MID-PENINSULA WATER DISTRICT
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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MID-PENINSULA WATER DISTRICT

BOARD OF DIRECTORS

JUNE 30, 2017

Name	Office	Term Expires December
Albert Stuebing	President	2018
Dave Warden	Vice President	2018
Betty Linvill	Director	2018
Louis Vella	Director	2020
Matthew Zucca	Director	2020

ADMINISTRATION

Tammy Rudock
General Manager

MID-PENINSULA WATER DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mid-Peninsula Water District
Belmont, California

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Mid-Peninsula Water District (the District) as of June 30, 2017 and 2016 and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years then ended and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mid-Peninsula Water District as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress – Other Postemployment Benefits, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of Pension 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 (GASB) 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018 on our consideration of Mid-Peninsula Water District's internal control over financial reporting and our tests of its compliance with 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 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 Mid-Peninsula Water District's internal control over financial reporting and compliance.

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Mid-Peninsula Water District's ("District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. It should be reviewed in conjunction with the District's basic financial statements for the fiscal year ended June 30, 2107.

FINANCIAL HIGHLIGHTS

- The District's Net Position increased by $932,471 (5%) during the fiscal year ended June 30, 2107.
- The District's operating revenues increased from the previous year by $1,323,828 (13%).
- Non-operating revenues increased from the previous year by $307,090 (68%).
- Operating expenses increased by $906,902 (9%).
- Non-Operating expenses increased by $695,952 (100%).

The "Changes in Net Position" portion of the report details the various factors behind the highlights.

USING THIS ANNUAL REPORT

This annual report consists of two parts: Management's Discussion and Analysis and Financial Statements. The Financial Statements also include notes that explain in more detail some of the information contained in those statements.

Required Financial Statements

District financial statements report financial information about the District using accounting methods similar to those used by private sector companies, which include Generally Accepted Accounting Principles (GAAP). The Statement of Net Position included all District assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District cash receipts, cash disbursements and net changes in cash resulting from operating, investing, and capital and noncapital financing activities.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Position and the Statement of Revenues and Expenses and Changes in Net Position report information about the District activities in a way that responds to this question. The statement of the District's net position (the difference between assets and liabilities), is one measure of financial health or financial position. Over time, increases or decreases in District net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

Statement of Net Position

	June 30, 2017	June 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2015
Current and Other Assets	$ 6,647,328	$ 5,495,630	$ 1,151,698	21%	$ 4,575,012
Restricted cash with fiscal agent	18,956,420	-	18,956,420	n/a	-
Capital Assets, Net	18,037,446	16,801,357	1,236,089	7%	16,348,917
Total Assets	43,641,194	22,296,987	21,344,207	96%	20,923,929
Deferred Outflows of Resources	803,133	442,276	360,857	82%	203,461
Current and Other Liabilities	2,064,658	918,226	1,146,432	125%	263,696
Long-Term Liabilities	20,069,136	1,476,886	18,592,250	1259%	1,400,680
Total Liabilities	22,133,794	2,395,112	19,738,682	824%	1,664,376
Deferred Inflows of Resources	1,229,359	195,448	1,033,911	529%	218,718
Net Investment in Capital Assets	18,037,446	16,801,357	1,236,089	7%	16,348,917
Unrestricted Net Position	3,043,728	3,347,346	(303,618)	-9%	2,895,379
Total Net Position	$ 21,081,174	$ 20,148,703	$ 932,471	5%	$ 19,244,296

The District's net position at fiscal year end June 30, 2017 increased $932,471 (5%) when compared to fiscal year end June 30, 2016. Factors contributing to this increase are mainly due to completion of the Alameda de las Pulgas Main Replacement Project and updated asset value of $976,255.

Changes in Net Position

Changes in the District's net position between fiscal year end June 30, 2017, and fiscal year end June 30, 2016, can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position.

