



MID-PENINSULA WATER DISTRICT

Mid-Peninsula Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2024 and 2023



Mission Statement

The mission of MPWD is to deliver a safe, high-quality, reliable supply of water for current and future generations in a cost-effective, environmentally sensitive, and efficient manner.

Mid-Peninsula Water District

Board of Directors as of June 30, 2024

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Matthew P. Zucca	President	Elected	11/20 - 11/24
Catherine M. Jordan	Vice President	Elected	11/22 - 11/26
Brian Schmidt	Director	Elected	11/22 - 11/26
Louis J. Vella	Director	Elected	11/20 - 11/24
Kirk R. Wheeler	Director	Elected	11/22 - 11/26

**Mid-Peninsula Water District
Kat Wuelfing, General Manager
1075 Old County Road, Suite A
Belmont, California 94002
(650) 591-8941 – www.midpeninsulawater.org**

Mid-Peninsula Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2024 and 2023

Mid-Peninsula Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2024 and 2023

Table of Contents

	<u>Page No.</u>
Table of Contents	i
 Financial Section	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Statements of Net Position	11-12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14-15
Notes to the Basic Financial Statements	16-54
 Required Supplementary Information	
Schedules of Changes in the District's Net OPEB Liability and Related Ratios	55
Schedules of OPEB Plan Contributions	56
Schedules of the District's Proportionate Share of the Net Pension Liability	57
Schedules of Pension Plan Contributions	58
 Report on Internal Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60

Financial Section



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

C.J. Brown & Company CPAs

An Accountancy Corporation

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report

Board of Directors
Mid-Peninsula Water District
Belmont, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Mid-Peninsula Water District (District), which comprises the statement of net position as of June 30, 2024 and 2023, and the related statement of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mid-Peninsula Water District as of June 30, 2024 and 2023, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District 's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As described in Note 12 to the financial statements, the District restated its net position for material differences identified for the year ended June 30, 2023 during the audit of the June 30, 2024 financial statements. As a result, the District has restated its net position. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the required supplementary information on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 59 and 60.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

April 24, 2025

Mid-Peninsula Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2024 and 2023

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Mid-Peninsula Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2024 and 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In the fiscal year 2024, the District's net position increased 2.48% or \$951,814 to \$39,394,885 as a result from ongoing operations. In the fiscal year 2023, the District's net position increased 0.20% or \$77,738 to \$38,443,071 as a result from ongoing operations.
- In the fiscal year 2024, the District's operating revenues increased 7.85% or \$1,024,951 to \$14,078,840. In the fiscal year 2023, the District's operating revenues decreased 7.54% or \$1,065,140 to \$13,053,889.
- In the fiscal year 2024, the District's non-operating revenues increased 55.87% or \$874,007 to \$2,438,262. In the fiscal year 2023, the District's non-operating revenues increased 17.17% or \$229,175 to \$1,564,255. Please see the Total Revenues table on page 7.
- In the fiscal year 2024, the District's operating expenses (excluding depreciation) decreased 4.49% or \$637,193 to \$13,551,815. In the fiscal year 2023, the District's operating expenses (excluding depreciation) increased 56.76% or \$5,137,303 to \$14,189,008.
- In the fiscal year 2024, the District's non-operating expenses decreased 30.76% or \$288,072 to \$648,462. In the fiscal year 2023, the District's non-operating expenses increased 44.12% or \$286,718 to \$936,534. Please see the Total Expenses table on page 8.
- In the fiscal year 2024, the District's capital contributions decreased 100.00% or \$1,645,297 to \$0. In the fiscal year 2023, the District's capital contributions increased 1.64% or \$26,597 to \$1,645,297.

Required Financial Statements

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

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

Mid-Peninsula Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Financial Analysis of the District

One of the most important question asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 16 through 54.

Statements of Net Position

Condensed Statements of Net Position

	<u>2024</u>	<u>As Restated 2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Assets:					
Current assets	\$ 20,790,723	23,001,789	(2,211,066)	24,683,369	(1,681,580)
Non-current assets	1,461,841	3,120,085	(1,658,244)	2,613,036	507,049
Capital assets, net	<u>37,728,150</u>	<u>31,942,206</u>	<u>5,785,944</u>	<u>30,415,663</u>	<u>1,526,543</u>
Total assets	<u>59,980,714</u>	<u>58,064,080</u>	<u>1,916,634</u>	<u>57,712,068</u>	<u>352,012</u>
Deferred outflows of resources	<u>1,660,054</u>	<u>2,190,025</u>	<u>(529,971)</u>	<u>388,783</u>	<u>1,801,242</u>
Liabilities:					
Current liabilities	3,014,543	2,441,604	572,939	2,272,857	168,747
Non-current liabilities	<u>16,846,827</u>	<u>17,107,918</u>	<u>(261,091)</u>	<u>17,287,167</u>	<u>(179,249)</u>
Total liabilities	<u>19,861,370</u>	<u>19,549,522</u>	<u>311,848</u>	<u>19,560,024</u>	<u>(10,502)</u>
Deferred inflows of resources	<u>2,384,513</u>	<u>2,261,512</u>	<u>123,001</u>	<u>2,736,860</u>	<u>(475,348)</u>
Net position:					
Net investment in capital assets	20,972,252	19,574,695	1,397,557	20,051,512	(476,817)
Restricted	528,881	5,459,867	(4,930,986)	7,634,741	(2,174,874)
Unrestricted	<u>17,893,752</u>	<u>13,408,509</u>	<u>4,485,243</u>	<u>10,679,080</u>	<u>2,729,429</u>
Total net position	<u>\$ 39,394,885</u>	<u>38,443,071</u>	<u>951,814</u>	<u>38,365,333</u>	<u>77,738</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$39,394,885 and \$38,443,071 as of June 30, 2024 and 2023, respectively.

