3,170,549	1,566,680
Net position:		
Beginning of year	96,746,459	95,179,779
End of year	<u>\$ 99,917,008</u>	<u>\$ 96,746,459</u>

The notes to financial statements are an integral part of this statement.

PALMDALE WATER DISTRICT*Statements of Cash Flows**For the Years Ended December 31, 2021 and 2020*

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from water sales and services	\$ 30,131,082	\$ 26,989,554
Cash receipts from others	21,743	305,773
Cash paid to employees for salaries and wages	(9,492,550)	(9,160,656)
Cash paid to vendors and suppliers for materials and services	<u>(18,001,487)</u>	<u>(13,701,317)</u>
Net cash provided by operating activities	<u>2,658,788</u>	<u>4,433,354</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	3,268,102	2,323,424
Proceeds from property tax assessment for State Water Project	5,179,076	5,194,911
Acquisition of State Water Project participation rights	<u>(5,689,322)</u>	<u>(5,238,207)</u>
Net cash provided by non-capital financing activities	<u>2,757,856</u>	<u>2,280,128</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,006,246)	(7,019,603)
Proceeds from capital improvement fees and capital grants	5,716,336	1,235,438
Proceeds from issuance of revenue refunding bonds	20,816,639	23,563,523
Purchase of state and local government securities (SLGS) for refunding	(9,530,000)	(22,544,033)
Cost of debt issuance	(333,796)	(398,953)
Principal paid on long-term debt	(2,125,543)	(2,044,028)
Interest paid on long-term debt	<u>(2,324,905)</u>	<u>(2,461,438)</u>
Net cash used in capital and related financing activities	<u>7,212,485</u>	<u>(9,669,094)</u>
Cash flows from investing activities:		
Purchase of investments	(7,981,649)	(14,609,797)
Sales of investments	6,123,795	11,081,930
Investment earnings	<u>126,894</u>	<u>153,626</u>
Net cash provided by (used in) investing activities	<u>(1,730,960)</u>	<u>(3,374,241)</u>
Net decrease in cash and cash equivalents	10,898,169	(6,329,853)
Cash and cash equivalents:		
Beginning of year	<u>3,737,042</u>	<u>10,066,895</u>
End of year	<u>\$ 14,635,211</u>	<u>\$ 3,737,042</u>
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents	\$ 3,605,111	\$ 1,472,530
Restricted assets – cash and cash equivalents	<u>11,030,100</u>	<u>2,264,512</u>
Total cash and cash equivalents	<u>\$ 14,635,211</u>	<u>\$ 3,737,042</u>

PALMDALE WATER DISTRICT
Statements of Cash Flows (continued)
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (3,681,973)	\$ (2,316,515)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	5,270,174	5,144,968
Overhead absorption	281,192	(557,620)
Rental revenue – cellular towers	18,012	15,394
Legal and insurance refunds/settlements	61,746	2,491
Department of Water Resources – fixed charge recovery	368,950	299,879
Other non-operating revenues	87,839	42,971
Change in assets – (increase)decrease:		
Accounts receivable – water sales and services, net	(300,821)	(602,229)
Accounts receivable – other	(514,804)	(54,962)
Materials and supplies inventory	(825,930)	(47,514)
Prepaid expenses	(158,209)	(70,754)
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net OPEB obligation	105,825	(2,490,728)
Deferred amounts related to net pension liability	277,546	176,584
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	1,460,153	803,054
Customer deposits for water service	39,010	57,596
Construction and developer deposits	31,696	(19,033)
Compensated absences	(16,497)	154,870
Net other post-employment benefits obligation	(3,727,933)	3,513,826
Net pension liability	(5,517,135)	882,433
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to net OPEB obligation	4,166,510	(152,253)
Deferred amounts related to net pension liability	5,233,437	(349,104)
Total adjustments	<u>6,340,761</u>	<u>6,749,869</u>
Net cash provided by operating activities	<u>\$ 2,658,788</u>	<u>\$ 4,433,354</u>
Non-cash investing, capital and financing transactions:	2021	2020
Change in fair-value of investments	\$ (122,287)	\$ 15,891
Amortization of deferred amount on debt defeasance	\$ (192,583)	\$ (156,693)
Deferred amount on debt defeasance	\$ 1,795,890	\$ 1,795,890
Amortization of net premium(discount) on revenue bonds	\$ 151,359	\$ 139,174
Changes in investment – Palmdale Recycled Water Authority	\$ 934	\$ 243,326

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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. Prepays

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

5. 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.

6. 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

7. 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.

8. 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.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

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)

9. 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.

10. 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, 2021</u>	<u>June 30, 2020</u>
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Measurement Period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

11. 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, 2021</u>	<u>December 31, 2020</u>
Valuation Date	December 31, 2020	December 31, 2019
Measurement Date	December 31, 2021	December 31, 2020
Measurement Period	Jan. 1, 2021 to Dec. 31, 2021	Jan. 1, 2020 to Dec. 31, 2020

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

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. 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, 2021 and 2020

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.

NOTE 2 – CASH AND INVESTMENTS

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

Description	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020
Cash and cash equivalents	\$ 3,605,111	\$ 1,472,530
Investments	10,978,339	10,264,065
Restricted – cash and cash equivalents	11,030,100	2,264,512
Total	\$ 25,613,550	\$ 14,001,107

Cash and investments consisted of the following:

Description	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020
Cash on hand	\$ 5,700	\$ 5,700
Demand deposits held with financial institutions	2,059,109	735,924
Local Agency Investment Fund (LAIF)	12,693	12,641
Money-market funds	1,527,609	718,265
Money-market funds – restricted	11,030,100	2,264,512
Investments	10,978,339	10,264,065
Total	\$ 25,613,550	\$ 14,001,107

The table on the following page 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.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 2 – CASH AND INVESTMENTS (continued)

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	35%	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, 2021 and 2020, the carrying amount of the District's demand deposits were \$2,059,109 and \$735,924, respectively, and the financial institution's balance were \$1,948,795 and \$948,472, 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, 2021 and 2020

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, 2021, the District held \$1,527,609 in unrestricted money-market funds and \$11,030,100 in restricted money-market funds. As of December 31, 2020, the District held \$718,265 in unrestricted money-market funds and \$42,264,512 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, 2021, and 2020, the District held \$12,693 \$12,641 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, 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

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments (continued)

Investment maturities and credit ratings as of December 31, 2020, 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	\$ 6,820,493	\$ 6,820,493
Certificates-of-deposit	Level 1	Not Rated	3,443,572	3,443,572
Total investments			<u>\$ 10,264,065</u>	<u>\$ 10,264,065</u>

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, 2021 and 2020, 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, 2021 and 2020, 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, 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	<u>\$ 5,524,105</u>	<u>50.32%</u>

Investments greater than 5% for the year ended December 31, 2020, were as follows:

Investments with Maturity Dates	Fair Value	Percentage of Investments
U.S. Treasury note - January 15, 2021	\$ 1,547,772	14.10%
U.S. Treasury note - March 31, 2021	1,437,164	13.09%
U.S. Treasury note - May 31, 2021	1,206,192	10.99%
U.S. Treasury note - June 17, 2021	1,999,240	18.21%
U.S. Treasury note - August 15, 2021	630,125	5.74%
Total	<u>\$ 6,820,493</u>	<u>66.45%</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

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

The balances consisted of the following:

Description	Balance, Dec. 31, 2021	Balance, Dec. 31, 2020
Accounts receivable – water sales and services	\$ 2,640,368	\$ 2,339,547
Allowance for doubtful accounts	<u>(35,570)</u>	<u>(35,570)</u>
Accounts receivable – water sales and services, net	<u>\$ 2,604,798</u>	<u>\$ 2,303,977</u>

NOTE 4 – 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 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, 2021 expressed an unmodified opinion on those financial statements.

For 2020, the District reports its equity interest as of the date of the last audited financial statements of the Authority as of December 31, 2020, which was audited by our firm, whose report dated June 15, 2021 expressed an unmodified opinion on those financial statements.

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

NOTE 4 – 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	\$ 4,472,212	\$ 2,236,106	\$ 2,236,106

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	\$ 4,404,964	\$ 2,202,482	\$ 2,202,482

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	\$ 892,930	\$ 446,465	\$ 446,465
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	\$ 65,107	\$ 32,554	\$ 32,554

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

NOTE 4 – INVESTMENT IN PALMDALE RECYCLED WATER AUTHORITY (continued)

The following is the condensed financial statement of the Authority for the year ended December 31, 2020:

Palmdale Recycled Water Authority
Condensed Balance Sheet
December 31, 2020

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Assets:			
Total assets	\$ 4,448,182	\$ 2,224,091	\$ 2,224,091
Liabilities:			
Total liabilities	45,086	22,543	22,543
Net position:			
Total net position	4,403,096	2,201,548	2,201,548
Total liabilities and net position	<u>\$ 4,448,182</u>	<u>\$ 2,224,091</u>	<u>\$ 2,224,091</u>

Palmdale Recycled Water Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020

	<u>Audited Total</u>	<u>City of Palmdale 50% Share</u>	<u>District 50% Share</u>
Operating revenues:			
Total operating revenues	\$ 656,993	\$ 328,496	\$ 328,497
Operating expenses:			
Total operating expenses	182,155	91,077	91,078
Operating income	474,838	237,419	237,419
Non-operating revenues:			
Total non-operating revenue	11,814	5,907	5,907
Change in net position	486,652	243,326	243,326
Net position:			
Beginning of year	3,916,444	1,958,222	1,958,222
End of year	<u>\$ 4,403,096</u>	<u>\$ 2,201,548</u>	<u>\$ 2,201,548</u>

Palmdale Recycled Water Authority
Condensed Statement of Cash Flows
For the Year Ended December 31, 2020

	<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	\$ 565,905	\$ 282,952	\$ 282,953
Cash flows from investing activities:			
Net cash used in investing activities	(127,160)	(63,580)	(63,580)
Net increase in cash and cash equivalents	438,745	219,372	219,373
Cash and cash equivalents:			
Beginning of year	555,106	277,553	277,553
End of year	<u>\$ 993,851</u>	<u>\$ 496,925</u>	<u>\$ 496,926</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 474,838	\$ 237,419	\$ 237,419
Depreciation	53,407	26,703	26,704
Change in assets	5,556	2,778	2,778
Change in liabilities	32,104	16,052	16,052
Net cash provided by operating activities	<u>\$ 565,905</u>	<u>\$ 282,952</u>	<u>\$ 282,953</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2021, was 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
Total capital assets, net	\$ 166,964,871	\$ 19,102,245	\$ (17,899,123)	\$ 168,167,993

Capital asset activity for the year ended December 31, 2020, was as follows:

Description	Balance, Jan. 1, 2020	Additions	Deletions/ Transfers	Balance, Dec. 31, 2020
Non-depreciable assets:				
Land and land rights	\$ 1,796,367	\$ -	\$ -	\$ 1,796,367
Construction-in-process	18,310,825	7,019,603	(1,270,726)	24,059,702
Total non-depreciable assets	20,107,192	7,019,603	(1,270,726)	25,856,069
Depreciable assets:				
Buildings, wells and distribution system	219,371,188	917,340	(8,822)	220,279,706
SWP – participation rights	84,816,508	5,238,207	-	90,054,715
Machinery and equipment	11,524,060	353,386	(203,535)	11,673,911
Total depreciable assets	315,711,756	6,508,933	(212,357)	322,008,332
Accumulated depreciation:				
Buildings, wells and distribution system	(127,571,953)	(4,845,911)	8,822	(132,409,042)
SWP – participation rights	(34,619,773)	(2,854,227)	-	(37,474,000)
Machinery and equipment	(10,920,966)	(299,057)	203,535	(11,016,488)
Total accumulated depreciation	(173,112,692)	(7,999,195)	212,357	(180,899,530)
Total depreciable assets, net	142,599,064	(1,490,262)	-	141,108,802
Total capital assets, net	\$ 162,706,256	\$ 5,529,341	\$ (1,270,726)	\$ 166,964,871

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

Construction-In-Process

The balance consists of the following projects:

Project Description	Balance	Balance	Balance
	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021
Sediment removal - Littlerock Dam	\$ 4,149,560	\$ 4,366,255	\$ -
Palmdale Regional Groundwater Recharge Project	3,840,670	4,179,778	4,209,279
Grade control structure – Littlerock Dam	8,789,902	10,697,276	-
2020 Meter Exchange Project	-	9,044	294,302
2950 Zone Booster @3M Clearwell	-	31,400	163,032
Upper Armagosa Creek project	382,402	2,127,355	2,127,355
45th St Tank Site - Altitude Valve Replacement	123,584	123,584	127,466
Well 36- Construction	-	19,180	265,377
Well 14- Rehabilitation	-	-	145,816
Design and remodel District offices	-	595,268	-
Spec 1601-ML Replacement Avenue P/25th	61,978	432,350	-
Spec 1504-ML Replacement Avenue V5	40,433	302,306	-
Well 7 - Rehabilitation	-	206,800	-
2020 Large Meter/Vault Replacement Program	25,028	203,602	-
2021 Large Meter/Vault Replacement Program	-	-	276,153
Sierra Hwy Tie-in @ Harold St	-	14,908	709,889
Various other minor projects <\$100,000	897,268	750,596	866,839
Total construction-in-process	\$ 18,271,659	\$ 24,059,702	\$ 9,185,508

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.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION (continued)

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.

NOTE 6 – COMPENSATED ABSENCES

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

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

Summary changes to compensated absences balances for the year ended December 31, 2020, were as follows:

Balance, Jan. 1, 2020	Additions	Deletions	Balance, Dec. 31, 2020	Due Within One Year	Due in More Than One Year
\$ 536,443	\$ 681,447	\$ (526,577)	\$ 691,313	\$ 172,828	\$ 518,485

NOTE 7 – LONG-TERM DEBT

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
Capital lease payable - 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 - 2020	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 refunding bonds - non-taxable - 2021	-	9,390,000	-	9,390,000	-	9,390,000
Revenue refunding bonds - taxable - 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, 2021 and 2020

NOTE 7 – LONG-TERM DEBT (continued)

Changes in long-term debt for the year ended December 31, 2020, were as follows:

Long-Term Debt	Balance, Jan. 1, 2020	Additions/ Adjustments	Payments/ Amortization	Balance, Dec. 31, 2020	Current Portion	Non-Current Portion
Capital lease payable - 2017	\$ 429,317	\$ -	\$ (254,027)	\$ 175,290	\$ 87,040	\$ 88,250
Loan payable - 2012	5,128,609	-	(1,224,583)	3,904,026	1,261,002	2,643,024
Revenue bonds payable - 2013	40,685,000	(21,220,000)	(535,000)	18,930,000	565,000	18,365,000
Revenue bonds payable - discount	(102,142)	-	4,300	(97,842)	-	(97,842)
Revenue bonds payable - premium	2,527,695	-	(106,430)	2,421,265	-	2,421,265
Revenue bonds payable, net - 2013	43,110,553	(21,220,000)	(637,130)	21,253,423	565,000	20,688,423
Revenue bonds payable - 2018	12,805,000	-	-	12,805,000	-	12,805,000
Revenue bonds payable - premium	1,065,063	-	(37,044)	1,028,019	-	1,028,019
Revenue bonds payable, net - 2018	13,870,063	-	(37,044)	13,833,019	-	13,833,019
Revenue refunding bonds - non-taxable - 2020	-	9,008,523	(30,418)	8,978,105	12,501	8,965,604
Revenue refunding bonds - taxable - 2020	-	14,555,000	-	14,555,000	200,000	14,355,000
Revenue refunding bonds - 2020	-	23,563,523	(30,418)	23,533,105	212,501	23,320,604
Total long-term debt	\$ 62,538,542	\$ 2,343,523	\$ (2,183,202)	\$ 62,698,863	\$ 2,125,543	\$ 60,573,320

A. Capital Lease Payable - 2017

On January 18, 2019, the District entered into an \$830,000 installment purchase agreement in order to acquire, construct, equip, and furnish certain improvements to its facilities. Capital lease 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%.