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

	June 30, 2017	June 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2015
Operating Revenue	$ 11,453,911	$ 10,130,083	$ 1,323,828	13%	$ 9,340,103
Non-Operating Revenue	759,041	451,951	307,090	68%	582,231
Total Revenues	12,212,952	10,582,034	1,630,918	15%	9,922,334
Operating Expenses	10,584,529	9,677,627	906,902	9%	9,302,934
Non-Operating Expenses	695,952	-	695,952	0%	-
Total Expenses	11,280,481	9,677,627	1,602,854	17%	9,302,934
Change in Net Position	932,471	904,407	28,064	3%	619,400
Net Position, Beginning	20,148,703	19,244,296	904,407	5%	18,624,896
Net Position, Ending	$ 21,081,174	$ 20,148,703	$ 932,471	5%	$ 19,244,296

The District's Operating Revenues increased by $1,323,828 (13%) due to various factors:

- Water revenues increased by $1,242,805 (12%);
- Other Revenue increased by $81,023 (310%) due to development revenues.

The District's Non-Operating Revenues Increased by $307,090 (68%) due to various factors:

- Rent decreased by -$28,814 (-17%);
- Property Tax increased by $34,778 (13%);
- Interest Income increased by $58,358 (393%); and
- Capital Contributions (new service installations/upgrades) were recognized for $242,768 (100%).

Operating Expenses increased by $906,902 (9%) due to various factors:

- Salaries and benefits increased by $449,398 (19.6%) primarily due to: Salaries & Wages increased by $107,893 (7.4%); Overtime & Standby Labor increased by $5,304 (8.6%); FICA/Medicare Payroll Tax increased by $6,701 (6.3%); Health Benefits increased by $30,956 (6%); CalPERS Retirement increased by $204,748 (100%) and Net Pension Expense/OPEB Expense increased by $92,539 (71%).
- Maintenance and rehabilitation (M&R) decreased by -$135,514 (25.7%) primarily due to: Mains & Distributions decreased by -$82,300 (-43.4%), Pumping Costs decreased by -$18,971 (-63.2); and Meters & Services decreased by -$33,144 (-60.7%).
- Purchased Water increased by $701,795 (15.6%) due to increased water usage.
- Utilities increased by $1,759 (0.7%).

- Professional Services decreased by -$147,558 (-27.4%) primarily due to: District Counsel decreased by -$42,472 (-42%); District Engineer decreased by -$79,831 in Operations Costs (-60%); Customer Billing decreased by -$12,271 (-16.88%) due to less billing inserts; and contract completions.
- Administrative and other costs increased by $43,434 (6.8%) primarily due to an increase in Net Pension Expense by $96,614 (139.4%).
- Depreciation decreased by -$6,412 (-0.7%) due to assets fully depreciated during the year.
- Debt Service/Finance Costs increased by $391,649 (100%).

2016 COP CIP DEBT ISSUANCE

In December 2016, the District issued certificates of participation in the amount of $18,570,000 to finance certain improvements to the District's municipal water system. Principal is due annually in December and interest is payable on June 1 and December 1. The certificates have an interest rate of 4% (reference Trust Agreement dated December 1, 2016) and mature on December 1, 2046. The Certificates of Participation were issued at a premium of $938,447, which is being amortized over the life of the debt and is recorded as deferred inflows on the statement of net position.

The annual payments required to amortize the Certificates of Participation outstanding as of June 30, 2017, are as follows, which includes a reference to interest payments made based on the Official Statement Schedule (OSS):

Year Ended June 30, 2017	Principal	Interest	Total
2018	$ 315,000	$ 736,500	$ 1,051,500
2019	345,000	723,300	1,068,300
2020	360,000	709,200	1,069,200
2021	375,000	694,500	1,069,500
2022	385,000	679,300	1,064,300
2023-2027	2,185,000	3,146,100	5,331,100
2028-2032	2,655,000	2,663,900	5,318,900
2033-2037	3,230,000	2,077,400	5,307,400
2038-2042	3,930,000	1,363,400	5,293,400
2043-2047	4,790,000	494,000	5,284,000
Total	18,570,000	13,287,600	31,857,600
5/11/17 Payment		330,133	330,133
OSS Total	$ 18,570,000	$ 13,617,733	$ 32,187,733

BUDGETARY HIGHLIGHTS

In its commitment to fiscal responsibility, the District timely adopted an annual budget for Fiscal Year 2016/2017 that projected revenues and expenditures for operations and capital improvements.