Mid-Peninsula Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Statements of Net Position, continued

By far, the largest portion of the District's net position (53% and 51% as of June 30, 2024 and 2023, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending or liquidating liabilities.

At the end of fiscal year 2024 and 2023, the District showed a positive balance in its unrestricted net position of \$17,893,752 and \$13,408,509, respectively, which may be utilized in future years. See Note 11 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

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

	<u>2024</u>	<u>As Restated 2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Operations:					
Operating revenues	\$ 14,078,840	13,053,889	1,024,951	14,119,029	(1,065,140)
Operating expenses	<u>13,551,815</u>	<u>14,189,008</u>	<u>(637,193)</u>	<u>9,051,705</u>	<u>5,137,303</u>
Operating (loss) income before depreciation	527,025	(1,135,119)	1,662,144	5,067,324	(6,202,443)
Depreciation	<u>(1,365,011)</u>	<u>(1,060,161)</u>	<u>(304,850)</u>	<u>(1,045,659)</u>	<u>(14,502)</u>
Operating (loss) income	<u>(837,986)</u>	<u>(2,195,280)</u>	<u>1,357,294</u>	<u>4,021,665</u>	<u>(6,216,945)</u>
Non-operating revenue (expenses):					
Property tax revenue	542,478	506,145	36,333	438,258	67,887
Rental income – cellular site leases	189,456	180,005	9,451	172,281	7,724
Investment earnings, net of fair value	1,132,554	775,171	357,383	(79,849)	855,020
Interest expense – long-term debt	(618,351)	(638,204)	19,853	(649,816)	11,612
Gain(Loss) on asset disposal	11,453	(205,630)	217,083	-	(205,630)
Flood damage insurance proceeds	539,706	-	539,706	-	-
Capital contribution to other agency	-	(92,700)	92,700	-	(92,700)
Other non-operating revenues	22,615	102,934	(80,319)	804,390	(701,456)
Other non-operating expenditures	<u>(30,111)</u>	<u>-</u>	<u>(30,111)</u>	<u>-</u>	<u>-</u>
Total non-operating revenues, net	<u>1,789,800</u>	<u>627,721</u>	<u>1,162,079</u>	<u>685,264</u>	<u>(57,543)</u>
Net income (loss) before capital contributions	<u>951,814</u>	<u>(1,567,559)</u>	<u>2,519,373</u>	<u>4,706,929</u>	<u>(6,274,488)</u>
Capital contributions:					
Developers and others	-	-	-	13,332	(13,332)
Capacity charges	<u>-</u>	<u>1,645,297</u>	<u>(1,645,297)</u>	<u>1,605,368</u>	<u>39,929</u>
Total capital contributions	<u>-</u>	<u>1,645,297</u>	<u>(1,645,297)</u>	<u>1,618,700</u>	<u>26,597</u>
Change in net position	951,814	77,738	874,076	6,325,629	(6,247,891)
Net position, beginning of period, as previously stated	<u>38,443,071</u>	<u>36,355,311</u>	<u>2,087,760</u>	<u>32,039,704</u>	<u>4,315,607</u>
Prior period adjustment	-	2,010,022	(2,010,022)	-	2,010,022
Net position, beginning of period, as restated	<u>38,443,071</u>	<u>38,365,333</u>	<u>77,738</u>	<u>32,039,704</u>	<u>6,325,629</u>
Net position, end of period	<u>\$ 39,394,885</u>	<u>38,443,071</u>	<u>951,814</u>	<u>38,365,333</u>	<u>77,738</u>

Mid-Peninsula Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Statements of Revenues, Expenses, and Changes in Net Position, continued

The Statements of Revenues, Expenses, and Changes of Net Position show how the District's net position changed during the fiscal years. In the case of the District, net position increased 2.48% or \$951,814, in fiscal year 2024 to \$39,394,885 as a result from ongoing operations. In fiscal year 2023, net position increased 0.20% or \$77,738 to \$38,443,071 as a result from ongoing operations.