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

Year	Principal	Interest	Total
2022	88,250	1,227	89,477
Total	88,250	\$ 1,227	\$ 89,477

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, 2021 and 2020

NOTE 7 – 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>
2022	1,300,396	71,933	1,372,329
2023	1,342,628	31,296	1,373,918
Total	2,643,024	\$ 103,229	\$ 2,746,247
Less: current	<u>(1,300,396)</u>		
Total non-current	<u>\$ 1,342,628</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 advance 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.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 7 – 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>
2022	595,000	298,388	893,388
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
2027-2030	5,475,000	624,443	6,099,443
Total	8,835,000	<u>\$ 1,818,019</u>	<u>\$ 10,653,019</u>
Less: current	<u>(595,000)</u>		
Total non-current	<u>\$ 8,240,000</u>		

Deferred Amount on Debt Defeasance, Net

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	<u>\$ 1,760,000</u>		<u>\$ (35,890)</u>	<u>\$ 1,724,110</u>

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2020, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2020</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2020</u>
Deferred amount on debt defeasance, net	<u>\$ -</u>	<u>\$ 1,795,890</u>	<u>\$ (35,890)</u>	<u>\$ 1,760,000</u>

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 Little Rock 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, 2021 and 2020

NOTE 7 – 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>
2022	250,000	568,893	818,893
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
2027-2031	1,765,000	2,343,719	4,108,719
2032-2036	2,195,000	1,905,419	4,100,419
2037-2041	2,620,000	1,479,619	4,099,619
2042-2046	3,300,000	797,512	4,097,512
2047-2048	1,540,000	102,363	1,642,363
Total	12,805,000	<u>\$ 9,349,301</u>	<u>\$ 22,154,301</u>
Less: current	<u>(250,000)</u>		
Total non-current	<u>\$ 12,555,000</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, 2021 and 2020***NOTE 7 – 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>
2022	12,913	294,968	307,881
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
2027-2031	81,067	1,458,337	1,539,404
2032-2036	1,784,416	1,416,789	3,201,205
2037-2041	4,858,048	847,555	5,705,603
2042-2043	<u>2,173,120</u>	<u>107,842</u>	<u>2,280,962</u>
Total	8,965,604	<u>\$ 5,300,975</u>	<u>\$ 14,266,579</u>
Less: current	<u>(12,913)</u>		
Total non-current	<u>\$ 8,952,691</u>		

Revenue Refunding Bonds – Taxable – 2020

In November 2021, 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, 2021 and 2020

NOTE 7 – 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>
2022	165,000	388,990	553,990
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
2027-2031	3,790,000	1,854,498	5,644,498
2032-2034	9,725,000	570,537	10,295,537
Total	14,355,000	<u>\$ 4,354,241</u>	<u>\$ 18,709,241</u>
Less: current	<u>(165,000)</u>		
Total non-current	<u>\$ 14,190,000</u>		

Deferred Amount on Debt Defeasance, Net

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	<u>\$ 1,760,000</u>		<u>\$ (35,890)</u>	<u>\$ 1,724,110</u>

Changes in the deferred amount on long-term debt defeasance, net for the year ended December 31, 2020, was as follows:

<u>Description</u>	<u>Balance, Jan. 1, 2020</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance, Dec. 31, 2020</u>
Deferred amount on debt defeasance, net	<u>\$ -</u>	<u>\$ 1,795,890</u>	<u>\$ (35,890)</u>	<u>\$ 1,760,000</u>

NOTE 8 – 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>2021</u>	<u>2020</u>
OPEB related deferred outflows	\$ 3,245,025	\$ 3,350,850
Net other post-employment benefits obligation	12,751,874	16,479,807
OPEB related deferred inflows	5,201,829	1,035,319

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, 2021 and 2020

NOTE 8 – 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, 2021 and 2020, the following employees were covered by the benefit terms:

<u>Plan Members</u>	<u>Covered Participants</u>	
	<u>2021</u>	<u>2020</u>
Active members	85	86
Inactives entitled to but not yet receiving benefits	-	-
Inactives currently receiving benefits	23	22
Total plan members	108	108

A. Total OPEB Liability

The District's total OPEB liabilities of \$12,751,874 \$16,479,807 as of December 31, 2021 and 2020, respectively, were measured as of December 31, 2020 and 2019 (Measurement Dates), and were determined by an actuarial valuation as of December 31, 2019.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2020 and 2019 (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>2021</u>	<u>2020</u>
Discount Rate	2.12%	2.74%
Inflation	2.50%	2.75%
Salary Increases	2.75% per annum, in aggregate	3.0% per annum, in aggregate
Investment Rate of Return	2.12%	2.74%
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 7.5% to Medicare 6.5%

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 8 – 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 2.12% as of December 31, 2020 and 2.74% as of December 31, 2019. 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, 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

The following table is based on the roll-forward of the December 31, 2019 (Measurement Date) actuarial valuation:

	Total OPEB Liability
Balance at January 1, 2020 (MD Jan. 1, 2019)	\$ 12,965,681
Changes for the year:	
Service cost	459,128
Interest	542,470
Assumption changes	2,835,458
Benefit payments	(322,930)
Net changes	3,514,126
Balance at December 31, 2020 (MD Dec. 31, 2019)	\$ 16,479,807

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 8 – 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, 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>

The following table is based on the December 31, 2019 (Measurement Date) actuarial valuation:

<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<u>1.74%</u>	<u>2.74%</u>	<u>3.74%</u>
<u>\$ 19,422,961</u>	<u>\$ 16,479,807</u>	<u>\$ 14,120,365</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, 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>

The following table is based on the December 31, 2019 (Measurement Date) actuarial valuation:

<u>1% Decrease</u>	<u>Healthcare Cost Current Trend</u>	<u>1% Increase</u>
<u>\$ 13,661,499</u>	<u>\$ 16,479,807</u>	<u>\$ 20,151,057</u>

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2021 and 2020***NOTE 8 – 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, 2021 and 2020, the District recognized OPEB expense/(credit) of \$1,013,307 and \$1,250,555, respectively.

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>

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:

	<u>Amount</u>
Year Ended June 30:	
2022	\$ (271,660)
2023	(271,660)
2024	(271,660)
2025	(271,660)
2026	(287,461)
Thereafter	<u>(582,703)</u>
Total	<u>\$ (1,956,804)</u>

At December 31, 2020, the District reported \$3,350,850 of deferred outflows of resources and \$1,035,319 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	\$ 379,410	\$ -
Changes in assumptions	2,971,440	(1,035,319)
Total	<u>\$ 3,350,850</u>	<u>\$ (1,035,319)</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 8 – 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, 2020, the District reported \$379,410 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:	
2021	\$ 248,957
2022	248,957
2023	248,957
2024	248,957
2025	248,957
Thereafter	<u>691,336</u>
Total	<u>\$ 1,936,121</u>

NOTE 9 – PENSION PLAN

Summary

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Pension related deferred outflows	\$ 1,778,407	\$ 2,055,953
Net pension liability	6,056,636	11,573,771
Pension related deferred inflows	5,498,117	264,680

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, 2021 and June 30, 2020, respectively, which are rolled-forward for the District's fiscal years ended December 31, 2021 and December 31, 2020.

PALMDALE WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

NOTE 9 – 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	6.906%	6.750%
Required employer contribution rates – FY 2021	10.221%	6.985%
Required employer contribution rates – FY 2020	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, 2020 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, 2021 and 2020 Annual Actuarial Valuation Reports.

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

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 9 – PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description, Benefits Provided and Employees Covered (continued)

At June 30, 2020, the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic	PEPRA	
	Tier 1	Tier 2	
Active members	59	26	85
Transferred and terminated members	44	4	48
Retired members and beneficiaries	54	-	54
Total plan members	157	30	187

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, 2021, (Measurement Date June 30, 2021) were as follows:

Contribution Type	Total
Contributions – employer	\$ 1,619,062
Contributions – members	-
Total contributions	\$ 1,619,062

Contributions for the year ended December 31, 2020, (Measurement Date June 30, 2020) were as follows:

Contribution Type	Total
Contributions – employer	\$ 1,493,530
Contributions – members	522,632
Total contributions	\$ 2,016,162

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, 2021 and 2020, the contributions recognized as part of pension expense for the Plan were \$1,619,062 and \$1,493,530.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 9 – 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, 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)

Changes in the net pension liability for the year ended December 31, 2020, 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, 2019 (Measurement Date)	\$ 44,392,170	\$ 33,700,832	\$ 10,691,338
Balance as of June 30, 2020 (Measurement Date)	\$ 47,806,269	\$ 36,232,498	\$ 11,573,771
Change in Plan Net Pension Liability	\$ 3,414,099	\$ 2,531,666	\$ 882,433

For the year ended December 31, 2021 and 2020 pension expense was \$829,587 and \$1,509,083, 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, 2020 and 2019). 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, 2021 and 2020). 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, 2021 and 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY 2020-2021 and FY 2019-2020).
- (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, 2021 and 2020

NOTE 9 – 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, 2021 and 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$6,056,636 and \$11,573,771, 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, 2020 and 2019, 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, 2019 and 2017 rolled forward to December 31, 2020 and 2019 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, 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	June 30, 2021	June 30, 2020	
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%

The District’s proportionate share of the net pension liability for the June 30, 2020, measurement date was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	December 31, 2020	December 31, 2019	
Measurement Date	June 30, 2020	June 30, 2019	
Percentage of Risk Pool Net Pension Liability	0.27439%	0.26698%	0.00741%
Percentage of Plan (PERF C) Net Pension Liability	0.10637%	0.10434%	0.00203%

PALMDALE WATER DISTRICT*Notes to Financial Statements**December 31, 2021 and 2020*

NOTE 9 – 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 \$835,739 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, 2021. 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)

The total amount of \$799,171 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, 2021. At December 31, 2020, 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	\$ 799,171	\$ -
Difference between actual and proportionate share of employer contributions	-	(182,131)
Adjustment due to differences in proportions	316,534	-
Differences between expected and actual experience	596,431	-
Differences between projected and actual earnings on pension plan investments	343,817	-
Changes in assumptions	-	(82,549)
Total Deferred Outflows/(Inflows) of Resources	\$ 2,055,953	\$ (264,680)

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 9 – 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, 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
2026	-
Total	\$ 4,555,449

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended December 31, 2020, will be amortized to pension expense in future periods as follows:

Amortization Period	Deferred
Fiscal Year Ended December 31	Outflows/(Inflows)
	of Resources
2021	\$ 176,692
2022	370,610
2023	279,896
2024	164,904
2025	-
Total	\$ 992,102

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2021 and 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 and 2019, total pension liability. The December 31, 2021 and 2020, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

PALMDALE WATER DISTRICT
Notes to Financial Statements
 December 31, 2021 and 2020

NOTE 9 – 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 7.15%. 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

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

PALMDALE WATER DISTRICT
Notes to Financial Statements
 December 31, 2021 and 2020

NOTE 9 – 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, 2020, 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	\$ 17,935,619	\$ 11,573,771	\$ 6,317,175

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, 2021 and 2020, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended December 31, 2021 and 2020.

NOTE 10 – NET POSITION – NET INVESTMENT IN CAPITAL ASSETS

The District's net -position – net investment in capital assets for the years ended December 31, 2021 and 2020 were calculated as follows:

Description	Balance Dec. 31, 2021	Balance Dec. 31, 2020
Restricted – cash and cash equivalents		
– revenue bond proceeds for construction	\$ 11,030,100	\$ 2,264,512
Capital assets – not being depreciated	10,995,185	25,856,069
Capital assets, net – being depreciated	157,172,808	141,108,802
Deferred loss on debt defeasance, net	4,049,130	3,611,747
Capital lease payable – current	(88,250)	(87,040)
Loan payable – current	(1,300,396)	(1,261,002)
Revenue bonds payable – current	(1,215,743)	(777,501)
Capital lease payable	-	(88,250)
Loan payable	(1,342,628)	(2,643,024)
Revenue bonds payable, net	(67,761,583)	(57,842,046)
Total net investment in capital assets	\$ 111,538,623	\$ 110,142,267

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 11 – NET POSITION – UNRESTRICTED (DEFICIT)

As of December 31, 2021 and 2020, the District has an unrestricted net position deficit of (\$15,597,356) and (\$13,320,683). 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 12 – 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, 2021 – 396 member districts
D. Governing board	Nine representatives employed by members
E. District payments for FY 2021:	
Property policy	\$62,654
Auto/General liability	\$171,544
F. Condensed financial information	September 30, 2021
Audit signed	March 30, 2022
Statement of financial position:	Sept. 30, 2021
Total assets	\$ 271,770,359
Deferred outflows	1,189,142
Total liabilities	123,558,690
Deferred inflows	(409,721)
Net position	\$ 149,810,532
Statement of revenues, expenses and changes in net position:	
Total revenues	\$ 200,883,781
Total expenses	(174,760,456)
Change in net position	26,123,325
Beginning – net position	123,687,207
Ending – net position	\$ 149,810,532
G. Member agencies share of year-end financial position	Not Calculated

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 12 – RISK MANAGEMENT (continued)

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, 2021 and 2020, 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:

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, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 13 – 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 14 – 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>
2021	\$ 7,481,343
2022	7,393,176
2023	7,772,012
2024	7,740,754
2025	7,872,448

As of December 31, 2021, the District has expended approximately \$123,574,668 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	\$85,437,147
Delta water charges	27,334,170
Off-aqueduct power facilities	64,604
Revenue bond surcharge	4,348,555
Total	<u>\$117,184,476</u>

PALMDALE WATER DISTRICT

Notes to Financial Statements

December 31, 2021 and 2020

NOTE 14 – 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 \$1,413,366 to complete the open construction contracts as of December 31, 2021. 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>
Sediment removal – Littlerock Dam	\$ 4,366,255	\$ -	\$ 5,500,000
Littlerock Creek Groundwater Recharge Project	4,209,279	790,721	5,000,000
Upper Armagosa Creek project	2,127,355	622,645	2,750,000
Total	<u>\$ 10,702,889</u>	<u>\$ 1,413,366</u>	<u>\$ 13,250,000</u>

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 15 – CURRENT AND SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 21, 2022, the date 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, 2021 and 2020*

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 Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary 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%

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.

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

PALMDALE WATER DISTRICT
Schedule of Pension Contributions
For the Years Ended December 31, 2021 and 2020

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%

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%

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 seven 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, 2021 and 2020*

	Last Ten Fiscal Years*			
Fiscal Year Ended	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Measurement Date	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Total OPEB liability:				
Service cost	\$ 677,977	\$ 459,128	\$ 533,709	\$ 471,435
Interest	464,926	542,470	480,852	475,129
Changes of assumptions	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	<u>(379,410)</u>	<u>(322,930)</u>	<u>(307,191)</u>	<u>(283,520)</u>
Net change in total OPEB liability	(3,727,933)	3,514,126	(632,455)	1,358,234
Total OPEB liability - beginning	<u>16,479,807</u>	<u>12,965,681</u>	<u>13,598,136</u>	<u>12,239,902</u>
Total OPEB liability - ending	<u>\$ 12,751,874</u>	<u>\$ 16,479,807</u>	<u>\$ 12,965,681</u>	<u>\$ 13,598,136</u>
Covered-employee payroll	<u>\$ 8,522,694</u>	<u>\$ 8,492,001</u>	<u>\$ 8,067,557</u>	<u>\$ 7,459,193</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>149.62%</u>	<u>194.06%</u>	<u>160.71%</u>	<u>182.30%</u>

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

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

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

PALMDALE WATER DISTRICT

Schedule of OPEB Contributions

For the Years Ended December 31, 2021 and 2020

Last Ten Fiscal Years*

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

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

Notes to Schedule:

Valuation Date	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%	2.74%	4.09%	3.44%
Inflation	2.50%	2.75%	2.75%	2.75%
Payroll increases	2.75%	3.00%	3.00%	3.00%
Mortality	1	1	1	1
Disability	1	1	1	1
Retirement	1	1	1	1
Termination	1	1	1	1
Healthcare trend rates	2	2	2	2

(1) CalPERS 1997-2015 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 two years are shown.