CAPITAL ASSETS

During the fiscal year ended June 30, 2017, the District had $18,037,446 (net of accumulated depreciation) invested in capital assets. The following table is presented below to illustrate changes from the prior year:

	June 30, 2017	June 30, 2016	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2015
Land	$ 1,045,264	$ 1,045,264	$ -	0%	$ 1,045,264
Construction in Progress	1,476,675	557,268	919,407	165%	74,588
Utility Plant in Service	40,244,250	39,021,042	1,223,208	3%	38,313,237
Vehicles	1,685,412	1,685,412	0	0%	1,577,427
Computer System	253,886	256,462	(2,576)	-1%	192,131
Capital Asset at Cost	44,705,487	42,565,448	2,140,039	5%	41,202,647
Less Accumulated Depreciation	(26,668,041)	(25,764,091)	903,950	4%	(24,853,730)
Capital Assets, Net	$ 18,037,446	$ 16,801,357	$ 1,236,089	7%	$ 16,348,917

RATES AND OTHER ECONOMIC FACTORS

The District is governed in part by provisions of the State Water Resources Control Board that require rate-based revenues must cover the costs of Operations, Maintenance and Repairs (OM&R) and capital improvement projects. The District is not subject to general economic conditions such as increases or reductions in property tax values or other types of revenues, such as sales taxes, that vary with economic conditions. Accordingly, the District sets its rates to its users to cover the costs of OM&R, capital improvement projects, plus any increments for known or anticipated changes in program costs.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of District finances, and demonstrate District fiscal accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact:

Tammy Rudock, General Manager
Mid-Peninsula Water District
3 Dairy Lane
Belmont, CA 94002
(650) 591-8941

BASIC FINANCIAL STATEMENTS

MID-PENINSULA WATER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 5,203,740	$ 4,265,885
Accounts receivables	1,212,306	973,931
Prepaid expenses and other assets	231,282	255,814
Total Current Assets	6,647,328	5,495,630
Restricted cash with fiscal agent (Note 2)	18,956,420	-
Capital assets, net (Note 3)	18,037,446	16,801,357
TOTAL ASSETS	43,641,194	22,296,987
Deferred Outflows of Resources:		
Pension related (Note 5)	803,133	442,276
LIABILITIES		
Current Liabilities		
Accounts payable	236,936	206,936
Accrued expenses	1,512,722	711,290
Current portion of long-term debt (Note 4)	315,000	-
Total Current Liabilities	2,064,658	918,226
Long-Term Liabilities		
Certificates of Participation	18,255,000	-
Net pension liability (Note 5)	1,387,977	1,113,540
Net OPEB Liability (Note 7)	68,498	42,469
Compensated absences	357,661	320,877
TOTAL LIABILITIES	22,133,794	2,395,112
Deferred Inflows of Resources:		
Pension related (Note 5)	309,159	195,448
Original issue premium	920,200	-
Total Deferred Inflows	1,229,359	195,448
NET POSITION		
Invested in capital assets	18,037,446	16,801,357
Unrestricted	3,043,728	3,347,346
TOTAL NET POSITION	$ 21,081,174	$ 20,148,703

MID-PENINSULA WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Water service charges	$ 11,346,781	$ 10,103,976
Other revenue	107,130	26,107
Total Operating Revenues	11,453,911	10,130,083
OPERATING EXPENSES		
Salaries and benefits	2,742,823	2,293,425
Maintenance and rehabilitation	392,800	528,314
Purchased water	5,192,951	4,491,156
Utilities	269,238	267,479
Professional services	391,818	539,376
Administrative and other	690,950	647,516
Depreciation	903,949	910,361
Total Operating Expenses	10,584,529	9,677,627
OPERATING INCOME (LOSS)	869,382	452,456
NON-OPERATING REVENUES (EXPENSES)		
Rent	141,949	170,763
Property taxes	301,119	266,341
Amortization of COP premium	18,248	-
COP issue costs	(322,551)	-
Debt service interest	(391,649)	-
Interest income	73,205	14,847
Capital contributions	242,768	-
Total Non-Operating Revenues (Expenses)	63,089	451,951
CHANGE IN NET POSITION	932,471	904,407
NET POSITION, BEGINNING OF YEAR	20,148,703	19,244,296
NET POSITION, END OF YEAR	$ 21,081,174	$ 20,148,703