Total Revenues

	<u>2024</u>	<u>As Restated 2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Operating revenues:					
Water consumption sales	\$ 10,600,551	9,591,422	1,009,129	10,717,520	(1,126,098)
Meter service charges	3,246,456	3,175,460	70,996	3,176,734	(1,274)
Other charges	<u>231,833</u>	<u>287,007</u>	<u>(55,174)</u>	<u>224,775</u>	<u>62,232</u>
Total operating revenues	<u>14,078,840</u>	<u>13,053,889</u>	<u>1,024,951</u>	<u>14,119,029</u>	<u>(1,065,140)</u>
Non-operating revenues:					
Property tax revenue	542,478	506,145	36,333	438,258	67,887
Rental income – cellular site leases	189,456	180,005	9,451	172,281	7,724
Investment earnings, net of fair value	1,132,554	775,171	357,383	(79,849)	855,020
Gain on asset disposal	11,453	-	11,453	-	-
Flood damage insurance proceeds	539,706	-	539,706	-	-
Other non-operating revenues, net	<u>22,615</u>	<u>102,934</u>	<u>(80,319)</u>	<u>804,390</u>	<u>(701,456)</u>
Total non-operating revenues	<u>2,438,262</u>	<u>1,564,255</u>	<u>874,007</u>	<u>1,335,080</u>	<u>229,175</u>
Capital contributions:					
Developers and others	-	-	-	13,332	(13,332)
Capacity charges	<u>-</u>	<u>1,645,297</u>	<u>(1,645,297)</u>	<u>1,605,368</u>	<u>39,929</u>
Total capital contributions	<u>-</u>	<u>1,645,297</u>	<u>(1,645,297)</u>	<u>1,618,700</u>	<u>26,597</u>
Total revenues	<u>\$ 16,517,102</u>	<u>16,263,441</u>	<u>253,661</u>	<u>17,072,809</u>	<u>(809,368)</u>

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2024, total revenues increased 1.56% or \$253,661 to \$16,517,102. Operating revenues increased 7.85% or \$1,024,951 to \$14,078,840, due to increases of \$1,009,129 in water consumption sales and \$70,996 in meter service charges, offset by a decrease of \$55,174 in other charges as compared to the prior year. In fiscal year 2023, total revenues decreased 4.74% or \$809,368 to \$16,263,441. Operating revenues decreased 7.54% or \$1,065,140 to \$13,053,889, due to a decrease in water consumption sales.

Non-operating revenues increased 55.87% or \$874,007 to \$2,438,262, primarily due to increases of \$539,706 in flood damage insurance recovery, \$357,383 in investment returns, and \$36,333 in property taxes, offset by a decrease of \$80,319 in other non-operating revenues as compared to the prior year. In fiscal year 2023, non-operating revenues increased 17.17% or \$229,175 to \$1,564,255, primarily due to increases of \$855,020 in investment returns and \$67,887 in property taxes, offset by a decrease of \$701,456 in other non-operating revenues as compared to the prior year.

In fiscal year 2024, the District's capital contributions decreased 100.00% or \$1,645,297 to \$0, due to a decrease in capacity charges as compared to the prior year. In fiscal year 2023, the District's capital contributions increased 1.64% or \$26,597 to \$1,645,297 due to an increase of \$39,929 in capacity charges, offset by a decrease of \$13,332 in capital contributions sourcing from developers and others as compared to the prior year.

Mid-Peninsula Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Total Expenses

	<u>2024</u>	<u>As Restated 2023</u>	<u>Change</u>	<u>As Restated 2022</u>	<u>Change</u>
Operating expenses including depreciation expense:					
Salaries and benefits	\$ 3,957,209	5,587,769	(1,630,560)	573,160	5,014,609
Purchased water	6,271,170	5,751,769	519,401	5,435,495	316,274
Maintenance and rehabilitation	787,431	735,753	51,678	735,845	(92)
Utilities	524,734	430,917	93,817	371,870	59,047
Professional services	1,147,892	742,212	405,680	1,061,545	(319,333)
General and administrative	863,379	940,588	(77,209)	873,790	66,798
Depreciation and amortization	1,365,011	1,060,161	304,850	1,045,659	14,502
Total operating expenses including depreciation and amortization expense	<u>14,916,826</u>	<u>15,249,169</u>	<u>(332,343)</u>	<u>10,097,364</u>	<u>5,151,805</u>
Non-operating expenses:					
Interest expense – long-term debt	618,351	638,204	(19,853)	649,816	(11,612)
Loss on asset disposal	-	205,630	(205,630)	-	205,630
Capital contribution to other agency	-	92,700	(92,700)	-	92,700
Other non operating expense	30,111	-	30,111	-	-
Total non-operating expenses	<u>648,462</u>	<u>936,534</u>	<u>(288,072)</u>	<u>649,816</u>	<u>286,718</u>
Total expenses	<u>\$ 15,565,288</u>	<u>16,185,703</u>	<u>(620,415)</u>	<u>10,747,180</u>	<u>5,438,523</u>