Supplementary Information

PALMDALE WATER DISTRICT
Schedules of Debt Service Net Revenues Coverage
For the Year Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Total revenues:		
Operating revenues	\$ 30,361,197	\$ 27,553,220
Non-operating revenues	8,217,314	8,379,165
Capital contributions – capital improvement fees and grants	<u>5,716,336</u>	<u>1,235,438</u>
Total revenues	<u>44,294,847</u>	<u>37,167,823</u>
Total expenses:		
Operating expenses before depreciation expense	<u>28,491,804</u>	<u>25,282,387</u>
Non-operating expenses	7,081,128	5,731,408
Less debt service items:		
Interest expense – long-term debt	<u>(2,525,060)</u>	<u>(2,478,228)</u>
Total non-operating expenses adjusted for debt service items	<u>4,556,068</u>	<u>3,253,180</u>
	<u>33,047,872</u>	<u>28,535,567</u>
Net revenues available for debt service	<u>\$ 11,246,975</u>	<u>\$ 8,632,256</u>
Debt service for the fiscal year	<u>\$ 4,450,448</u>	<u>\$ 4,505,466</u>
Debt service net revenues coverage ratio	<u>253%</u>	<u>192%</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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 21, 2022.

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
June 21, 2022

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 15, 2022 June 21, 2022
TO: FINANCE COMMITTEE Committee Meeting
FROM: Mr. Bob Egan, Financial Advisor
RE: *AGENDA ITEM NO. 4.3 – DISCUSSION AND OVERVIEW OF CASH
FLOW STATEMENT AND CURRENT CASH BALANCES AS OF
MAY 2022. (FINANCIAL ADVISOR EGAN)*

Attached are the Cash Notes, the Investment Funds Report, and the Cash Flow Report as of May 2022. The reports will be reviewed in detail at the Finance Committee meeting.

Enclosures

2022				
April to May 2022 Major account Activity				
	acct 11469			
	Balance	5/31/2022	5,137,792.72	
	Balance	4/30/2022	4,301,510.95	
	Increase		836,281.77	
	One month activity			
	Taxes received		836,125.80	expected 779,000
	Interest/Mkt value received		155.97	YTD expected 3,829,640
	Increase		836,281.77	YTD received 4,785,394
	Acct 11475			
	Balance	5/31/2022	1,428,857.54	
	Balance	4/30/2022	1,451,512.18	
	Decrease		(22,654.64)	
	One month activity			
	Interest/Mkt value received		1,636.36	
	Capital improvements bounced		(24,291.00)	
	Decrease		(22,654.64)	
	Acct 11432			
	Balance	5/31/2022	7,044,846.72	
	Balance	4/30/2022	7,040,888.10	
	Increase		3,958.62	
	One month activity			
	Interest/Mkt value received		3,958.62	
	Increase		3,958.62	
	Acct 24016.			
	Balance	5/31/2022	574,470.05	
	Balance	4/30/2022	574,563.62	
	Decrease		(93.57)	
	One month activity			
	Interest/Mkt value received		(93.57)	
	Decrease		(93.57)	

**PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT
May 31, 2022**

		May 2022	April 2022
CASH			
1-00-0103-100	Citizens - Checking	1,347,550.72	972,865.66
1-00-0103-200	Citizens - Refund	(3,015.92)	1,176.03
1-00-0103-300	Citizens - Merchant	261,395.20	240,133.86
	Bank Total	1,605,930.00	1,214,175.55
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	1,611,630.00	1,219,875.55
INVESTMENTS			
1-00-0135-000	Local Agency Investment Fund	Acct. Total 12,710.58	12,710.58
1-00-0120-000	UBS Money Market Account General (SS 11469)		
	UBS USA Core Savings	1,034,200.44	98,180.60
	UBS RMA Government Portfolio	25,448.72	14,129.54
	Accrued interest	1,896.51	4,238.92
		1,061,545.67	116,549.06
	US Government Securities		
	CUSIP # Issuer Maturity Date Rate PAR Market Value Market Value		
	912796U49 US Treasury Bill 09/15/2022	1,000,000	996,560.00
	91282CAX9 US Treasury Note 11/30/2022	0.125 1,000,000	992,850.00
	91282CBX8 US Treasury Note 04/30/2023	0.125 500,000	491,115.00
		2,500,000	2,480,525.00
	Certificates of Deposit		
	Issuer Maturity Date Rate Face Value		
	1 Sallie Mae Bank 05/16/2022 2.550	-	100,092.00
	2 Bank of China NY B Ny 06/30/2022 0.250	77,000	76,945.33
	3 Bank of India 09/19/2022 0.450	250,000	249,470.00
	4 Goldman Sachs bank 09/29/2022 0.300	100,000	99,708.00
	5 Ally bank Midvale 10/17/2022 1.850	80,000	80,191.20
	6 Goldman Sachs Bank 11/03/2022 0.150	150,000	149,271.00
	7 BMW Bank 11/22/2022 1.800	200,000	200,832.00
	8 UBS AG Stamford 12/02/2022 0.455	250,000	248,855.00
	9 Servisfirst 02/21/2023 1.600	242,000	241,893.52
	10 Safra National 04/28/2023 1.500	250,000	248,940.00
		1,599,000	1,595,722.05
	Acct. Total	5,137,792.72	4,301,510.95
1-00-1110-000	UBS Money Market Account Capital (SS 11475)		
	UBS Bank USA Dep acct	72,096.70	96,083.32
	UBS RMA Government Portfolio	4,119.91	3,359.78
		76,216.61	99,443.10
	US Government Securities		
	CUSIP # Issuer Maturity Date Rate PAR Market Value Market Value		
	912796133 US Treasury Bill 02/23/2023	500,000	493,630.00
	912828YW4 US Treasury Note 12/15/2022	1.625 500,000	500,155.00
		1,000,000	993,785.00
	Certificates of Deposit		
	Issuer Maturity Date Rate Face Value		
	1 Bank Hapoalim 07/22/2022 0.250	109,000	108,865.93
	2 Medallion Bank 02/06/2023 1.600	250,000	249,990.00
		359,000	358,855.93
	Acct. Total	1,428,857.54	1,451,512.18
1-00-0125-000	UBS Access Account General (SS 11432)		
	UBS Bank USA Dep acct	43,784.23	92,375.66
	UBS RMA Government Portfolio	-	-
	Accrued interest	13,808.52	10,063.08
		57,592.75	102,438.74
	US Government Securities		
	CUSIP # Issuer Maturity Date Rate PAR Market Value Market Value		
	912796V22 US Treasury Bill 05/24/2022	-	199,964.00
	912828XG0 US Treasury Note 06/30/2022	2.125 750,000	750,757.50
	912803AZ6 US Treasury Bond 08/15/2022	500,000	499,055.00
	912796U49 US Treasury Bill 09/15/2022	1,750,000	1,743,980.00
	912828YF1 US Treasury Note 09/15/2022	1.500 750,000	750,412.50
	91282CBD2 US Treasury Note 12/31/2022	0.125 500,000	495,490.00
	912828Z86 US Treasury Note 02/15/2023	1.375 500,000	498,240.00
		4,750,000	4,737,935.00
	Certificates of Deposit		
	Issuer Maturity Date Rate Face Value		
	1 Mizrahi Tefahot Bank 06/13/2022 0.200	250,000	249,920.00
	2 Bank Hapoalim 06/29/2022 0.350	140,000	139,916.00
	3 Comenity Bank 08/01/2022 0.350	240,000	240,854.40
	4 American Express Cent 08/22/2022 2.350	124,000	124,359.60
	5 Citizens State Bank 08/30/2022 0.100	224,000	223,446.72
	6 Fidelity Bank 09/29/2022 0.500	200,000	199,552.00
	7 State Bank of India 12/09/2022 0.250	250,000	248,485.00
	8 Cadence Bank 12/19/2022 1.200	250,000	249,680.00
	9 Israel Discount Bank 12/27/2022 1.150	200,000	199,642.00
	10 Barclays Bank 04/27/2023 1.150	200,000	199,158.00
	11 Toyota Financial Svg Bk 05/01/2023 1.550	175,000	174,305.25
		2,253,000	2,249,318.97
	Acct. Total	7,044,846.72	7,040,888.10
	Total Managed Accounts	13,624,207.56	12,806,621.81
1-00-1121-000	UBS Rate Stabilization Fund (SS 24016) - District Restricted		
	UBS Bank USA Dep acct	84,638.67	7,146.97
	UBS RMA Government Portfolio	-	-
	Accrued interest	1,187.17	1,043.71
		85,825.84	8,190.68
	Certificates of Deposit		
	Issuer Maturity Date Rate Face Value		
	1 Bank of China 05/31/2022 0.100	-	76,966.12
	2 Beal Bank 08/31/2022 0.400	199,000	198,653.74
	3 Capitol One 09/27/2022 2.300	239,000	239,891.47
	4 Raymond James Bank 11/28/2022 1.750	50,000	50,099.00
		488,000	566,372.94
	Acct. Total	574,470.05	574,563.62
	TOTAL CASH AND INVESTMENTS	15,810,307.61	14,601,060.98
	Increase (Decrease) in Funds	1,209,246.63	
1-00-1135-000	2018A Bonds - Project Funds (BNY Mellon)		
	Construction Funds	257,017.42	603,012.93
	Issuance Funds	12,523.52	12,521.15
		269,540.94	615,534.08
1-00-1137-000	2021A Bonds - Project Funds (BNY Mellon)		
	Construction Funds	8,003,155.32	8,030,372.32
		8,003,155.32	8,030,372.32

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 16, 2022 **June 21, 2022**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Dennis J. Hoffmeyer, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM 4.4 – DISCUSSION AND OVERVIEW OF FINANCIAL STATEMENTS, REVENUE, AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR MAY 2022. (FINANCE MANAGER HOFFMEYER)*

Discussion:

Presented here are the Balance Sheet and Profit/Loss Statement for the period ending May 31, 2022. Also included are individual departmental budget reports.

This is the 5th month of the District’s Budget Year 2022. 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. Currently we are slightly above on operating revenues and slightly below on expenses. 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 at May 31, 2022.
- The month-to-month net change was \$497,275 with no significant allocation contributing to it. With the May tax assessments received, we now show zero under accounts receivable-property taxes and assessments. We continue to decrease the restricted cash, and this is related to bond payments on three projects with the offset being capital assets – not being depreciated. On the liabilities and net position side, the one account contributing to the net changes for the month is the Profit/(Loss) from operations.

Profit/Loss Statement:

- Page 3 is our consolidated Profit and Loss Statement trending for the five months.
- The District’s operating revenues are slightly above and expenses are slightly below historical averages.
- As reported last month, we continue to have five departments (Engineering, Facilities, Finance, Information Technology, and Customer Care) still running higher in operating expenses.
- The Source of Supply – Purchased Water now is flat compared to prior months. With no significant amounts of water to be purchased this will continue to trend down.

Profit/Loss Statement (continued):

- This month we are pointing out a couple new areas for review. Depreciation is a non-cash operating expense that currently is decreasing monthly expense. This indicates more of the District's fixed assets are reaching the point where they are fully depreciated. The other highlighted part is Assessments in the Non-Operating Revenues, and we will discuss this fully during the Committee Meeting.
- Pages 4 and 5 show the P&L in various graphic forms using major report category totals.

Department indicators

- The Engineering Department and their increased expenses are related to staff overtime and payroll taxes for inspection related projects. Typically, these costs are recovered from the developers, and funds go into the Service Costs Recovered account shown in the operating revenue.
- The Facilities Department has the combined power costs for wells and boosters making up the majority of overage. The Electricity – Wells & Boosters account sits at 90.4% and Natural Gas – Wells & Boosters account sits at 61.4%. There are several other accounts that are above historical averages, and staff continues to monitor these accounts and will report accordingly during the year.
- The Finance Department continues to have higher expenses related to the Telecommunications – Office account. As reported in prior months, this started towards the end of 2021. There has been no change on status currently.
- The Information Technology Department expenses are starting to smooth out. The department has finished renewing most of their annual service contracts with the final ones coming in the fall.
- As reported last month, the Customer Care Department account review shows slightly higher personnel expenses, and they are starting to smooth out. The significant contributor is health insurance related and, as stated in the past, the upfront funding of health savings accounts (HSA) for employees contributes to the majority of the overage.

Departments:

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

Non-Cash Definitions:

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

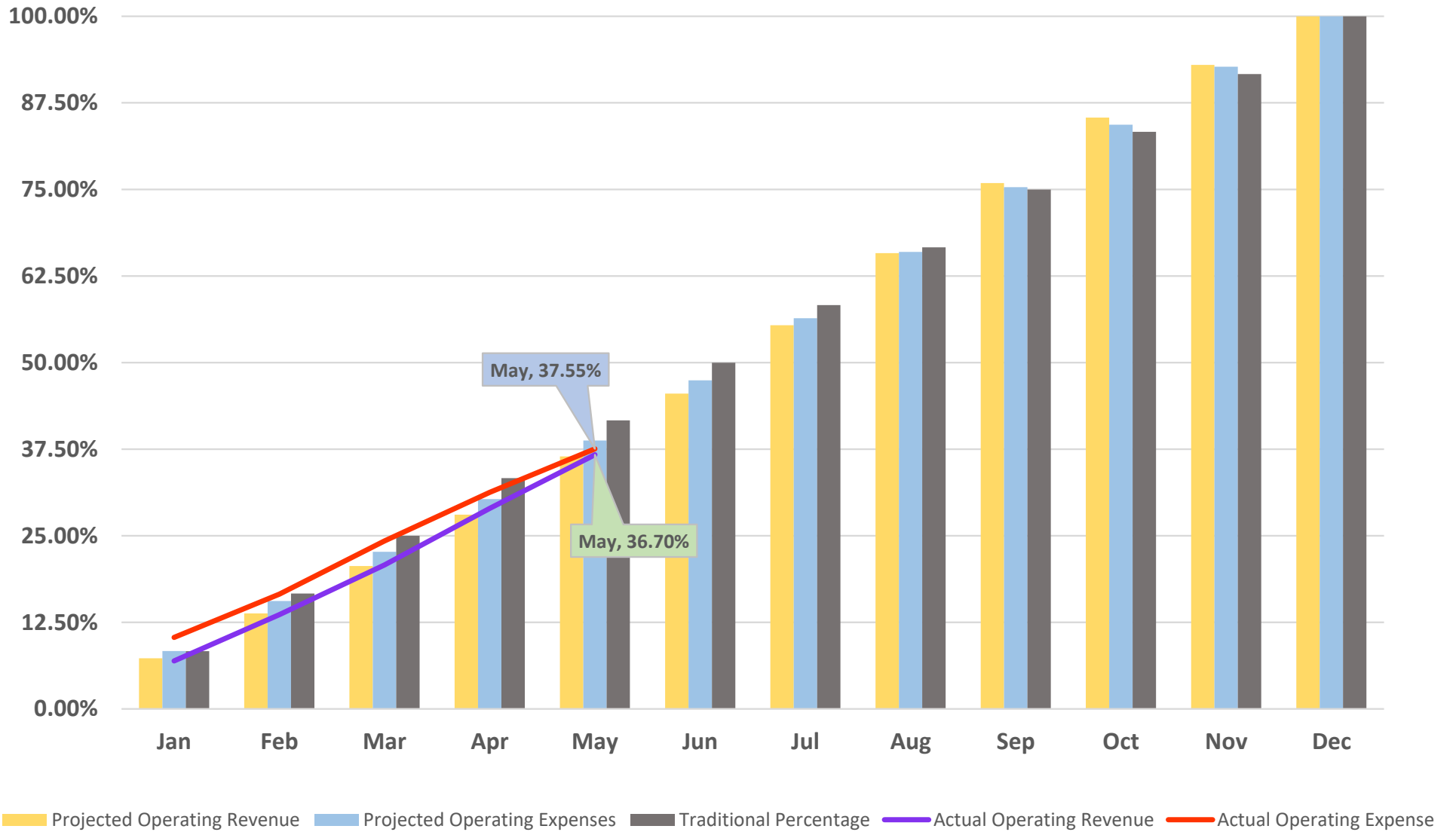
OPEB Accrual Expense: Other Post-Employment Benefits (OPEB) is the recognized annual required contribution to the benefit. The amount is actuarially determined in accordance with the parameters of GASB 45. The amount represents a level of funding that, if paid on an ongoing basis, is projected to cover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