MID-PENINSULA WATER DISTRICT

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2017AND 2016

	2017	2016
Cash Flows From Operating Activities		
Reciepts from customers and users	$ 11,108,406	$ 9,996,298
Other operating revenue	107,130	26,107
Payments to suppliers	(6,081,793)	(5,949,100)
Payments related to employees	(2,670,967)	(2,479,304)
Net Cash Flows Provided (Used) by Operating Activities	2,462,776	1,594,001
Cash Flows From Non-Capital Financing Activities		
Rent received	141,949	170,763
Property taxes received	301,119	266,341
Net Cash Flows Provided (Used) by Non-Capital Financing Activities	443,068	437,104
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(2,140,038)	(1,362,801)
Cash received for completed projects	242,768	-
Issuance of COP Bonds	19,204,145	-
Restricted cash deposited with fiscal agent	(18,956,420)	-
Interest paid on COP Bonds	(391,649)	-
Net Cash Flows Provided (Used) by Capital & Related Activities	(2,041,194)	(1,362,801)
Cash Flows From Investing Activities		
Interest Income	73,205	14,847
Net Cash Flows Provided (Used) by Investing Activities	73,205	14,847
Net Increase (Decrease) in Cash	937,855	683,151
Beginning Cash and Equivalents	4,265,885	3,582,734
Ending Cash, Cash Equivalents and Restricted Cash	$ 5,203,740	$ 4,265,885

The accompanying notes are an integral part of these financial statements.

MID-PENINSULA WATER DISTRICT

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2017AND 2016

	2017	2016
Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities		
Cash Flows from Operating Activities:		
Operating Income (Loss)	$ 869,382	$ 452,456
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided (used) by Operations:		
Depreciation	903,949	910,361
(Increase) Decrease in:		
Accounts receivable	(238,375)	(294,365)
Materials and supplies	-	177,209
Prepaid expenses and other assets	24,532	(120,311)
Deferred outflows	(360,857)	(238,815)
Increase (Decrease) in:		
Accounts payable	30,000	21,429
Accrued benefits	36,784	42,996
Net OPEB liability	26,029	37,904
Unearned revenue	-	186,687
Customer deposits	801,432	446,414
Net pension liability	274,437	(4,694)
Deferred inflows	95,463	(23,270)
Net Cash Provided (used) by Operating Activities	$ 2,462,776	$ 1,594,001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Mid-Peninsula Water District (the District) is a separate political subdivision of the State of California. The District was established on July 2, 1929 as the Belmont County Water District and changed its name effective July 1, 2000. The District maintains and operates a system of storage tanks and water mains. It purchases water from the San Francisco Public Utilities Commission for distribution to its customers through this system.

The District's Board of Directors formed a non-profit public benefit corporation known as the Public Property Financing Corporation of California (Financing Authority). The District and the Financing Authority have a financial and operational relationship which meets the reporting entity definition criteria of Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Financing Authority as a blended component unit of the District. Therefore, the financial activities of Financing Authority have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and Financing Authority which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100:

<u>Manifestations of Oversight</u>

The Financing Authority's Board of Directors is the District's Board of Directors.

The Financing Authority has no employees. The District's general manager functions as an agent of the Financing Authority. The individuals did not receive additional compensation for work performed in this capacity.

The District exercises significant influence over operations of the Financing Authority as it is anticipated that the District will be the sole lessee of all facilities owned by the Financing Authority.

<u>Accounting for Fiscal Matters</u>

All major financing arrangements, contracts, and other transactions of the Financing Authority must have the consent of the District.