A closer examination of the sources of changes in net position reveals that:

In fiscal year 2024, total expenses decreased 3.83% or \$620,415 to \$15,565,288. Operating expenses (including depreciation) decreased 2.18% or \$332,343 to \$14,916,826, due to decreases of \$1,630,530 in salaries and benefits which includes \$1,626,910 in pension and OPEB related actuarial adjustments as compared to prior year and \$77,209 in general and administrative expenses, offset by increases of \$519,401 in purchased water, \$405,680 in professional fees, \$304,850 in depreciation and amortization, \$93,817 in utilities, and \$51,678 in maintenance and rehabilitation as compared to the prior year. In fiscal year 2023, total expenses increased 50.60% or \$5,438,523 to \$16,185,703. Operating expenses (including depreciation) increased 51.02% or \$5,151,805 to \$15,249,169, primarily due to increases of \$5,014,609 in salaries and benefits which includes \$2,054,495 in pension related prior period and actuarial adjustments as compared to prior year, \$316,274 in purchased water, \$66,798 in general and administrative, and \$59,047 in utilities, which were offset by a decrease of \$319,333 in professional fees as compared to the prior year.

Non-operating expenses decreased 30.76% or \$288,072 to \$648,462, due to decreases of \$205,630 in loss on asset disposal, \$92,700 in capital contribution to other agency, \$19,853 in interest related to long-term debt, offset by an increase of \$30,111 in other non-operating expenses as compared to the prior year. In fiscal year 2023, non-operating expenses increased 44.12% or \$286,718 to \$936,534, due to increases of \$205,630 in loss on asset disposal and \$92,700 in capital contribution to other agency, offset by a decrease of \$11,612 in interest related to long-term debt as compared to the prior year.

Mid-Peninsula Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Capital Asset Administration

Changes in capital asset amounts for 2024 were as follows:

	<u>As Restated 2023</u>	<u>Additions</u>	<u>Transfers / Deletions</u>	<u>Balance 2024</u>
Capital assets:				
Non-depreciable assets	\$ 9,387,895	7,373,081	(7,280,303)	9,480,673
Depreciable and amortizable assets	54,297,731	7,058,177	-	61,355,908
Accumulated depreciation and amortization	<u>(31,743,420)</u>	<u>(1,365,011)</u>	<u>-</u>	<u>(33,108,431)</u>
Total capital assets, net	\$ <u>31,942,206</u>	<u>13,066,247</u>	<u>(7,280,303)</u>	<u>37,728,150</u>

At the end of fiscal year 2024, the District's investment in capital assets amounted to \$37,728,150 (net of accumulated depreciation and amortization). This investment in capital assets includes land, utility plant in service, vehicles, machinery and equipment, computer system, leased office building, leased software, and construction-in-process.

Changes in capital asset amounts for 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Transfers / Deletions</u>	<u>As Restated 2023</u>
Capital assets:				
Non-depreciable assets	\$ 8,308,513	2,513,712	(1,434,330)	9,387,895
Depreciable and amortizable assets	52,974,277	1,507,322	(183,868)	54,297,731
Accumulated depreciation and amortization	<u>(30,867,127)</u>	<u>(1,060,161)</u>	<u>183,868</u>	<u>(31,743,420)</u>
Total capital assets, net	\$ <u>30,415,663</u>	<u>2,960,873</u>	<u>(1,434,330)</u>	<u>31,942,206</u>

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$31,942,206 (net of accumulated depreciation and amortization). This investment in capital assets includes land, utility plant in service, vehicles, machinery and equipment, computer system, leased office building, leased software, and construction-in-process. See Note 4 to the basic financial statements for further detailed information on the District's capital assets.

Mid-Peninsula Water District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2024 and 2023

Debt Administration

Changes in long-term debt amounts for 2024 were as follows:

	<u>Balance 2023</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2024</u>
Long-term debt:				
Lease and SBITA payable	\$ 234,089	-	(144,419)	89,670
Bonds payable, net	<u>17,117,510</u>	<u>-</u>	<u>(451,282)</u>	<u>16,666,228</u>
Total long-term debt	17,351,599	<u>-</u>	<u>(595,701)</u>	16,755,898
Less: current portion	<u>(564,419)</u>			<u>(524,670)</u>
Non-current portion	<u>\$ 16,787,180</u>			<u>16,231,228</u>

In fiscal year 2024, long-term debt decreased by \$595,701 due to current year scheduled principal payments.