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

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

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

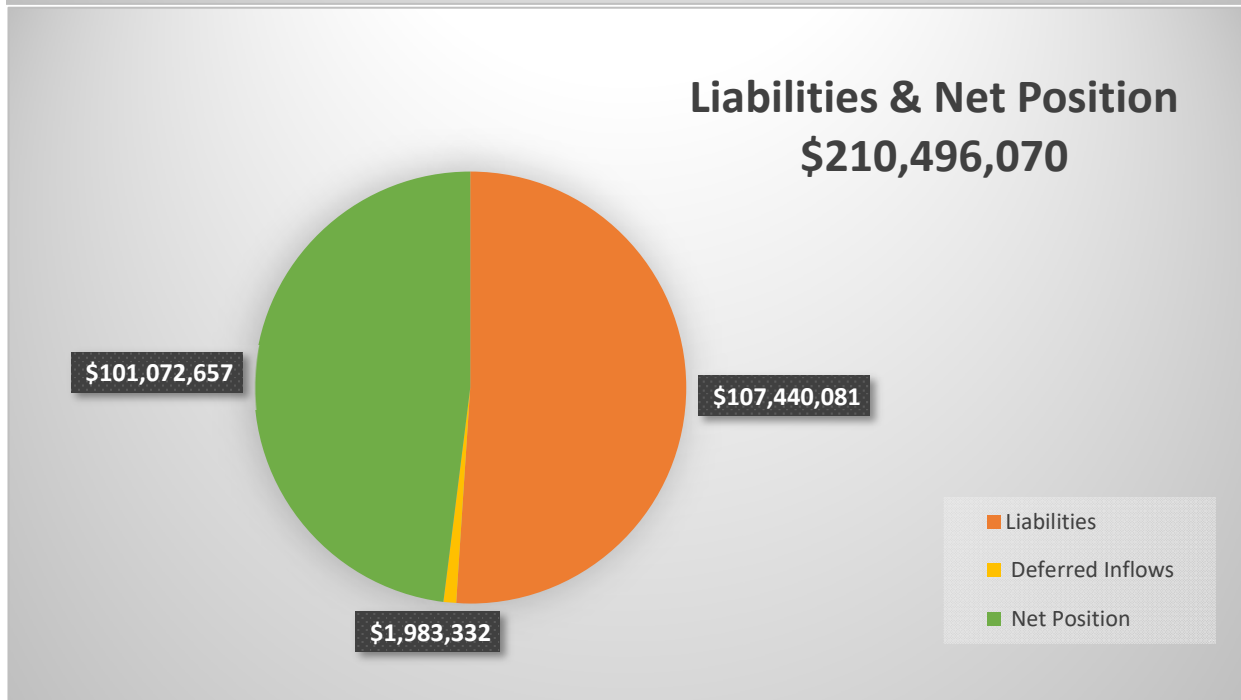
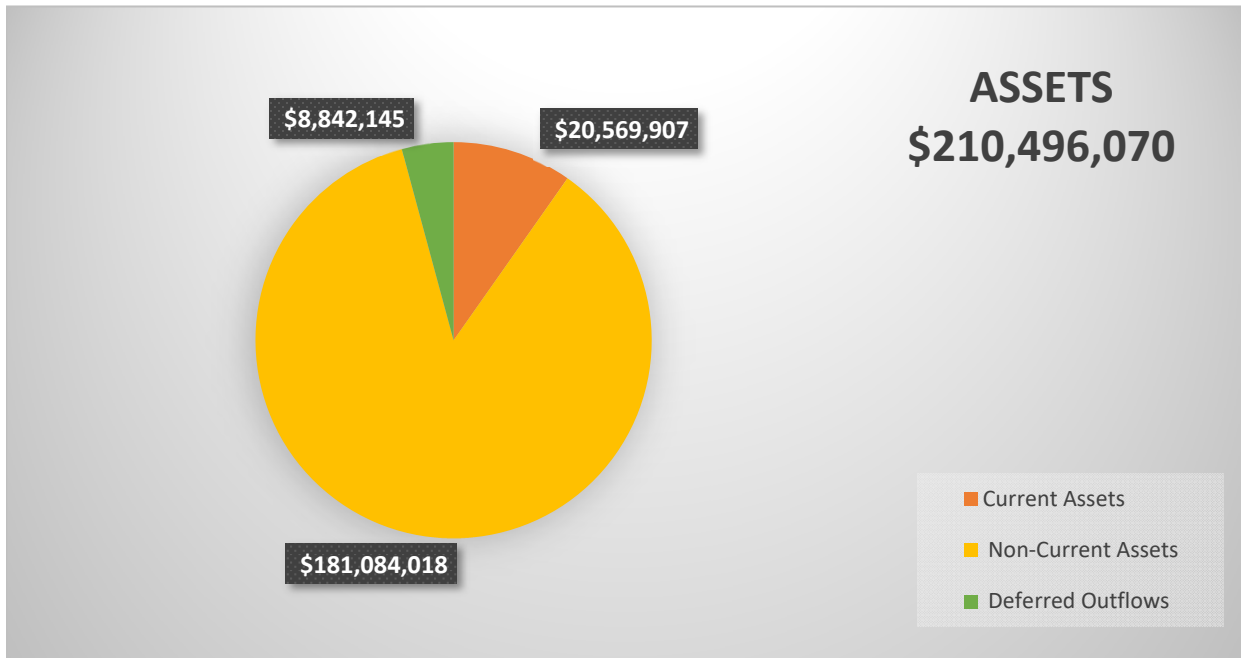
Palmdale Water District Monthly Budgetary Percentages



**Palmdale Water District
Balance Sheet Report**

	January 2022	February 2022	March 2022	April 2022	May 2022	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022
ASSETS												
Current Assets:												
Cash and cash equivalents	\$ 817,351	\$ 349,068	\$ 869,650	\$ 1,217,376	\$ 1,611,630							
Investments	13,955,381	12,843,634	10,763,659	13,381,185	14,198,678							
Accrued interest receivable	-	-	-	-	-							
Accounts receivable - water sales and services, net	2,561,766	2,608,119	2,361,636	2,438,801	2,358,430							
Accounts receivable - property taxes and assessments	3,505,701	3,061,987	3,024,194	425,006	-							
Accounts receivable - other	531,541	532,968	104,760	96,122	90,972							
Materials and supplies inventory	1,903,845	1,917,448	1,923,454	1,909,658	1,903,393							
Prepaid items and other deposits	528,624	498,170	467,716	437,260	406,804							
Total Current Assets	\$ 23,804,210	\$ 21,811,394	\$ 19,515,069	\$ 19,905,408	\$ 20,569,907							
Non-Current Assets:												
Restricted - cash and cash equivalents	\$ 10,973,524	\$ 10,506,889	\$ 10,187,732	\$ 8,655,676	\$ 8,282,466							
Investment in Palmdale Recycled Water Authority	2,201,548	2,201,548	2,201,548	2,201,548	2,201,548							
Capital assets - not being depreciated	11,446,548	11,694,857	12,289,033	14,143,249	14,875,648							
Capital assets - being depreciated, net	157,366,566	156,850,934	156,753,983	156,237,712	155,724,357							
Total Non-Current Assets	\$ 181,988,186	\$ 181,254,229	\$ 181,432,296	\$ 181,238,184	\$ 181,084,018							
TOTAL ASSETS	\$ 205,792,396	\$ 203,065,623	\$ 200,947,365	\$ 201,143,592	\$ 201,653,925							
DEFERRED OUTFLOWS OF RESOURCES:												
Deferred loss on debt defeasance, net	\$ 4,036,073	\$ 4,023,015	\$ 3,461,457	\$ 3,448,400	\$ 3,435,342							
Deferred outflows of resources related to pensions	5,406,803	5,406,803	5,406,803	5,406,803	5,406,803							
Total Deferred Outflows of Resources	\$ 9,442,876	\$ 9,429,818	\$ 8,868,260	\$ 8,855,203	\$ 8,842,145							
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 215,235,272	\$ 212,495,441	\$ 209,815,625	\$ 209,998,795	\$ 210,496,070							
LIABILITIES AND NET POSITION												
Current Liabilities:												
Accounts payable and accrued expenses	\$ 4,479,270	\$ 1,658,247	\$ 650,468	\$ 693,842	\$ 646,394							
Customer deposits for water service	2,925,706	2,904,694	2,916,155	2,918,599	2,937,352							
Construction and developer deposits	1,636,733	1,636,733	1,636,733	1,644,733	1,637,376							
Accrued interest payable	749,254	936,568	-	173,478	346,957							
Long-term liabilities - due in one year:												
Compensated absences	506,112	506,112	498,198	517,699	531,977							
Rate Stabilization Fund	560,000	560,000	560,000	560,000	560,000							
Capital lease payable	-	-	-	-	-							
Loan payable	1,300,396	1,300,396	655,198	655,198	655,198							
Revenue bonds payable	1,215,743	1,215,743	1,215,743	1,215,743	1,215,743							
Total Current Liabilities	\$ 13,373,214	\$ 10,718,493	\$ 8,132,495	\$ 8,379,292	\$ 8,530,997							
Non-Current Liabilities:												
Long-term liabilities - due in more than one year:												
Compensated absences	\$ 168,704	\$ 168,704	\$ 166,066	\$ 172,566	\$ 177,326							
Capital lease payable	-	-	-	-	-							
Loan payable	5,405,985	5,391,950	5,377,915	5,363,880	5,349,846							
Revenue bonds payable	63,684,191	63,684,191	63,684,191	63,684,191	63,684,191							
Net other post employment benefits payable	17,727,900	17,702,460	17,929,506	18,025,460	18,123,951							
Aggregate net pension liability	11,573,771	11,573,771	11,573,771	11,573,771	11,573,771							
Total Non-Current Liabilities	\$ 98,560,551	\$ 98,521,076	\$ 98,731,449	\$ 98,819,868	\$ 98,909,084							
Total Liabilities	\$ 111,933,765	\$ 109,239,568	\$ 106,863,944	\$ 107,199,161	\$ 107,440,081							
DEFERRED INFLOWS OF RESOURCES:												
Unearned property taxes and assessments	\$ 3,416,667	\$ 2,733,333	\$ 2,050,000	\$ 1,366,667	\$ 683,333							
Deferred inflows of resources related to pensions	1,299,999	1,299,999	1,299,999	1,299,999	1,299,999							
Total Deferred Inflows of Resources	\$ 4,716,666	\$ 4,033,332	\$ 3,349,999	\$ 2,666,666	\$ 1,983,332							
NET POSITION:												
Profit/(Loss) from Operations	\$ (698,913)	\$ (61,214)	\$ 289,970	\$ 829,274	\$ 1,768,961							
Restricted for investment in Palmdale Recycled Water Authority	2,201,548	2,205,106	2,205,106	2,205,106	2,205,356							
Unrestricted	97,082,206	97,078,648	97,106,607	97,098,589	97,098,339							
Total Net Position	\$ 98,584,841	\$ 99,222,540	\$ 99,601,682	\$ 100,132,969	\$ 101,072,657							
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 215,235,272	\$ 212,495,441	\$ 209,815,625	\$ 209,998,795	\$ 210,496,070							

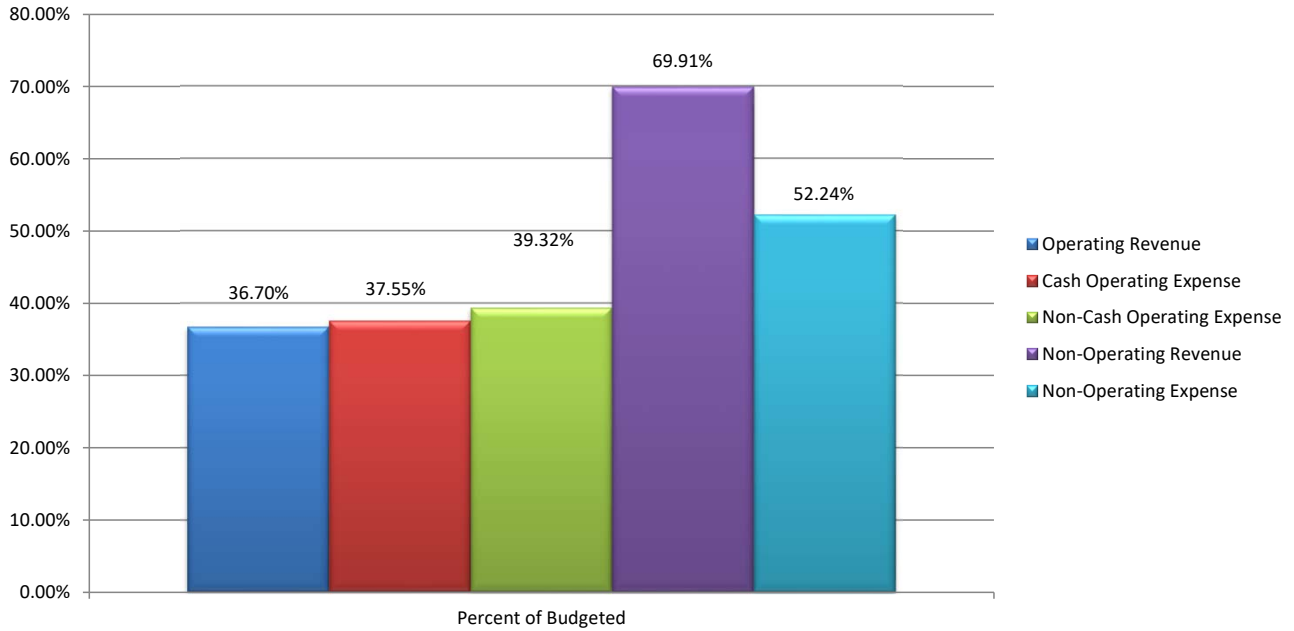
BALANCE SHEET AS OF MAY 31, 2022



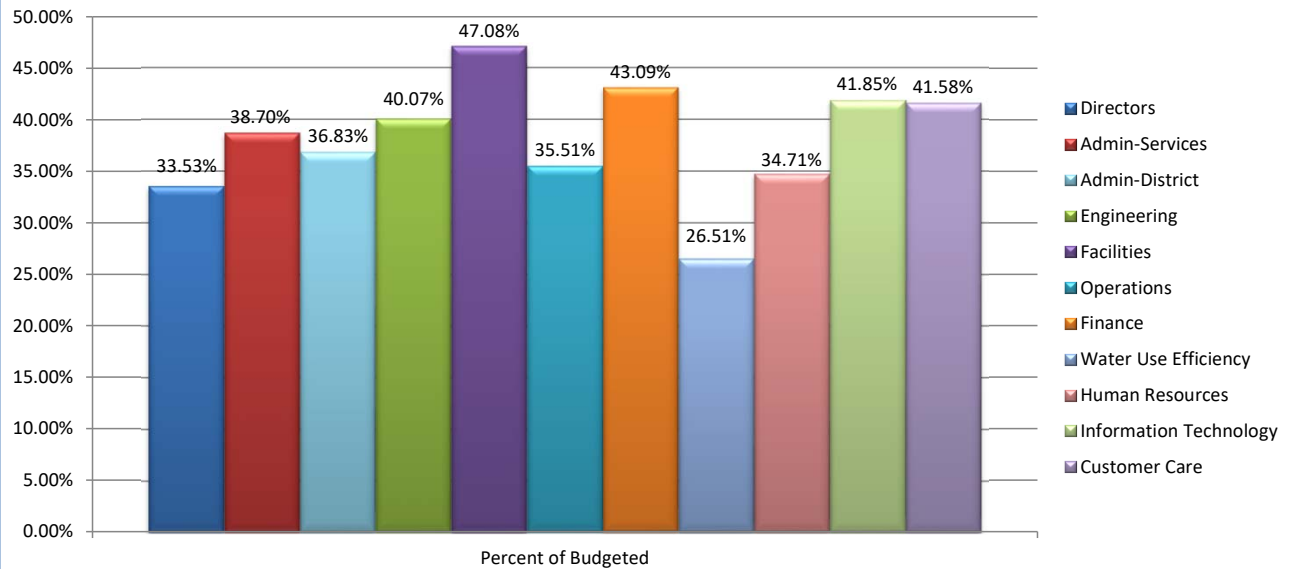
Palmdale Water District
Consolidated Profit and Loss Statement
For the Five Months Ending 5/31/2022