Any deficits incurred by the Financing Authority will be reflected in the lease payments of the District. Any surpluses of the Financing Authority revert to the District at the end of the lease period.

It is anticipated that the District's lease payments will be the sole revenue source of the Financing Authority.

A. REPORTING ENTITY (CONTINUED)

Scope of Public Service and Financial Presentation

The Financing Authority was created for the sole purpose of financially assisting the District.

The Financing Authority is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Financing Authority was formed to provide financing assistance to the District for construction and improvement to the District's municipal water system. Upon completion, the District intends to purchase all improvements from the Financing Authority. When the Financing Authority's Certificates of Participation have been paid, title to all Financing Authority property will pass to the District for no additional consideration.

The Financing Authority's financial activity is presented in the financial statements of the District. Certificates of Participation issued by the Financing Authority are included in the long-term liabilities.

B. BASIS OF ACCOUNTING

The District is accounted for as an enterprise fund and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District include water service charges. Operating expenses of the District include employee costs, water purchases, maintenance, utilities, and other administrative costs. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

C. CASH AND CASH EQUIVALENTS

The District considers cash on hand, cash in banks and the Local Agency Investment Fund to be cash and cash equivalents.

D. ACCOUNTS RECEIVABLE

The District extends credit to customers in the normal course of operations. The District has not experienced any significant bad debt losses, however a small provision has been made for doubtful accounts and accounts receivable are shown net of the allowance for doubtful accounts.

E. RESTRICTED CASH

In December 2016, the Mid-Peninsula Water District issued certificates of participation in the amount of $18,570,000. All proceeds are held by a fiscal agent and cash is restricted for certain improvements to the District's municipal water system.

F. UNEARNED REVENUE

Contractors developing projects, which include construction of facilities to bring water from District mains into the project, deposit a construction advance with the District for an amount estimated to cover the District's costs related to the project. The District accounts for expenditures as construction in progress until the completion of the project, the final inspection and approval of the District, and then it is capitalized as part of capital assets. Revenues are recognized as the project progresses. At the completion of the project, any excess funds are returned to the contractor.

G. COMPENSATED ABSENCES

The District has a paid time off (PTO) policy in effect. It is the District's policy to permit employees to accumulate earned by unused vacation, sick leave and compensated time off. The District pays all earned PTO upon termination. All accumulated PTO is recorded as an expense and a liability at the time the benefit is earned.

H. CAPITAL ASSETS

Capital assets are recorded at cost, or if contributed, at estimated value at time of acquisition. Depreciation is recognized on buildings, furniture, fixtures, equipment and subsurface lines by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

Utility plant	10 - 50 years
Vehicles	5 years
Machinery and equipment	7 years
Computer system	5 years

District policy is to capitalize all assets, which cost $5,000 or more, and to charge to current operations all additions under that cost limit. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period.

I. REVENUES

Customer water meters are read on a monthly basis. Bills are rendered and income is recognized in the period in which meters are read. The District does not accrue income for water distributed but not yet billed at the end of the year. California state law requires water districts to report capacity charges collected and spent separately from operating revenue and expense and any fees unspent at year-end are shown in a separate equity fund. No capacity charges have been collected by the District.

J. PROPERTY TAXES

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting. The County Assessor is responsible for assessment of all taxable real property within San Mateo County. Reassessment is on a three-year schedule established by the Assessor. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to each unit its respective share of the collections. Taxes levied in one year become due and payable in two installments during the following year generally on March 1st and August 30th. The first installment is an estimated bill, and is approximately one-half of the prior year's tax bill. The second installment is based on the current levy, assessment, equalization, and certificate to limit levy, if any and any changes from the prior year will be reflected in the second installment bill. Taxes must be levied by the last Tuesday in December for the following collection year. The levy becomes an enforceable lien against the property as of January 1st of the levy year.

K. INCOME TAXES

The District is a governmental entity and as such its income is exempt from taxation under Section 115(1) of the Internal Revenue Code and Section 23701d of the California and Taxation Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

L. 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 Mid-Peninsula Water District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions 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 due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time.

N. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Petty cash	$ 400	$ 400
Cash drawer	200	200
Cash in bank	214,867	211,307
Local Agency Investment Fund	4,988,273	4,053,978
Total Cash and Cash Equivalents	$ 5,203,740	$ 4,265,885

The carrying amount of the District's cash is covered by federal depository insurance up to $250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit.

Local Agency Investment Fund

The District is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of the District's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hour notice. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization. LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

2. CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The monies held in the LAIF investment pool are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Restricted Cash With Fiscal Agent

At June 30, 2017, funds totaling $18,596,420 were held by The Bank of New York Mellon Trust Company, N.A. in various accounts related to the Certificates of Participation issued in December 2016 for the purpose of funding certain improvements to the District's municipal water system.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not subject to depreciation				
Land	$ 1,045,264	$ -	$ -	$ 1,045,264
Construction in progress	557,268	2,142,615	1,223,208	1,476,675
Total capital assets not subject to depreciation	1,602,532	2,142,615	1,223,208	2,521,939
Capital assets being depreciated				
Utility plant in service	39,021,042	1,223,208		40,244,250
Vehicles	1,685,412	-	-	1,685,412
Computer and telephone systems	256,462	-	2,576	253,886
Total capital assets being depreciated	40,962,916	1,223,208	2,576	42,183,548
Less accumulated depreciation for:				
Utility plant in service	(24,137,440)	(780,213)		(24,917,653)
Vehicles	(1,486,840)	(65,558)	-	(1,552,398)
Computer and telephone systems	(139,811)	(58,179)	-	(197,990)
Total accumulated depreciation	(25,764,091)	(903,950)	-	(26,668,041)
Total capital assets, net of depreciation	$ 16,801,357	$ 2,461,873	$ 1,225,784	$ 18,037,446

Depreciation for the year's ended June 30, 2017 and 2016 was $903,950 and $910,361, respectively.

4. LONG-TERM LIABILITIES

Summary of Long-Term Liabilities

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Other Postemployment benefits	$ 42,469	$ 258,843	$ 232,814	$ 68,498	$ -
Net Pension Liability	1,113,540	274,437	-	1,387,977	-
Compensated Absences	320,877	36,784	-	357,661	-
Certificates of Participation	-	18,570,000	-	18,570,000	315,000
	$ 10,529,626	$ 1,362,048	$ 128,952	$ 11,762,722	$ 110,419

Certificates of Participation

In December 2016, the Mid-Peninsula Water District issued certificates of participation in the amount of $18,570,000 to finance certain improvements to the District's municipal water system. Principal is due annually in December and interest is payable on June 1 and December 1. The certificates have an interest rate of 4% and mature on December 1, 2046. The Certificates of Participation were issued at a premium of $938,447, which is being amortized over the life of the debt and is recorded as deferred inflows on the statement of net position.

The annual payments required to amortize the Certificates of Participation outstanding as of June 30, 2017, are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 315,000	$ 736,500	$ 1,051,500
2019	345,000	723,300	1,068,300
2020	360,000	709,200	1,069,200
2021	375,000	694,500	1,069,500
2022	385,000	679,300	1,064,300
2023-2027	2,185,000	3,146,100	5,331,100
2028-2032	2,655,000	2,663,900	5,318,900
2033-2037	3,230,000	2,077,400	5,307,400
2038-2042	3,930,000	1,363,400	5,293,400
2043-2047	4,790,000	494,000	5,284,000
	$ 18,570,000	$ 13,287,600	$ 31,857,600

5. EMPLOYEE RETIREMENT PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Mid-Peninsula Water District's cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Mid-Peninsula Water District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.377%	6.555%

Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Mid-Peninsula Water District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2017 and 2016, the contributions recognized as part of pension expense for the Plan were $204,748 and $203,461, respectively.

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

As of June 30, 2017 and 2016, the Mid-Peninsula Water District reported net pension liabilities for its proportionate share of the net pension liability of $1,387,977 and $1,113,540, respectively.