Changes in long-term debt amounts for 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions/ Deletions</u>	<u>Principal Payments</u>	<u>Balance 2023</u>
Long-term debt:				
Lease and SBITA payable	\$ -	296,102	(62,013)	234,089
Bonds payable, net	<u>17,553,792</u>	<u>-</u>	<u>(436,282)</u>	<u>17,117,510</u>
Total long-term debt	17,553,792	<u>296,102</u>	<u>(498,295)</u>	17,351,599
Less: current portion	<u>(467,013)</u>			<u>(564,419)</u>
Non-current portion	<u>\$ 17,086,779</u>			<u>16,787,180</u>

In fiscal year 2023, long-term debt decreased by \$202,193 due to current year scheduled principal payments of \$498,295, offset by an increase of \$296,102 due to new lease and subscription-based information technology arrangement additions implemented under GASB Statements No. 87 and 96. The long-term debt position of the District is more fully analyzed in Note 6 to the basic financial statements.

Conditions Affecting Current Financial Position

On April 1, 2025, the District issued \$33,100,000 in water revenue bonds to fund capital projects. Additionally, on November 21, 2024, the Board of Directors completed the Proposition 218 hearing process and approved a water rate study allowing rate adjustments for the next five (5) years, beginning in January 2025 and updated every July through 2029.

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present, and future periods.

Requests for Information

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with respect to the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 1075 Old County Road, Suite A, Belmont, California 94002 – (650) 591-8941.

Basic Financial Statements

Mid-Peninsula Water District
Statements of Net Position
June 30, 2024 and 2023

	2024	As Restated 2023
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,490,266	7,649,672
Cash and cash equivalents – restricted (note 2, 10)	528,881	5,459,867
Investments (note 2)	12,481,562	7,164,612
Accrued interest receivable	155,836	52,567
Accounts receivable – water sales and services	2,690,308	2,320,679
Accounts receivable – other	89,751	69,706
Lease receivables (note 3)	144,946	140,810
Prepaid expenses and other deposits	209,173	143,876
Total current assets	20,790,723	23,001,789
Non-current assets:		
Investments (note 2)	-	2,038,612
Lease receivables (note 3)	801,281	946,227
Net other post-employment benefits asset (note 7)	660,560	135,246
Capital assets – not being depreciated (note 4)	9,480,673	9,387,895
Depreciable capital assets, net (note 4)	28,247,477	22,554,311
Total non-current assets	39,189,991	35,062,291
Total assets	59,980,714	58,064,080
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 7)	346,521	291,399
Deferred pension outflows (note 8)	1,313,533	1,898,626
Total deferred outflows of resources	\$ 1,660,054	2,190,025

Continued on next page

See accompanying notes to the basic financial statements

Mid-Peninsula Water District
Statements of Net Position, continued
June 30, 2024 and 2023

	<u>2024</u>	<u>As Restated 2023</u>
Current liabilities:		
Accounts payable	\$ 2,092,079	1,431,472
Accrued expenses	108,733	144,401
Accrued interest on long-term debt	52,809	55,303
Unearned revenue	55,122	97,315
Long-term liabilities – due within one year:		
Compensated absences (note 5)	181,130	148,694
Lease and SBITA payable (note 6)	89,670	144,419
Bond payable (note 6)	435,000	420,000
Total current liabilities	<u>3,014,543</u>	<u>2,441,604</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	60,377	49,565
Lease and SBITA payable (note 6)	-	89,670
Bond payable, net (note 6)	16,231,228	16,697,510
Net pension liability (note 8)	555,222	271,173
Total non-current liabilities	<u>16,846,827</u>	<u>17,107,918</u>
Total liabilities	<u>19,861,370</u>	<u>19,549,522</u>
Deferred inflows of resources:		
Deferred lease inflows (note 3)	833,477	950,069
Deferred other post-employment benefits inflows (note 7)	956,301	467,328
Deferred pension inflows (note 8)	594,735	844,115
Total deferred inflows of resources	<u>2,384,513</u>	<u>2,261,512</u>
Net position:		
Net investment in capital assets (note 9)	20,972,252	19,574,695
Restricted (note 10)	528,881	5,459,867
Unrestricted (note 11)	17,893,752	13,408,509
Total net position	<u>\$ 39,394,885</u>	<u>38,443,071</u>