	January	February	March	April	May	June	July	August	September	October	November	December	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:																
Wholesale Water	\$ 28,297	\$ 8,323	\$ 24,656	\$ 28,508	\$ 43,169								\$ 132,954	\$ 500,000	26.59%	
Water Sales	652,212	618,278	700,369	857,668	855,775								3,684,302	12,615,350	29.20%	
Meter Fees	1,393,717	1,395,619	1,383,950	1,389,166	1,386,497								6,948,949	16,490,000	42.14%	
Water Quality Fees	36,078	35,010	41,265	50,416	50,661								213,429	851,700	25.06%	
Elevation Fees	18,074	18,371	22,249	28,861	28,598								116,153	390,550	29.74%	
Other	70,275	48,613	103,741	240,527	92,092								555,248	900,000	61.69%	
Total Operating Revenue	\$ 2,198,653	\$ 4,400,444	\$ 2,276,230	\$ 2,595,146	\$ 2,456,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,651,035	\$ -	\$ 31,747,600	36.70%
Cash Operating Expenses:																
Directors	\$ 7,019	\$ 14,476	\$ 12,360	\$ 7,417	\$ 13,349								\$ 54,620	\$ 162,914	33.53%	
Administration-Services	150,148	154,556	232,203	168,985	169,878								875,769	2,263,006	38.70%	
Administration-District	88,115	185,791	255,840	169,605	192,385								891,736	2,420,929	36.83%	
Engineering	115,367	126,954	176,106	126,012	123,530								667,970	1,667,211	40.07%	
Facilities	620,490	531,752	662,599	640,071	500,933								2,955,844	6,278,142	47.08%	
Operations	157,312	206,139	361,014	306,463	239,722								1,270,650	3,578,644	35.51%	
Finance	150,924	137,652	188,858	142,673	111,152								731,259	1,696,930	43.09%	
Water Use Efficiency	20,213	18,905	26,771	20,521	21,453								107,863	406,847	26.51%	
Human Resources	20,015	34,269	41,882	52,036	37,713								185,914	535,607	34.71%	
Information Technology	242,304	179,381	132,500	89,719	120,258								764,161	1,825,946	41.85%	
Customer Care	116,099	109,834	156,937	110,958	111,024								604,851	1,454,576	41.58%	
Source of Supply-Purchased Water	1,005,037	83,300	(21,183)	9,590	2,723								1,079,467	3,402,922	31.72%	
Plant Expenditures	57,471	-	-	-	-								57,471	488,305	11.77%	
Sediment Removal Project	34,095	-	16,536	-	39,000								89,631	600,000	14.94%	
GAC Filter Media Replacement	-	-	-	-	-								-	750,000	0.00%	
Total Cash Operating Expenses	\$ 2,784,608	\$ 4,025,430	\$ 2,242,422	\$ 1,844,049	\$ 1,683,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,337,207	\$ -	\$ 27,531,979	37.55%
Net Cash Operating Profit/(Loss)	\$ (585,956)	\$ 375,014	\$ 33,808	\$ 751,097	\$ 773,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,313,828	\$ -	\$ 4,215,621	31.17%
Non-Cash Operating Expenses:																
Depreciation	\$ 427,878	\$ 427,878	\$ 430,448	\$ 428,516	\$ 425,598								\$ 2,140,319	\$ 5,050,000	42.38%	
OPEB Accrual Expense	127,710	127,710	127,710	127,710	127,710								638,550	1,600,000	39.91%	
Bad Debts	(451)	(78)	(78)	(396)	(320)								(1,323)	125,000	-1.06%	
Service Costs Construction	22,751	24,501	53,295	50,657	68,001								219,205	150,000	146.14%	
Capitalized Construction	(24,458)	(86,120)	(197,829)	(184,755)	(134,830)								(627,992)	(900,000)	69.78%	
Capital Contributions	-	-	-	-	-								-	-	-	
Total Non-Cash Operating Expenses	\$ 553,430	\$ 907,438	\$ 413,547	\$ 421,732	\$ 486,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,368,759	\$ -	\$ 6,025,000	39.32%
Net Operating Profit/(Loss)	\$ (1,139,386)	\$ (532,424)	\$ (379,738)	\$ 329,365	\$ 287,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,054,931)	\$ -	\$ (1,809,379)	58.30%
Non-Operating Revenues:																
Assessments (Debt Service)	\$ 517,898	\$ 517,898	\$ 517,898	\$ 517,898	\$ 826,238								\$ 2,897,832	\$ 5,400,000	53.66%	
Assessments (1%)	487,891	165,435	165,435	165,435	268,215								1,252,410	2,200,000	56.93%	
DWR Fixed Charge Recovery	-	-	-	100,283	113,796								214,079	175,000	122.33%	
Interest	(6,823)	(5,383)	(11,412)	(5,818)	5,899								(23,537)	130,000	-18.11%	
CIF - Infrastructure	10,544	135,000	363,266	15,687	-								524,497	200,000	262.25%	
CIF - Water Supply	24,102	315,000	776,496	8,604	-								1,124,202	350,000	321.20%	
Grants - State and Federal	-	3,472	-	-	-								3,472	75,000	4.63%	
Other	248	0	236	4,578	-								5,062	50,000	10.12%	
Total Non-Operating Revenues	\$ 1,033,860	\$ 2,943,341	\$ 1,811,918	\$ 806,667	\$ 1,214,148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,998,016	\$ -	\$ 8,580,000	69.91%
Non-Operating Expenses:																
Interest on Long-Term Debt	\$ 187,675	\$ 187,675	\$ 736,175	\$ 173,840	\$ 173,840								\$ 1,459,205	\$ 2,106,446	69.27%	
Deferred Charges-Cost of Issuance	-	-	-	-	-								-	-	-	
Amortization of SWP	334,019	334,020	334,021	334,022	334,023								1,670,107	3,658,084	45.66%	
Change in Investments in PRWA	-	3,558	-	250	-								3,808	75,000	5.08%	
Water Conservation Programs	11,353	9,205	10,057	3,424	6,964								41,004	236,500	17.34%	
Total Non-Operating Expenses	\$ 533,048	\$ 1,614,712	\$ 1,080,254	\$ 511,537	\$ 514,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,174,124	\$ -	\$ 6,076,030	52.24%
Net Earnings	\$ (638,574)	\$ 796,205	\$ 351,927	\$ 624,496	\$ 986,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,768,961	\$ -	\$ 694,591	254.68%

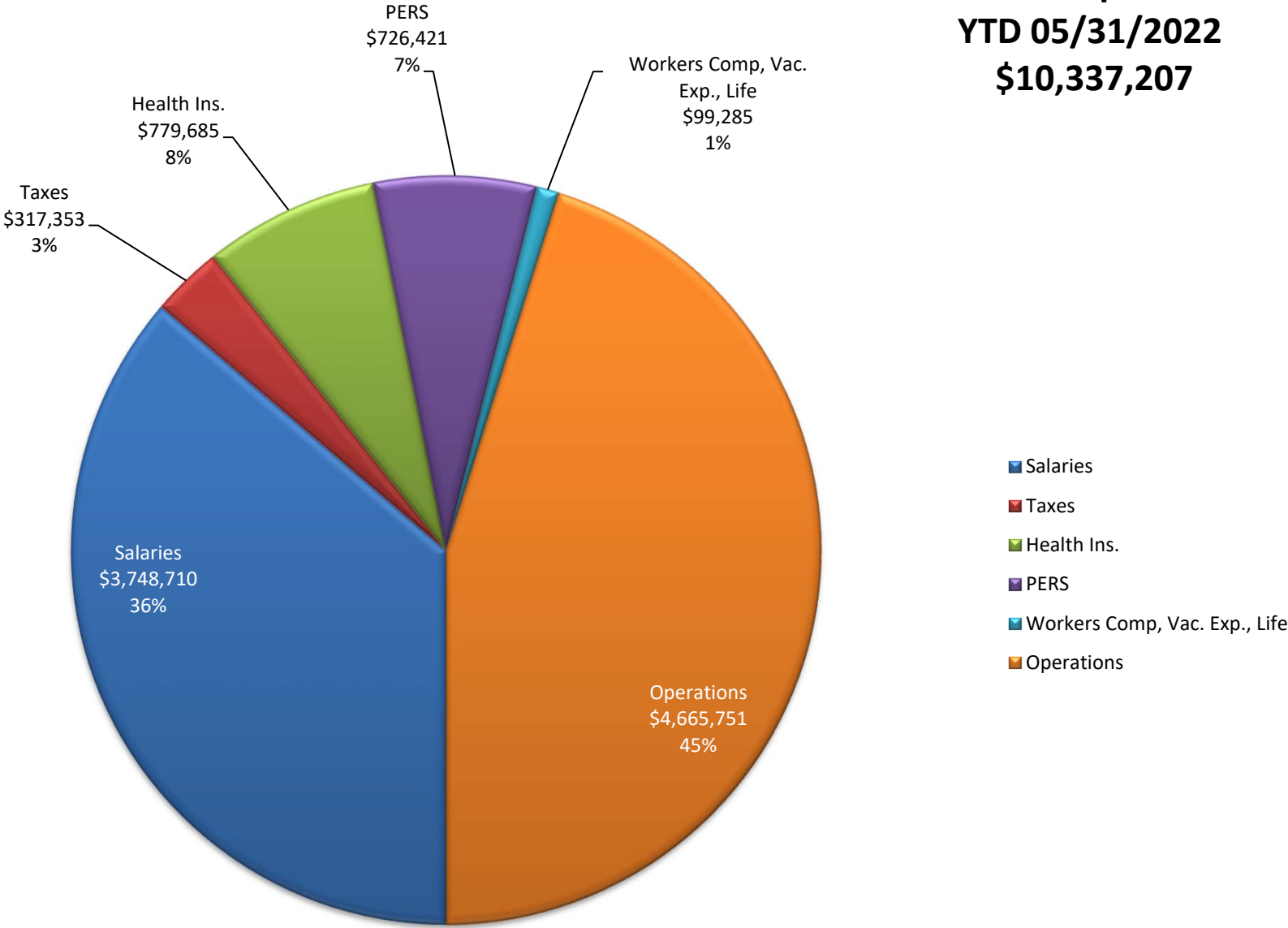
P & L BUDGET vs. ACTUAL



DEPARTMENTAL - BUDGET vs. ACTUAL



**Personnel to Operations Exp
YTD 05/31/2022
\$10,337,207**



**Palmdale Water District
2022 Directors Budget
For the Five Months Ending Tuesday, May 31, 2022**

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ -	\$ -	\$ -	\$ -	
Employee Benefits					
1-01-4005-000 Payroll Taxes	3,181	6,064		2,883	52.45%
1-01-4010-000 Health Insurance - Directors	12,506	51,250		38,744	24.40%
Subtotal (Benefits)	15,687	57,314	-	41,627	27.37%
 Total Personnel Expenses	 \$ 15,687	 \$ 57,314	 \$ -	 \$ 41,627	 27.37%
OPERATING EXPENSES:					
1-01-xxxx-006 Director Share - Dizmang, Gloria	\$ 10,743				
1-01-xxxx-008 Director Share - Mac Laren, Kathy	7,170				
1-01-xxxx-010 Director Share - Dino, Vincent	8,480				
1-01-xxxx-012 Director Share - Wilson, Don	6,510				
1-01-xxxx-013 Director Share - Merino, Amberrose	4,190				
1-01-xxxx-014 Director Share - Kellerman, Scott	1,840				
Subtotal Operating Expenses	38,933	105,600	-	66,667	36.87%
 Total O & M Expenses	 \$ 54,620	 \$ 162,914	 \$ -	 \$ 108,294	 33.53%

Palmdale Water District
2022 Administration Services Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-4000-000 Salaries	\$ 563,566	\$ 1,437,000		\$ 873,434	39.22%
1-02-4000-100 Overtime	1,766	6,284		4,518	28.11%
Subtotal (Salaries)	\$ 565,333	\$ 1,443,284	\$ -	\$ 877,952	39.17%
Employee Benefits					
1-02-4005-000 Payroll Taxes	\$ 47,164	\$ 102,000		54,836	46.24%
1-02-4010-000 Health Insurance	79,623	166,500		86,878	47.82%
1-02-4015-000 PERS	54,394	134,500		80,106	40.44%
Subtotal (Benefits)	\$ 181,180	\$ 403,000	\$ -	\$ 221,820	44.96%
Total Personnel Expenses	\$ 746,513	\$ 1,846,284	\$ -	\$ 1,099,772	40.43%
OPERATING EXPENSES:					
1-02-4050-000 Staff Travel	\$ 4,745	\$ 15,888	\$ -	\$ 11,143	29.86%
1-02-4050-100 General Manager Travel	3,601	5,330		1,730	67.55%
1-02-4060-000 Staff Conferences & Seminars	3,113	6,355		3,242	48.99%
1-02-4060-100 General Manager Conferences & Seminars	1,650	4,203		2,553	39.26%
1-02-4130-000 Bank Charges	80,186	205,000		124,814	39.11%
1-02-4150-000 Accounting Services	-	26,650		26,650	0.00%
1-02-4175-000 Permits	2,981	18,552		15,571	16.07%
1-02-4180-000 Postage	4,759	17,425		12,666	27.31%
1-02-4190-100 Public Relations - Publications	10,574	31,980		21,406	33.06%
1-02-4190-700 Public Affairs - Marketing/Outreach	4,900	41,000		36,100	11.95%
1-02-4190-705 Public Affairs - Drought Outreach	3,648	-		-	0.00%
1-02-4190-710 Public Affairs -Advertising	250	5,125		4,875	4.88%
1-02-4190-720 Public Affairs - Equipment	-	2,520		2,520	0.00%
1-02-4190-730 Public Affairs -Conference/Seminar/Travel	-	3,075		3,075	0.00%
1-02-4190-740 Public Affairs - Consultants	900	2,050		1,150	43.90%
1-02-4190-750 Public Affairs - Membership	335	1,230		895	27.24%
1-02-4200-000 Advertising	-	4,203		4,203	0.00%
1-02-4205-000 Office Supplies	7,616	26,138		18,522	29.14%
Subtotal Operating Expenses	\$ 129,256	\$ 416,722	\$ -	\$ 291,114	31.02%
Total Departmental Expenses	\$ 875,769	\$ 2,263,006	\$ -	\$ 1,390,886	38.70%