Mid-Peninsula Water 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 June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. Mid-Peninsula Water 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 Plan as of June 30, 2016 and 2015 was as follows:

Proportion - June 30, 2016	0.03995%
Proportion - June 30, 2015	0.04059%
Change - Increase (Decrease)	-0.00063%

For the year ended June 30, 2017 and 2016, the District recognized pension expense of $232,039 and ($69,323), respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 204,748	
Difference between projected and actual experience	$ 7,451	(1,707)
Changes in assumptions		(70,495)
Difference between proportionate share of aggregate employer contributions and actual contributions for 2013-14.		$ 138,207
Change in employer's proportion and differences between proportionate share of contributions		(151,132)
Net differences between projected and actual earnings on plan investments	590,934	(224,032)
Total	$ 803,133	$ (309,159)

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

$204,748 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 June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	
2017	$ 16,874
2018	$ 23,579
2019	$ 157,806
2020	$ 90,967
2021	$ -
Thereafter	$ -

June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 210,583	
Difference between projected and actual experience	13,760	
Difference in actual vs. projected contributions	111,047	
Change in proportion	106,886	
Changes in assumptions		$ (130,185)
Net differences between projected and actual earnings on plan investments		(65,263)
Total	$ 442,276	$ (195,448)

$210,583 reported as deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the current year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	
2016	$ 11,967
2017	$ 7,482
2018	$ (15,902)
2019	$ 32,698

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth Rate	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%
Mortality	Derived using CalERS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the CalPERS Experience Study for the period from 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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 rates of return are net of administrative expenses.

Asset Class	Current Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability	$ 2,162,432	$ 1,387,977	$ 747,929

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

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

The District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

6. DEFERRED COMPENSATION PLAN

The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457, whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. Plan assets are invested in each individual's name with a deferred compensation plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. All employees are eligible for plan participation. The District offers two plans, one with Lincoln Life and the other with ICMA-RC.

The District believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District has formally established a trust in accordance with Internal Revenue Code Section 457(g) to provide protection from the claims of the employer's general creditors. Accordingly deferred compensation assets placed in the trust are not reflected in these financial statements.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The District provides postemployment health care benefits for all employees who terminate or retire from the District after achieving age 50 with at least 20 years of service. For employees hired before June 28, 2008, District-paid benefits are available to eligible beneficiaries. The General Manager position qualifies for postemployment healthcare benefits after 7 ½ years of service with the District per the employment agreement.

B. Funding Policy

The District has an agreement with the Public Agency Retirement Services (PARS) to be the Trust Administrator to the PARS Public Agencies Post-Retirement Health Care Pan Trust. The amount to be contributed to the trust is determined annually by the board of directors.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation:

Annual required contribution	$ 259,428
Interest on net OPEB obligation	2,336
Adjustment to annual required contribution	(2,921)
Annual OPEB cost (expense)	258,843
Contributions made	(232,814)
Change in net OPEB obligation	26,029
Net OPEB obligation - beginning of year	42,469
Net OPEB obligation - end of year	$ 68,498

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 258,843	$ 232,814	90%	$ 68,498
June 30, 2016	$ 259,365	$ 221,461	85%	$ 42,469
June 30, 2015	$ 155,528	$ 131,620	85%	$ 4,565

D. Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2015. In that valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 5.5% discount rate, and a medical trend assumption of 8.0% graded down by 1.0% per year to an ultimate rate of 5.0% after 3 years. These assumptions reflect an implicit 3.0 percent general inflation assumption. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 30 years.

8. JOINTLY GOVERNED ORGANIZATIONS

The District is a member of two jointly governed organizations. The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) which provides employee benefits coverage for medical, dental, vision, life and disability. The District is also a member of Bay Area Water Supply & Conservation Agency (BAWSCA) which purchases water on a wholesale basis from the San Francisco regional water system for its members.