See accompanying notes to the basic financial statements

Mid-Peninsula Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	As Restated 2023
Operating revenues:		
Water consumption sales	\$ 10,600,551	9,591,422
Meter service charges	3,246,456	3,175,460
Other charges	231,833	287,007
Total operating revenues	<u>14,078,840</u>	<u>13,053,889</u>
Operating expenses:		
Salaries and benefits	3,428,910	3,432,563
Pension benefits (income) expense	619,762	2,038,098
Other post-employment benefits (income) expense	(91,463)	117,108
Purchased water	6,271,170	5,751,769
Maintenance and rehabilitation	787,431	735,753
Utilities	524,734	430,917
Professional services	1,147,892	742,212
General and administrative	863,379	940,588
Total operating expenses	<u>13,551,815</u>	<u>14,189,008</u>
Operating loss before depreciation and amortization	527,025	(1,135,119)
Depreciation and amortization	<u>(1,365,011)</u>	<u>(1,060,161)</u>
Operating loss	<u>(837,986)</u>	<u>(2,195,280)</u>
Non-operating revenue (expenses):		
Property tax revenue	542,478	506,145
Rental income – cellular site leases	189,456	180,005
Investment earnings, net of fair value	1,132,554	775,171
Interest expense – long-term debt	(618,351)	(638,204)
Gain (Loss) on asset disposal	11,453	(205,630)
Flood damage insurance proceeds	539,706	-
Capital contribution to other agency	-	(92,700)
Other non-operating revenues	22,615	102,934
Other non-operating expenses	<u>(30,111)</u>	<u>-</u>
Total non-operating revenues, net	<u>1,789,800</u>	<u>627,721</u>
Net income (loss) before capital contributions	<u>951,814</u>	<u>(1,567,559)</u>
Capital contributions:		
Capacity charges	<u>-</u>	<u>1,645,297</u>
Total capital contributions	<u>-</u>	<u>1,645,297</u>
Change in net position	951,814	77,738
Net position, beginning of period, as previously stated	<u>38,443,071</u>	<u>36,355,311</u>
Prior period adjustments (note 12)	-	2,010,022
Net position, beginning of period, as restated	<u>38,443,071</u>	<u>38,365,333</u>
Net position, end of period	<u>\$ 39,394,885</u>	<u>38,443,071</u>

Mid-Peninsula Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	As Restated 2023
Cash flows from operating activities:		
Cash receipts from customers for water sales and services	\$ 13,639,477	12,481,056
Cash paid to employees for salaries and wages	(2,399,897)	(2,581,443)
Cash paid to vendors and suppliers for materials and services	(10,020,729)	(9,261,292)
Net cash provided by operating activities	1,218,851	638,321
Cash flows from non-capital financing activities:		
Proceeds from property taxes	542,478	506,145
Proceeds from rental income	189,456	180,005
Net cash provided by non-capital financing activities	731,934	686,150
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(7,150,955)	(2,290,602)
Proceeds from capital contributions and connection fees	-	1,645,297
Principal paid on long-term debt	(595,701)	(467,013)
Interest paid on long-term debt	(618,351)	(638,868)
Net cash used in capital and related financing activities	(8,365,007)	(1,751,186)
Cash flows from investing activities:		
Investment earnings, net of fair value	1,029,285	775,976
Purchases and sales of investments, net	(2,705,455)	(9,559,645)
Net cash used in by investing activities	(1,676,170)	(8,783,669)
Net decrease in cash and cash equivalents	(8,090,392)	(9,210,384)
Cash and cash equivalents – beginning of year	13,109,539	22,319,923
Cash and cash equivalents – end of year	\$ 5,019,147	13,109,539
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 4,490,266	7,649,672
Cash and cash equivalents – restricted	528,881	5,459,867
Cash and cash equivalents – end of year	\$ 5,019,147	13,109,539

Continued on next page

See accompanying notes to the basic financial statements

Mid-Peninsula Water District
Statements of Cash Flows, continued
For the Fiscal Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>As Restated 2023</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (837,986)	(2,195,280)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation and amortization	1,365,011	1,060,161
Other non-operating revenues	22,615	102,934
Other non-operating expenses	(30,111)	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable – water sales and services, net	(369,629)	(287,163)
Accounts receivable – other	(20,045)	2,934
Prepaid expenses and other deposits	(65,297)	(49,013)
Net other post-employment benefits asset	(525,314)	34,119
Net pension asset	-	1,356,634
(Increase)Decrease in deferred outflows of resources:		
Other post-employment benefits related	(55,122)	122,263
Pension related	585,093	637,861
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	660,607	318,923
Accrued expenses	(35,668)	72,288
Unearned revenue	(42,193)	89,962
Customer construction deposits	-	(481,500)
Compensated absences	43,248	(78,491)
Net pension liability	284,049	271,173
Increase(Decrease) in deferred inflows of resources:		
Other post-employment benefits related	488,973	(111,914)
Pension related	(249,380)	(227,570)
Total adjustments	<u>2,056,837</u>	<u>2,833,601</u>
Net cash provided by operating activities	<u>\$ 1,218,851</u>	<u>638,321</u>
Non-cash investing, capital, and financing transactions:		
Changes in fair value of investments	\$ 206,612	225,166
Amortization of bond premium	(31,282)	(31,282)
Issuance of lease and subscription-based information technology arrangement	-	(296,102)
Total non-cash investing, capital, and financing transactions	<u>\$ 175,330</u>	<u>(102,218)</u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Mid-Peninsula Water District (District) was formed on July 2, 1929, for the purposes of furnishing potable water within the District's service area. The District operates under the authority of the provisions found in Division 12 of the State of California Water Code. The District is located in San Mateo County and serves the City of Belmont and portions of the City of San Carlos, Redwood City, and parts of the unincorporated County of San Mateo. The District provides water to approximately 31,000 customers over approximately five square miles. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. 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.