Palmdale Water District
2022 Administration District Wide Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-5070-001 On-Call	\$ 35,528	\$ 85,000		\$ 49,472	41.80%
Subtotal (Salaries)	\$ 35,528	\$ 85,000	\$ -	\$ 49,472	41.80%
Employee Benefits					
1-02-5070-002 PERS-Unfunded Liability	\$ 370,891	\$ 938,763		567,872	39.51%
1-02-5070-003 Workers Compensation	63,717	280,000		216,283	22.76%
1-02-5070-004 Vacation Benefit Expense	33,501	86,934		53,433	38.54%
1-02-5070-005 Life Insurance	2,067	7,332		5,265	28.19%
Subtotal (Benefits)	\$ 470,176	\$ 1,313,029	\$ -	\$ 842,853	35.81%
Total Personnel Expenses	\$ 505,704	\$ 1,398,029	\$ -	\$ 892,325	36.17%
OPERATING EXPENSES:					
1-02-5070-006 Other Operating	\$ 27,276	\$ 61,500		34,224	44.35%
1-02-5070-007 Consultants	90,850	281,875		191,025	32.23%
1-02-5070-008 Insurance	145,579	266,500		120,921	54.63%
1-02-5070-009 Groundwater Adjudication - Legal	8,192	42,025		33,833	19.49%
1-02-5070-010 Legal Services	52,088	134,275		82,187	38.79%
1-02-5070-011 Memberships/Subscriptions	20,688	169,125		148,437	12.23%
1-02-5070-014 Groundwater Adjudication - Assessment	41,360	67,600		26,240	61.18%
Subtotal Operating Expenses	\$ 386,032	\$ 1,022,900	\$ -	\$ 636,868	37.74%
Total Departmental Expenses	\$ 891,736	\$ 2,420,929	\$ -	\$ 1,529,193	36.83%

Palmdale Water District
2022 Engineering Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 465,382	\$ 1,180,000	\$ -	\$ 714,618	39.44%
1-03-4000-100 Overtime	12,865	15,711		2,846	81.88%
Subtotal (Salaries)	<u>\$ 478,246</u>	<u>\$ 1,195,711</u>	<u>\$ -</u>	<u>\$ 717,465</u>	<u>40.00%</u>
Employee Benefits					
1-03-4005-000 Payroll Taxes	40,103	91,500		51,397	43.83%
1-03-4010-000 Health Insurance	93,213	208,500		115,287	44.71%
1-03-4015-000 PERS	43,329	112,000		68,671	38.69%
Subtotal (Benefits)	<u>\$ 176,645</u>	<u>\$ 412,000</u>	<u>\$ -</u>	<u>\$ 235,355</u>	<u>42.87%</u>
Total Personnel Expenses	<u><u>\$ 654,891</u></u>	<u><u>\$ 1,607,711</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 952,820</u></u>	<u><u>40.73%</u></u>
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	\$ 1,384	\$ 5,000		3,616	27.67%
1-03-4060-000 Staff Conferences & Seminars	1,500	8,000		6,500	18.75%
1-03-4060-001 Staff Training - Auto CAD Civil 3D	-	10,000		10,000	0.00%
1-03-4155-000 Contracted Services	3,100	3,000		(100)	103.34%
1-03-4165-000 Memberships/Subscriptions	2,488	5,000		2,512	49.77%
1-03-4250-000 General Materials & Supplies	856	4,500		3,644	19.03%
1-03-4250-100 Supplies - Plotter Paper/Toner	-	1,000		1,000	0.00%
1-03-8100-100 Computer Software - Maint. & Support	3,750	-		(3,750)	0.00%
Subtotal Operating Expenses	<u>\$ 13,079</u>	<u>\$ 36,500</u>	<u>\$ -</u>	<u>\$ 23,421</u>	<u>35.83%</u>
Total Departmental Expenses	<u><u>\$ 667,970</u></u>	<u><u>\$ 1,644,211</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 976,241</u></u>	<u><u>40.63%</u></u>

**Palmdale Water District
2021 Facilities Budget
For the Five Months Ending Tuesday, May 31, 2022**

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-04-4000-000 Salaries	\$ 856,495	\$ 2,272,500		\$ 1,416,005	37.69%
1-04-4000-100 Overtime	55,167	150,826		95,658	36.58%
Subtotal (Salaries)	\$ 911,662	\$ 2,423,326	\$ -	\$ 1,511,663	37.62%
Employee Benefits					
1-04-4005-000 Payroll Taxes	78,496	191,250		112,754	41.04%
1-04-4010-000 Health Insurance	239,993	408,500		168,508	58.75%
1-04-4015-000 PERS	81,527	210,750		129,223	38.68%
Subtotal (Benefits)	\$ 400,016	\$ 810,500	\$ -	\$ 410,484	49.35%
Total Personnel Expenses	\$ 1,311,678	\$ 3,233,826	\$ -	\$ 1,922,148	40.56%
OPERATING EXPENSES:					
1-04-4050-000 Staff Travel	\$ -	\$ 6,355		\$ 6,355	0.00%
1-04-4060-000 Staff Conferences & Seminars	-	15,888		15,888	0.00%
1-04-4155-000 Contracted Services	153,827	245,078		91,251	62.77%
1-04-4175-000 Permits-Dams	33,755	43,050		9,295	78.41%
1-04-4215-100 Natural Gas - Wells & Boosters	144,780	235,806		91,026	61.40%
1-04-4215-200 Natural Gas - Buildings	6,366	9,940		3,574	64.05%
1-04-4220-100 Electricity - Wells & Boosters	814,854	901,304		86,450	90.41%
1-04-4220-200 Electricity - Buildings	31,524	99,399		67,874	31.71%
1-04-4225-000 Maint. & Repair - Vehicles	5,569	35,768		30,199	15.57%
1-04-4230-100 Maint. & Rep. Office Building	2,231	27,878		25,647	8.00%
1-04-4230-200 Maint. & Rep. Two Way Radios	240	5,260		5,020	4.56%
1-04-4235-110 Maint. & Rep. Equipment	3,110	13,360		10,250	23.28%
1-04-4235-400 Maint. & Rep. Operations - Wells	32,254	89,041		56,787	36.22%
1-04-4235-405 Maint. & Rep. Operations - Boosters	16,256	55,637		39,381	29.22%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	1,005	27,352		26,347	3.67%
1-04-4235-415 Maint. & Rep. Operations - Facilities	612	54,704		54,092	1.12%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	133,882	331,380		197,498	40.40%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	16,834	16,306		(528)	103.24%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	6,028	7,364		1,336	81.85%
1-04-4235-440 Maint. & Rep. Operations - Large Meters	745	16,306		15,561	4.57%
1-04-4235-450 Maint. & Rep. Operations - Hypo Generators	4,046	8,311		4,265	48.68%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	17,189	46,288		29,099	37.14%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	132	5,470		5,339	2.41%
1-04-4235-461 Maint. & Rep. Operations - Air Vac	2,767	5,470		2,703	50.58%
1-04-4235-470 Maint. & Rep. Operations - Meters Exchanges	7,573	163,060		155,487	4.64%
1-04-4300-100 Testing - Regulatory Compliance	-	21,012		21,012	0.00%
1-04-4300-200 Testing - Large Meters	9,055	13,325		4,270	67.95%
1-04-4300-300 Testing - Edison Testing	-	12,300		12,300	0.00%
1-04-6000-000 Waste Disposal	5,190	21,972		16,783	23.62%
1-04-6100-100 Fuel and Lube - Vehicle	55,994	147,268		91,274	38.02%
1-04-6100-200 Fuel and Lube - Machinery	15,302	26,965		11,663	56.75%
1-04-6200-000 Uniforms	8,501	28,218		19,717	30.13%
1-04-6300-100 Supplies - General	28,201	65,507		37,306	43.05%
1-04-6300-300 Supplies - Electrical	-	3,023		3,023	0.00%
1-04-6300-800 Supplies - Construction Materials	6,140	35,273		29,133	17.41%
1-04-6400-000 Tools	12,222	45,452		33,230	26.89%
1-04-7000-100 Leases -Equipment	5,472	15,117		9,645	36.20%
1-04-7000-100 Leases -Vehicles	62,511	143,108		80,596	43.68%
Subtotal Operating Expenses	\$ 1,644,166	\$ 3,044,316	\$ -	\$ 1,400,150	54.01%
Total Departmental Expenses	\$ 2,955,844	\$ 6,278,142	\$ -	\$ 3,322,298	47.08%

Palmdale Water District
2022 Operation Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-05-4000-000 Salaries	\$ 457,717	\$ 1,197,000		\$ 739,283	38.24%
1-05-4000-100 Overtime	49,373	103,693		54,319	47.62%
Subtotal (Salaries)	<u>\$ 507,090</u>	<u>\$ 1,300,693</u>	\$ -	<u>\$ 793,603</u>	<u>38.99%</u>
Employee Benefits					
1-05-4005-000 Payroll Taxes	43,937	95,500		51,562	46.01%
1-05-4010-000 Health Insurance	86,339	160,500		74,161	53.79%
1-05-4015-000 PERS	47,178	122,500		75,322	38.51%
Subtotal (Benefits)	<u>\$ 177,455</u>	<u>\$ 378,500</u>	\$ -	<u>\$ 201,045</u>	<u>46.88%</u>
Total Personnel Expenses	<u><u>\$ 684,545</u></u>	<u><u>\$ 1,679,193</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 994,648</u></u>	<u><u>40.77%</u></u>
OPERATING EXPENSES:					
1-05-4050-000 Staff Travel	\$ -	\$ 3,177		\$ 3,177	0.00%
1-05-4060-000 Staff Conferences & Seminars	-	3,177		3,177	0.00%
1-05-4120-100 Training - Lab Equipment	-	5,330		5,330	0.00%
1-05-4155-000 Contracted Services	36,170	105,440		69,270	34.30%
1-05-4175-000 Permits	4,871	83,333		78,462	5.84%
1-05-4215-200 Natural Gas - WTP	1,670	3,348		1,678	49.87%
1-05-4220-200 Electricity - WTP	101,282	224,955		123,672	45.02%
1-05-4230-110 Maint. & Rep. - Office Equipment	1,846	5,576		3,730	33.11%
1-05-4235-110 Maint. & Rep. Operations - Equipment	4,729	22,092		17,363	21.41%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	5,468	6,628		1,160	82.50%
1-05-4235-415 Maint. & Rep. Operations - Facilities	64,978	77,848		12,870	83.47%
1-05-4235-500 Maint. & Rep. Operations - Wind Turbine	-	10,520		10,520	0.00%
1-05-4236-000 Palmdale Lake Management	67,607	136,162		68,555	49.65%
1-05-6000-000 Waste Disposal	23,556	21,972		(1,583)	107.21%
1-05-6200-000 Uniforms	5,906	16,125		10,219	36.63%
1-05-6300-100 Supplies - Misc.	6,236	15,319		9,083	40.71%
1-05-6300-600 Supplies - Lab	39,185	75,334		36,149	52.02%
1-05-6300-700 Outside Lab Work	31,003	115,000		83,997	26.96%
1-05-6400-000 Tools	319	6,148		5,829	5.19%
1-05-6500-000 Chemicals	191,281	958,946		767,664	19.95%
1-05-7000-100 Leases -Equipment	-	3,023		3,023	0.00%
Subtotal Operating Expenses	<u>\$ 586,106</u>	<u>\$ 1,899,451</u>	<u>\$ -</u>	<u>\$ 1,313,346</u>	<u>30.86%</u>
Total Departmental Expenses	<u><u>\$ 1,270,650</u></u>	<u><u>\$ 3,578,644</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,307,994</u></u>	<u><u>35.51%</u></u>

Palmdale Water District
2022 Finance Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	\$ 426,434	\$ 980,500		\$ 554,066	43.49%
1-06-4000-100 Overtime	2,078	2,095		17	99.21%
Subtotal (Salaries)	<u>\$ 428,513</u>	<u>\$ 982,595</u>	<u>\$ -</u>	<u>\$ 554,082</u>	<u>43.61%</u>
Employee Benefits					
1-06-4005-000 Payroll Taxes	33,710	76,500		42,790	44.06%
1-06-4010-000 Health Insurance	90,742	160,500		69,758	56.54%
1-06-4015-000 PERS	42,770	104,000		61,230	41.13%
Subtotal (Benefits)	<u>\$ 167,222</u>	<u>\$ 341,000</u>	<u>\$ -</u>	<u>\$ 173,778</u>	<u>49.04%</u>
Total Personnel Expenses	<u><u>\$ 595,734</u></u>	<u><u>\$ 1,323,595</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 727,861</u></u>	<u><u>45.01%</u></u>
OPERATING EXPENSES:					
1-06-4050-000 Staff Travel	\$ -	\$ 2,050		\$ 2,050	0.00%
1-06-4060-000 Staff Conferences & Seminars	-	1,538		1,538	0.00%
1-06-4155-000 Contracted Services	(3,000)	12,915		15,915	-23.23%
1-06-4155-100 Contracted Services - Infosend	93,274	290,075		196,801	32.15%
1-06-4165-000 Memberships/Subscriptions	110	513		403	21.46%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	526		526	0.00%
1-06-4250-000 General Material & Supplies	267	2,016		1,749	13.24%
1-06-4260-000 Business Forms	534	1,538		1,004	34.72%
1-06-4270-100 Telecommunication - Office	30,127	32,800		2,673	91.85%
1-06-4270-200 Telecommunication - Cellular Stipend	12,285	26,343		14,058	46.64%
1-06-7000-100 Leases - Equipment	1,929	3,023		1,094	63.80%
Subtotal Operating Expenses	<u>\$ 135,525</u>	<u>\$ 373,335</u>	<u>\$ -</u>	<u>\$ 237,810</u>	<u>36.30%</u>
Total Departmental Expenses	<u><u>\$ 731,259</u></u>	<u><u>\$ 1,696,930</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 965,671</u></u>	<u><u>43.09%</u></u>