ACWA JPIA and BAWSCA are governed by a Board consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution or assessment commensurate with the level of coverage and services requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from ACWA JPIA and BAWSCA. Condensed information for ACWA JPIA and BAWSCA for the years ended September 30, 2016 and June 30, 2017, respectively, is as follows:

	ACWA JPIA		BAWSCA	
	September 30, 2016		June 30, 2017	
Total Assets	$	189,566,761	$	351,541,440
Total Deferred Outflows	$	1,065,779	$	307,944
Total Liabilities	$	121,474,323	$	338,145,602
Total Deferred Inflows	$	454,600	$	145,356
Total Net Position	$	68,703,617	$	13,558,426
Total Revenues	$	149,371,770	$	31,097,575
Total Expenses	$	161,601,971	$	29,612,624
Change in Net Position	$	(12,230,201)	$	1,484,951

9. COMMITMENTS

Purchase commitment

The District entered into an agreement with the City and County of San Francisco to purchase water to be delivered to the District's customers. This is a 25 year agreement that was effective July 1, 2009 and ends on June 30, 2034. The cost of purchasing water through this agreement represented approximately 45% and 44% of the District's operating costs for the years ended June 30, 2017 and 2016, respectively.

10. LEASE REVENUES

The District contracted with five different companies to lease land for communication towers on those properties and had one lease for an office building. The building lease was cancelled in December 2015. The remaining agreements are for multiple years and require monthly payments based on the contracted amounts. Lease revenues for the years ended June 30, 2017 and 2016 totaled $141,949 and $170,763, respectively. A schedule of future lease revenues was not available as of the date of these financial statements.

11. SUBSEQUENT EVENTS

District management has evaluated its June 30, 2017 financial statements for subsequent events through January 12, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MID-PENINSULA WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS

JUNE 30, 2017

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) Entry Age (a)	Actuarial Value of Assets (b)	Unfunded Liability (UAAL) (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a % of payroll ([a-b]/c)
July 1, 2009	$ 1,046,600	$ -	$ 1,046,600	0%	$ 1,190,000	87.9%
July 1, 2012	$ 1,517,700	$ 257,000	$ 1,260,700	17%	$ 1,242,300	101.5%
July 1, 2015	$ 2,452,610	$ 432,917	$ 2,019,693	18%	$ 1,457,920	138.5%

MID-PENINSULA WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JUNE 30, 2017

	June 30, 2014 [1]	June 30, 2015	June 30, 2016
Proportion of the net pension liability	0.04525%	0.04059%	0.03995%
Proportionate share of the net pension liability	$ 1,118,234	$ 1,113,540	$ 1,387,977
Covered-employee payroll (2)	$ 1,178,386	$ 1,457,920	$ 1,565,051
Proportionate share of the net pension liability as percentage of covered-employee payroll	94.90%	76.38%	88.69%
Plans fiduciary net position as a percentage of the total pension liability	77.06%	79.89%	75.41%
Proportionate share of aggregate employer contributions (3)	$ 101,596	$ 107,544	$ 133,318

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

[2] Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

[3] The plan's proportionate share of aggregate contributions may not match the actual contribtions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

MID-PENINSULA WATER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2017

	Fiscal Year [1]		
	2013-14	2014-15	2015-16
Actuarially Determined Contribution (2)	$ 186,823	$ 203,461	$ 204,748
Contributions in relation to the actuarially determined contributions	(186,823)	(203,461)	(204,748)
Contribution deficiencey (excess)	$ -	$ -	$ -
Covered-employee payroll (3,4)	$ 1,178,386	$ 1,457,920	$ 1,565,051
Contributions as a percentage of covered-employee payroll (3)	15.85%	13.96%	13.08%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered-employee payroll represented above is based on pensionable earnings provided by the employer.

(4) Payroll from prior year was assumed to increase by the 3.00 percent payroll growth assumption.

OTHER INDEPENDENT AUDITOR’S REPORT

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

Board of Directors
Mid-Peninsula Water District
Belmont, California

We have audited, 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, the financial statements of Mid-Peninsula Water District (the "District"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financials 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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitation, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated January 12, 2018.

Purpose of this Report

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

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 12, 2018