Basis of Accounting and Measurement Focus

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

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

Financial Reporting

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

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Financial Reporting

The District has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. See Note 12 for the impact of this note on the financial statements due to a correction of an error.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Financial Reporting, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of the basic 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 the disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Restricted Assets

Restricted assets are financial resources generated for a specific purpose such as capital projects, debt service, or on behalf of employee benefits (Section 115 Trust). These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

4. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

5. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- *Level 1* – This valuation level is based on quoted prices in active markets for identical assets.
- *Level 2* – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- *Level 3* – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

6. Accounts Receivable

The District extends credit to customers in the normal course of operations. Management has evaluated the accounts and believes all accounts are collectible at June 30. When management deems customer accounts uncollectible, the District uses the direct write off method for the write-off those accounts to bad debt expense.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

7. Lease Receivables

Lease receivables are recorded by the District as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee.

8. Prepaids

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

9. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

Right-to-use leased and subscription-based information technology assets are recognized at the lease or subscription arrangement commencement date and represent the District's right to use an underlying asset for the agreement term. Right to use assets are measured at the initial value of the liability plus any payments made to the vendor before commencement of the agreement term, less any incentives received from the vendor at or before the commencement of the lease term, plus any initial direct costs, such as shipping, installation, or capitalizable initial implementation costs, necessary to place the asset into service. Right to use assets are amortized over the shorter of the agreement term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

10. Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following pension related items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with OPEB through the Plan.
- Deferred outflow for the Plans' experience (gains)/losses which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with OPEB through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the other post-employment benefit plans fiduciary net position. This amount is amortized over a 5-year period.

Pensions

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5-year period.
- Deferred outflow for the net difference in actual and proportionate share of employer contributions which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.
- Deferred outflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.

11. Compensated Absences

The District's personnel policies provide for accumulation of vacation and sick leave. Liabilities for vacation and portions of sick leave are recorded when benefits are earned. Cash payment of unused vacation is available to those qualified employees when retired or terminated.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

12. Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (Plan) and additions to/deductions from the Plans' 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.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2023 and 2021
- Measurement Dates: June 30, 2024 and 2023
- Measurement Periods: July 1, 2023 to June 30, 2024 and July 1, 2022 to June 30, 2023

13. 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 (Plans) and addition to/deduction 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2022 and 2021
- Measurement Dates: June 30, 2023 and 2022
- Measurement Periods: July 1, 2022 to June 30, 2023 and July 1, 2021 to June 30, 2022

14. Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of net assets. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following pension related item that qualifies for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with OPEB through the Plan.
- Deferred inflow for the Plans' experience (gains)/losses which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with OPEB through the Plan.
- Deferred inflow for the net difference in projected and actual earnings on investments of the other post-employment benefit plans fiduciary net position. This amount is amortized over a 5-year period.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Deferred Inflows of Resources, continued

Pensions

- Deferred inflow for the net difference in actual and proportionate share of employer contribution which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.
- Deferred inflow for the net adjustment due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all active employees that are provided with pensions through the Plan.

Leases

- Deferred inflows related to leases where the District is the lessor and is reported in the Statement of Net Position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

15. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net Investment in Capital Assets* – Consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.
- *Restricted* – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

16. Property Taxes

Property taxes receivable at year-end are related to property taxes collected by the County of San Mateo, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

- | | |
|--------------------|---------------------------|
| • Lien date | January 1 |
| • Levy date | July 1 |
| • Due dates | November 1 and February 1 |
| • Collection dates | December 10 and April 10 |

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

17. 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. Upon the final inspection and approval of the District, the District will then capitalize the project as part of its capital assets. Revenues are recognized as the project progresses. At the completion of the project, any excess funds are refunded to the contractor.

18. Water Sales

Water sales are billed on a monthly cyclical basis and recognize the respective revenues when they are earned.

19. Capital Contributions

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

20. Budgetary Policies

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,490,266	7,649,672
Restricted – cash and cash equivalents	<u>528,881</u>	<u>5,459,867</u>
Total cash and cash equivalents	<u>5,019,147</u>	<u>13,109,539</u>
Investments	12,481,562	7,164,612
Investments – non-current	<u>-</u>	<u>2,038,612</u>
Total investments	<u>12,481,562</u>	<u>9,203,224</u>
Total cash and investments	<u><u>\$ 17,500,709</u></u>	<u><u>22,312,763</u></u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Cash and cash equivalents as of June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Cash on hand	\$ 600	600
Deposits with financial institutions	1,840,367	1,159,154
Deposits with bond institution for project funding	-	4,984,088
Deposits with Section 115 Trust	528,881	475,779
Deposits in State of California pooled fund	2,649,299	6,489,918
Investments	<u>12,481,562</u>	<u>9,203,224</u>
Total	<u>\$ 17,500,709</u>	<u>22,312,763</u>