Palmdale Water District
2022 Water Use Efficiency Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD	ORIGINAL		ADJUSTED	
	ACTUAL	BUDGET	ADJUSTMENTS	BUDGET	PERCENT
	2022	2022	2022	REMAINING	USED
Personnel Budget:					
1-07-4000-000 Salaries	\$ 70,695	\$ 172,000		\$ 101,305	41.10%
1-07-4000-100 Overtime	832	5,237		4,405	15.89%
Subtotal (Salaries)	<u>\$ 71,527</u>	<u>\$ 177,237</u>		<u>\$ 105,710</u>	<u>40.36%</u>
Employee Benefits					
1-07-4005-000 Payroll Taxes	6,196	14,250		8,054	43.48%
1-07-4010-000 Health Insurance	17,144	41,000		23,856	41.81%
1-07-4015-000 PERS	7,829	19,500		11,671	40.15%
Subtotal (Benefits)	<u>\$ 31,168</u>	<u>\$ 74,750</u>	<u>\$ -</u>	<u>\$ 43,582</u>	<u>41.70%</u>
Total Personnel Expenses	<u><u>\$ 102,696</u></u>	<u><u>\$ 251,987</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 144,886</u></u>	<u><u>40.75%</u></u>
OPERATING EXPENSES:					
1-07-4050-000 Staff Travel	\$ -	\$ 2,665		\$ 2,665	0.00%
1-07-4060-000 Staff Conferences & Seminar	-	3,177		3,177	0.00%
1-07-4190-300 Public Relations - Landscape Workshop/Training	97	5,330		5,233	1.83%
1-07-4190-400 Public Relations - Contests	-	3,177		3,177	0.00%
1-07-4190-500 Public Relations - Education Programs	640	128,125		127,485	0.50%
1-07-4190-900 Public Relations - Other	123	5,330		5,207	2.30%
1-07-6300-100 Supplies - Misc.	4,308	7,055		2,747	61.06%
Subtotal Operating Expenses	<u>\$ 5,168</u>	<u>\$ 154,860</u>	<u>\$ -</u>	<u>\$ 149,692</u>	<u>3.34%</u>
Total Departmental Expenses	<u><u>\$ 107,863</u></u>	<u><u>\$ 406,847</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 294,578</u></u>	<u><u>26.51%</u></u>

Palmdale Water District
2022 Human Resources Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 98,715	\$ 260,000		\$ 161,285	37.97%
1-08-4000-100 Salaries - Overtime	-	1,047		1,047	0.00%
Subtotal (Salaries)	\$ 98,715	\$ 261,047	\$ -	\$ 161,285	37.81%
Employee Benefits					
1-08-4005-000 Payroll Taxes	8,946	20,500		11,554	43.64%
1-08-4010-000 Health Insurance	6,108	27,500		21,392	22.21%
1-08-4015-000 PERS	9,663	23,500		13,837	41.12%
Subtotal (Benefits)	\$ 24,717	\$ 71,500	\$ -	\$ 46,783	34.57%
Total Personnel Expenses	\$ 123,432	\$ 332,547	\$ -	\$ 208,068	37.12%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ 1,314	\$ 1,538		\$ 224	85.45%
1-08-4060-000 Staff Conferences & Seminars	635	1,538		903	41.29%
1-08-4070-000 Employee Expense	25,495	85,000		59,505	29.99%
1-08-4095-000 Employee Recruitment	1,614	3,178		1,564	50.78%
1-08-4100-000 Employee Retention	450	5,330		4,880	8.44%
1-08-4120-100 Training-Safety	4,175	36,900		32,725	11.31%
1-08-4120-200 Training-Speciality	-	15,888		15,888	0.00%
1-08-4121-000 Safety Program	-	1,025		1,025	0.00%
1-08-4165-000 Membership/Subscriptions	805	1,640		835	49.09%
1-08-4165-100 HR/Safety Publications	-	1,025		1,025	0.00%
1-08-6300-500 Supplies - Safety	27,995	50,000		22,005	55.99%
Subtotal Operating Expenses	\$ 62,483	\$ 203,062	\$ -	\$ 140,579	30.77%
Total Departmental Expenses	\$ 185,914	\$ 535,609	\$ -	\$ 349,695	34.71%

Palmdale Water District
2022 Information Technology Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-09-4000-000 Salaries	\$ 242,409	\$ 617,500	\$ -	\$ 375,091	39.26%
1-09-4000-100 Overtime	2,009	21,995		19,986	9.13%
Subtotal (Salaries)	<u>\$ 244,418</u>	<u>\$ 639,495</u>	<u>\$ -</u>	<u>\$ 395,078</u>	<u>38.22%</u>
Employee Benefits					
1-09-4005-000 Payroll Taxes	20,585	48,750		28,165	42.22%
1-09-4010-000 Health Insurance	52,788	80,000		27,212	65.98%
1-09-4015-000 PERS	26,605	65,750		39,145	40.46%
Subtotal (Benefits)	<u>\$ 99,977</u>	<u>\$ 194,500</u>	<u>\$ -</u>	<u>\$ 94,523</u>	<u>51.40%</u>
Total Personnel Expenses	<u><u>\$ 344,395</u></u>	<u><u>\$ 833,995</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 489,601</u></u>	<u><u>41.29%</u></u>
OPERATING EXPENSES:					
1-09-4050-000 Staff Travel	\$ -	\$ 3,178		\$ 3,178	0.00%
1-09-4060-000 Staff Conferences & Seminars	790	10,660		9,870	7.41%
1-09-4155-000 Contracted/Cloud Services	120,210	307,805		187,595	39.05%
1-09-4165-000 Memberships/Subscriptions	1,239	2,665		1,426	46.49%
1-09-4235-445 Maint & Repair - Telemetry	34	5,433		5,398	0.63%
1-09-4270-000 Telecommunications	55,760	122,078		66,318	45.68%
1-09-6300-400 Supplies - Telemetry	31	-		(31)	0.00%
1-09-6450-110 Equipment - GF Signet Flow Meters	-	7,659		7,659	0.00%
1-09-7000-100 Leases - Equipment	22,416	56,437		34,021	39.72%
1-09-8000-100 Computer Equipment - Computers	5,019	45,351		40,332	11.07%
1-09-8000-200 Computer Equipment - Laptops	10,995	45,351		34,356	24.24%
1-09-8000-300 Computer Equipment - Monitors	-	12,094		12,094	0.00%
1-09-8000-500 Computer Equipment - Printer Supplies	-	2,520		2,520	0.00%
1-09-8000-550 Computer Equipment - Telephony	-	3,023		3,023	0.00%
1-09-8000-600 Computer Equipment - Other	5,315	30,234		24,919	17.58%
1-09-8000-650 Computer Equipment - Warranty & Support	4,350	15,117		10,767	28.78%
1-09-8100-100 Computer Software - Maint. and Support	124,690	260,847		136,157	47.80%
1-09-8100-150 Computer Software - Dynamics GP Support	56,015	41,000		(15,015)	136.62%
1-09-8100-200 Computer Software - Software and Upgrades	12,902	20,500		7,597	62.94%
Subtotal Operating Expenses	<u>\$ 419,767</u>	<u>\$ 991,951</u>	<u>\$ -</u>	<u>\$ 572,184</u>	<u>42.32%</u>
Total Departmental Expenses	<u><u>\$ 764,161</u></u>	<u><u>\$ 1,825,946</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,061,785</u></u>	<u><u>41.85%</u></u>

Palmdale Water District
2022 Customer Care Budget
For the Five Months Ending Tuesday, May 31, 2022

	YTD ACTUAL 2022	ORIGINAL BUDGET 2022	ADJUSTMENTS 2022	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-10-4000-000 Salaries	\$ 406,921	\$ 1,019,000		\$ 612,079	39.93%
1-10-4000-100 Overtime	758	7,856		7,098	9.65%
Subtotal (Salaries)	\$ 407,679	\$ 1,026,856	\$ -	\$ 619,176	39.70%
Employee Benefits					
1-10-4005-000 Payroll Taxes	35,037	79,500		44,463	44.07%
1-10-4010-000 Health Insurance	113,737	205,000		91,263	55.48%
1-10-4015-000 PERS	42,236	105,000		62,764	40.22%
Subtotal (Benefits)	\$ 191,009	\$ 389,500	\$ -	\$ 198,491	49.04%
Total Personnel Expenses	\$ 598,688	\$ 1,416,356	\$ -	\$ 817,667	42.27%
OPERATING EXPENSES:					
1-10-4050-000 Staff Travel	\$ -	\$ 2,050		\$ 2,050	0.00%
1-10-4060-000 Staff Conferences & Seminars	-	3,177		3,177	0.00%
1-10-4155-000 Contracted Services	4,404	26,728		22,324	16.48%
1-10-4230-110 Maintenance & Repair-Office Equipment	-	202		202	0.00%
1-10-4250-000 General Material & Supplies	1,759	5,039		3,280	34.90%
1-10-4260-000 Business Forms	-	1,025		1,025	0.00%
Subtotal Operating Expenses	\$ 6,163	\$ 38,221	\$ -	\$ 32,058	16.12%
Total Departmental Expenses	\$ 604,851	\$ 1,454,576	\$ -	\$ 849,726	41.58%

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. 2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2022 Total	2023 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.				55,091	-	5,720		16,475		16,360	16,536									49,371	
	12-606	Spec 1206 - WM Repl in Division and Avenue Q (Bond Fund)	Replacement Cap.	Toro Enterprises, Inc	2,243,362		1,851,222	392,140	-		463,799	248,650	337,487	801,286									1,851,222	
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.				372	-	372														-	
2018	18-614	LRD - Interior Access Ladder	Replacement Cap.				14,335	-	4,200		10,135												10,135	
2020	20-605	Sierra Hwy Tie-in @ Harold St and Abandonment Plan	Replacement Cap.				6,688	-	4,742	440	1,121		385										1,946	
	20-605	Sierra Hwy Tie-in @ Harold St and Abandonment Plan (Bond Fund)	Replacement Cap.	Christensen Bros	669,886		663,642	6,244	571,980		32,218	59,444											91,662	
2020	20-606	2800 Zone Velocity Deficiency	General Project				720	-	720														-	
2020	20-607	Move PRV Station @ 45th St E	Replacement Cap.				-	-	-														-	
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.				5,550	-	4,730					820									820	
2020	20-610	2950 Zone Booster Station @ 3M Clearwell Site	Replacement Cap.				95,827	-	94,462		1,365												1,365	
2020	20-611	2020 Meter Exchange Program	General Project				49,131	-	49,131														-	
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				66,636	-	31,607	825	405	675	544	32,580									35,028	
	20-622	Well 36 Design & Const. (Bond Fund - Design)	General Project	Hazen and Sawyer	612,656		234,692	377,964	201,145		22,863	3,375		7,310									33,548	
	20-622	Well 36 Design & Const. (Bond Fund - Construction)	General Project	Zim Industries, Inc	2,073,913		723,596	1,350,317	-				723,596										723,596	
2020	20-623	AMI Meter System	General Project				15,000	-	15,000														-	
2020	20-625	WM Repl - 5th ST & Q1 thru Q5					2,000	-	2,000														-	
2020	20-703	Water Conservation Garden Construct @ MOB	General Project				1,640	-	1,640														-	
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.				52,105	-	50,331					1,774									1,774	
2021	21-607	Design 16" WM Ave P Well #8A					5,960	-	1,860					4,100									4,100	
2021	21-608	Sodium Hypo Gen System - Two Wells	Replacement Cap.	Ryan Process, Inc. (DeNora)	116,755		-	-	-		116,755	5,172											-	
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.				2,000	-	2,000														-	
2021	21-613	Palmdale Ditch Conversion	General Project				73,022	-	73,022														-	
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.				21,786	-	-		14,976		6,810										21,786	
2021	21-617	WTP - NaOCL Repl System	Replacement Cap.				-	-	-														-	
2021	21-618	Repair Well #14	General Project				157,026	-	-		157,026												157,026	
2021	21-703	Main Office - Stucco Repair	General Project				18,457	-	10,145	1,790	413		6,109										8,312	
2022	22-607	Well 2A Generator Upgrade	General Project				6,166	-	-				5,809	358									6,166	
2022	22-608	Sodium Hypo Gen System - Two Wells	Replacement Cap.	Ryan Process, Inc. (DeNora)	116,755		118,595	(1,840)	-				116,755	1,840									118,595	
2022	22-609	TOC Analyzer	Replacement Cap.	Shimadzu Scientific			51,203	-	-				51,203										51,203	
2022	22-610	Repair Well #8 Pump	General Project				43,199	-	-				43,199										43,199	
2022	22-611	Repair Well #32 Pump	General Project				13,300	-	-				13,300										13,300	
2022	22-612	Service Line Replacement @ 20th and Avenue R (Qty. 4)	General Project	Internal - Crew			29,446	-	-			12,260	17,186										29,446	
2022	22-613	Repair Well #3 Motor	General Project				12,728	-	-				12,728										12,728	
2022	22-700	2022 Large Meter/Vault Repl Program	General Project	Internal - Crew			32,507	-	-		18,307	1,171	10,791	2,238									32,507	
							-	-	-														-	
			Sub-Totals:		6,260,817		4,892,492	2,221,956	1,593,658	3,055	855,856	330,747	1,362,262	868,841	-	-	-	-	-	-	-	-	3,298,834	-

Water Revenue Bond - Series 2018A

Updated: June 15, 2022

Project	Project #	Description	Bond Allocation	Contractual Commitment	Payout to Date	Over/(Under)	Uncommitted Bond \$
LGCS-ASI	04-501	Littlelock Dam - Grade Control Structure (Construction)	\$ 8,160,257	\$ 10,619,601	\$ 10,697,276	\$ (77,675)	\$ (2,537,019)
		Original Contract Amt: \$9,500,808, C.O.1: \$1,118,792.54					
LGCS-ASP	04-501	Littlelock Dam - Grade Control Structure (Monitoring)		1,238,287	1,067,335	170,952	(1,067,335)
WM-STAN	12-606	Spec 1206 - WM Repl Division/Q		2,243,362	1,859,944	383,418	(1,859,944)
		Original Contract Amt: \$2,093,892, C.O.1: \$149,470.02	Bond Shortfall	\$ 113,877			
WTP		Water Treatment Plant Improvements	2,375,000		-	-	
6MG		6 M.G. Reservoir Renovations	1,050,000		-	-	
WMR		Various W.M. Replacements	1,789,612		-	-	
PWD		Design, Engineering and Other Preconstruction Costs	173,000		-	-	
WRB		Bond Issuance Costs	226,303		226,303	-	
ISS		Issuance Funds			(12,092)		
Interest Earned through August 31, 2021						(334,135)	
Totals:			\$ 13,774,172	\$ 14,215,126	\$ 13,504,631	\$ 476,695	\$ (5,464,298)
2018A Water Revenue Bonds - Unallocated Funds:				\$ (440,955)			
2018A Water Revenue Bonds - Remaining Funds to payout:					\$ 269,541		

Requisition No.	Payee	Date Approved	Invoice No.	Project	Payment Amount
	Interest - May 2022		N/A	INT	216.58
45	Toro Enterprises, Inc	May 23, 2022	15575R	WM-STAN	\$ 346,209.72
	Interest - April 2022		N/A	INT	135.76
44	Toro Enterprises, Inc	Apr 19, 2022	15402A & 15493	WM-STAN	\$ 801,285.81
	Interest - March 2022		N/A	INT	44.81
43	Toro Enterprises, Inc	Mar 24, 2022	15402	WM-STAN	248,649.98
	Interest - February 2022		N/A	INT	54.25
42	Toro Enterprises, Inc	Feb 15, 2022	App No. 1	WM-STAN	463,798.55
	Interest - January 2022		N/A	INT	54.49
41	Aspen Environmental Group	Jan 12, 2022	1116.007-41	LGCS-ASP	1,550.00
	Interest - December 2021		N/A	INT	52.76
40	Aspen Environmental Group	Dec 23, 2021	1116.007-40	LGCS-ASP	6,403.75
	Interest - November 2021		N/A	INT	54.81
	Interest - October 2021		N/A	INT	53.10
39	Aspen Environmental Group	Oct 20, 2021	1116.007-39	LGCS-ASP	9,707.50
39	Aspen Environmental Group	Oct 20, 2021	1116.007-38	LGCS-ASP	5,738.75
	Interest - September 2021		N/A	INT	54.96
	Interest - August 2021		N/A	INT	55.00
38	Aspen Environmental Group	Aug 19, 2021	1116.007-37	LGCS-ASP	4,120.00
37	Aspen Environmental Group	Aug 5, 2021	1116.007-36	LGCS-ASP	5,538.65
	Interest - July 2021		N/A	INT	48.87
36	Aspen Environmental Group	Jul 6, 2021	1116.007-32	LGCS-ASP	24,575.68
36	Aspen Environmental Group	Jul 6, 2021	1116.007-29	LGCS-ASP	6,168.50
35	Aspen Environmental Group	Jul 1, 2021	1116.007-35	LGCS-ASP	5,252.50
	Interest - June 2021		N/A	INT	56.29
	Interest - May 2021		N/A	INT	54.55
34	Aspen Environmental Group	May 13, 2021	1116.007-34	LGCS-ASP	3,557.50
33	Aspen Environmental Group	May 5, 2021	1116.007-33	LGCS-ASP	7,892.94
	Interest - April 2021		N/A	INT	56.38
	Interest - March 2021		N/A	INT	51.10
32	Aspen Environmental Group	Mar 1, 2021	1116.007-31	LGCS-ASP	8,042.16
	Interest - February 2021		N/A	INT	57.28
31	Aspen Environmental Group	Feb 9, 2021	1116.007-28	LGCS-ASP	9,502.23
31	Aspen Environmental Group	Feb 9, 2021	1116.007-27	LGCS-ASP	5,857.58
	Interest - January 2021		N/A	INT	32.97
30	Aspen Environmental Group	Jan 20, 2021	1116.007-30	LGCS-ASP	22,482.97
	Interest - December 2020		N/A	INT	30.56
	Interest - November 2020		N/A	INT	42.73
	Interest - October 2020		N/A	INT	62.73
	Interest - September 2020		N/A	INT	103.31
29	Aspen Environmental Group	Sep 23, 2020	1116.007-26	LGCS-ASP	11,126.30
29	Aspen Environmental Group	Sep 23, 2020	1116.007-25	LGCS-ASP	4,927.94

(Cont.)

Requisition No.	Payee	Date Approved	Invoice No.	Project	Payment Amount
	Interest - August 2020		N/A	INT	162.31
	Interest - July 2020		N/A	INT	183.75
28	Aspen Environmental Group	Jun 4, 2020	1116.007-24	LGCS-ASP	4,424.63
28	Aspen Environmental Group	Jun 4, 2020	1116.007-23	LGCS-ASP	4,374.38
	Interest - June 2020		N/A	INT	224.85
27	Aspen Environmental Group	Jun 4, 2020	1116.007-22	LGCS-ASP	4,265.00
27	Aspen Environmental Group	Jun 4, 2020	1116.007-21	LGCS-ASP	19,843.67
27	Aspen Environmental Group	Jun 4, 2020	1116.007-20	LGCS-ASP	48,831.81
	Interest - May 2020		N/A	INT	420.51
	Interest - April 2020		N/A	INT	1,547.82
	Interest - March 2020		N/A	INT	3,464.69
26	Aspen Environmental Group	Mar 17, 2020	1116.007-19	LGCS-ASP	34,967.79
	Interest - February 2020		N/A	INT	5,385.32
25	ASI Construction LLC	Feb 27, 2020	13	LGCS-ASI	534,863.18
25	Aspen Environmental Group	Feb 27, 2020	1116.008-05	LGCS-ASP	8,792.00
25	Aspen Environmental Group	Feb 27, 2020	1116.007-18	LGCS-ASP	53,544.18
	Interest - January 2020		N/A	INT	7,605.29
24	ASI Construction LLC	Jan 27, 2020	12	LGCS-ASI	1,400,616.68
	Interest - December 2019		N/A	INT	9,036.00
23	ASI Construction LLC	Dec 17, 2019	11	LGCS-ASI	1,261,127.87
22	ASI Construction LLC	Dec 9, 2019	10	LGCS-ASI	1,211,532.61
22	ASI Construction LLC	Dec 9, 2019	09	LGCS-ASI	248,804.00
	Interest - November 2019		N/A	INT	11,914.30
21	Aspen Environmental Group	Oct 31, 2019	1116.008-03	LGCS-ASP	56,104.56
21	Aspen Environmental Group	Oct 31, 2019	1116.007-15	LGCS-ASP	102,968.21
	Interest - October 2019		N/A	INT	14,239.81
20	ASI Construction LLC	Oct 15, 2019	08	LGCS-ASI	1,361,654.50
	Interest - September 2019		N/A	INT	16,527.97
	Interest - August 2019		N/A	INT	18,580.51
19	ASI Construction LLC	Aug 28, 2019	Chng Order 4	LGCS-ASI	1,118,792.54
18	Aspen Environmental Group	Aug 27, 2019	1116.007-13	LGCS-ASP	58,421.77
	Interest - July 2019		N/A	INT	18,017.03
17	Aspen Environmental Group	Jul 30, 2019	1116.007-12	LGCS-ASP	22,237.47
16	Aspen Environmental Group	Jul 1, 2019	1116.007-11	LGCS-ASP	11,059.71
	Interest - June 2019		N/A	INT	18,852.79
	Interest - May 2019		N/A	INT	18,485.68
15	Aspen Environmental Group	May 15, 2019	1116.007-10	LGCS-ASP	6,958.75
	Interest - Apr 2019		N/A	INT	19,042.25
14	Aspen Environmental Group	Apr 22, 2019	1116.007-09	LGCS-ASP	6,938.12
13	Aspen Environmental Group	Apr 1, 2019	1116.008-01	LGCS-ASP	7,731.53
13	Aspen Environmental Group	Apr 1, 2019	1116.007-08	LGCS-ASP	34,790.67
	Interest - Mar 2019		N/A	INT	17,656.62
12	Aspen Environmental Group	Feb 28, 2019	1116.007-07	LGCS-ASP	78,799.25
	Interest - Feb 2019		N/A	INT	20,485.96
11	ASI Construction LLC	Feb 14, 2019	06	LGCS-ASI	338,899.30
	Interest - Jan 2019		N/A	INT	22,085.33
10	Aspen Environmental Group	Jan 29, 2019	1116.007-06	LGCS-ASP	56,529.35
9	ASI Construction LLC	Jan 7, 2019	05	LGCS-ASI	1,494,216.00
8	Aspen Environmental Group	Jan 3, 2019	1116.007-05	LGCS-ASP	67,719.03
	Interest - Dec 2018		N/A	INT	21,673.24
7	ASI Construction LLC	Dec 10, 2018	04	LGCS-ASI	665,631.99
7	Aspen Environmental Group	Dec 10, 2018	1116.007-04	LGCS-ASP	99,711.66
	Interest - Nov 2018		N/A	INT	22,998.40
6	ASI Construction LLC	Nov 7, 2018	03	LGCS-ASI	844,455.00
	Interest - Oct 2018		N/A	INT	20,838.36
5	Aspen Environmental Group	Oct 30, 2018	1116.007-03	LGCS-ASP	56,698.38
4	Aspen Environmental Group	Oct 8, 2018	1116.007-02	LGCS-ASP	51,072.42
3	ASI Construction LLC	Oct 2, 2018	02	LGCS-ASI	156,655.00
	Interest - Sep 2018		N/A	INT	21,047.68
2	ASI Construction LLC	Sep 18, 2018	01	LGCS-ASI	60,027.00
1	Aspen Environmental Group	Sep 12, 2018	1116.007-01	LGCS-ASP	28,105.88
	Interest - Aug 2018		N/A	INT	20,900.39
	Interest - Jul 2018		N/A	INT	1,384.72
	Issuance Costs	Jun 27, 2018	N/A	WRB	\$ 226,302.82

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 15, 2022 **June 21, 2022**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Mr. Dennis Hoffmeyer, Finance Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 4.6 – CONSIDERATION AND POSSIBLE ACTION ON A RECOMMENDATION TO UPGRADE THE DISTRICT’S FINANCIAL SYSTEM. (\$160,000.00 – BUDGETED – FINANCE MANAGER HOFFMEYER)***

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

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: June 16, 2022 **June 21, 2022**
TO: FINANCE COMMITTEE **Committee Meeting**
FROM: Dennis J. Hoffmeyer, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM 5.1 – REPORTS*

Discussion:

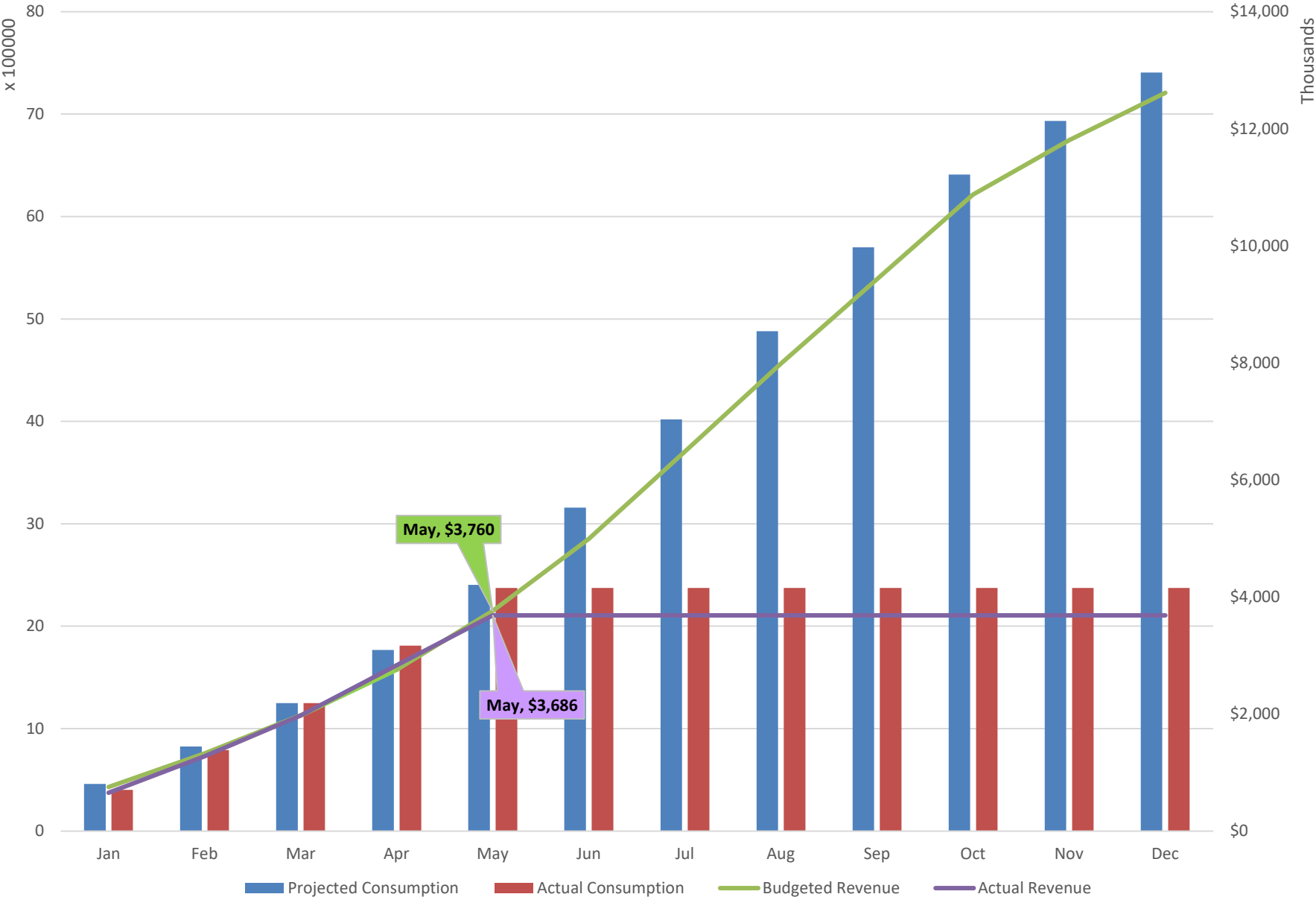
Presented here are financial related items for your review.

- 1. Effects of COVID-19 event.
 - a. The following is a breakdown of single family accounts with a past due balance over 60 days with amounts greater than \$50.00.

	Accounts	Outstanding	Percentage
May 2022	1,013	\$369,465	-33.9%
April 2022	1,186	\$494,876	-35.6%
March 2022	1,469	\$671,119	
May 2021	1,587	\$899,253	

- b. Staff continues efforts to work with the customers and offer payment arrangements to encourage payment on outstanding balances. Currently we have 230 arrangements as of May 31. The amount in arrangements is \$155,588 with \$66,405 already collected and \$89,183 outstanding.
 - c. Staff has been contacted regarding acceptance of funds for the first customer utilizing the California Department of Community Services & Development - Low Income Household Water Assistance Program (LIHWAP). This Program went into effect June 1, 2022 and offers up to \$2,000 of assistance to try and make the customer whole with the utility company. This customer will be having \$1,143.42 paid, and we should see payment within 30-45 days.
- 2. Revenue Projections (attachment):
 - a. Revenue projections for 2022 based on selling 17,000 AF shows as of May 31, revenue is behind projections by approximately \$74 thousand.

2022 Revenue Projections Based on 17,000 AF



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

	Audited 2018	Audited 2019	Audited 2020	Unaudited 2021	Apr 2021 - Mar 2022	May 2021 - Apr 2022	Jun 2021 - May 2022
OPERATING REVENUES	24,884	25,166	27,653	30,277	30,634	30,980	30,891
Rate Stabilization Fund			(100)	(100)			
	24,884	25,166	27,553	30,177	30,634	30,980	30,891
OPERATING EXPENSES							
Gross operating expenses	24,436	25,092	25,282	28,340	28,678	28,869	28,347
Overhead adjustment	(103)	(1,049)	(558)				
SWP Fixed operations and maint	(22)	(23)	(38)	(26)	(24)	(24)	(24)
Non-Cash Related OPEB Expense	(959)	(865)	(1,171)				
Capital portion included above							
TOTAL EXPENSES	23,351	23,155	23,516	28,315	28,654	28,845	28,323
NET OPERATING REVENUES	1,533	2,010	4,037	1,862	1,980	2,135	2,568
NON-OPERATING REVENUE							
Ad valorem property taxes	2,436	2,508	2,409	2,502	2,584	2,617	2,649
Interest income	292	452	171	121	126	125	127
Capital improvement fees	107	624	1,235	3,369	4,954	4,969	4,173
Other income	121	72	43	454	393	315	380
TOTAL NON-OPERATING INCOME	2,956	3,656	3,859	6,446	8,057	8,026	7,329
NET REV AVAILABLE FOR DEBT SERVICE	4,489	5,666	7,896	8,308	10,037	10,161	9,897
NET DEBT SERVICE							
1998 Certificates of Participation							
2004A Certificates of Participation							
2012 Issue - Bank of Nevada	1,370	1,373	1,261	1,373	1,373	1,373	1,373
2013A Water Revenue Bond	2,351	2,346	2,346	1,845	1,845	1,845	1,845
2018A Water Revenue Bond	147	569	569	569	569	569	569
2020 Private Placement				279	279	279	279
2020 Water Revenue Refunding Bond				160	160	160	160
2021 Water Revenue Bond							
2021 Water Revenue Refunding Bond							
2017 Capital Lease	179	179	179	179			
2012 Capital Lease							
TOTAL DEBT SERVICE	4,047	4,467	4,355	4,406	4,227	4,227	4,227
DEBT SERVICE COVERAGE	1.11	1.27	1.81	1.89	2.37	2.40	2.34
NET REV AVAILABLE AFTER D/S	443	1,199	3,541	3,902	5,810	5,934	5,670