As of June 30, 2024, the District's authorized deposits had the following maturities:

<u>Investment type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 months or less</u>	<u>13 to 24 months</u>
United States Treasury notes	\$ 12,476,877	12,476,877	-
Money market mutual fund	<u>4,685</u>	<u>4,685</u>	-
Total	<u>\$ 12,481,562</u>	<u>12,481,562</u>	<u>-</u>

As of June 30, 2023, the District's authorized deposits had the following maturities:

<u>Investment type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>	
		<u>12 months or less</u>	<u>13 to 24 months</u>
United States Treasury notes	\$ 9,191,370	7,152,758	2,038,612
Money market mutual fund	<u>11,854</u>	<u>11,854</u>	-
Total	<u>\$ 9,203,224</u>	<u>7,164,612</u>	<u>2,038,612</u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

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

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
State and Local Agency Bonds*	5 years	None	None
U.S. Treasury Obligations	5 years**	None	None
U.S. Agency Securities	5 years**	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Non-negotiable Certificates of Deposit	1 year	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Supranational Obligations	N/A	30%	None
County Pooled Investment Funds	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	\$75 Million

* Excluding amounts held by bond trustee that are not subject to California Government Code.

** Except when authorized by the District's legislative body in accordance with Government Code Section 51

N/A – Not Applicable

Investment in State Investment Pool

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

The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits.

The California Government Code requires that a financial institution, secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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

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 change with market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Credit Risk, continued

Credit ratings at June 30, 2024 consisted of the following:

Investment type	June 30, 2024	Minimum Legal Rating	Exempt from Disclosure	Ratings AA+ to AA-
United States Treasury notes	\$ 12,476,877	N/A	12,476,877	-
Money market mutual fund	4,685	Aaa	-	4,685
Total	<u>\$ 12,481,562</u>		<u>12,476,877</u>	<u>4,685</u>

Credit ratings at June 30, 2023 consisted of the following:

Investment type	June 30, 2023	Minimum Legal Rating	Exempt from Disclosure	Ratings AA+ to AA-
United States Treasury notes	\$ 9,191,370	N/A	9,191,370	-
Money market mutual fund	11,854	Aaa	-	11,854
Total	<u>\$ 9,203,224</u>		<u>9,191,370</u>	<u>11,854</u>

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of total District's investments at June 30, 2024 and 2023, respectively.

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2024 are as follows:

Investment type	June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 1)	Significant Unobservable Inputs (Level 1)
United States Treasury notes	\$ 12,476,877	12,476,877	-	-
Total investments measured at fair value	12,476,877	<u>12,476,877</u>	<u>-</u>	<u>-</u>
Investments not subject to fair value hierarchy				
Money market mutual fund	4,685			
Total	<u>\$ 12,481,562</u>			

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(2) Cash and Investments, continued

Fair Value Measurements, continued

Investment type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 1)	Significant Unobservable Inputs (Level 1)
United States Treasury notes	\$ 9,191,370	9,191,370	-	-
Total investments measured at fair value	9,191,370	9,191,370	-	-
Investments not subject to fair value hierarchy				
Money market mutual fund	11,854			
Total	\$ 9,203,224			

(3) Leases Receivable

Changes in leases receivable for the year ended June 30, 2024, were as follows:

Leases receivable:	Balance 2023	Additions	Principal Payments	Balance 2024	Current Portion	Long-term Portion	Deferred Inflows
Buckland Tank - cell tower	\$ 59,829	-	(14,512)	45,317	14,805	30,512	(36,748)
Devoken Tank - cell tower #1	103,951	-	(33,617)	70,334	34,640	35,694	(47,802)
Exbourne Tank - cell tower	122,003	-	(39,455)	82,548	40,656	41,892	(56,103)
Hallmark Tank - cell tower	84,314	-	(29,858)	54,456	30,767	23,689	(35,117)
Devoken Tank - cell tower #2	716,940	-	(23,368)	693,572	24,078	669,494	(657,707)
Total leases receivable	\$ 1,087,037	-	(140,810)	946,227	144,946	801,281	(833,477)

Changes in leases receivable for the year ended June 30, 2023, were as follows:

Leases receivable:	Balance 2022	Additions	Principal Payments	Balance 2023	Current Portion	Long-term Portion	Deferred Inflows
Buckland Tank - cell tower	\$ 74,054	-	(14,225)	59,829	14,512	45,317	(48,998)
Devoken Tank - cell tower #1	136,576	-	(32,625)	103,951	33,617	70,334	(71,702)
Exbourne Tank - cell tower	160,294	-	(38,291)	122,003	39,455	82,548	(84,154)
Hallmark Tank - cell tower	113,292	-	(28,978)	84,314	29,859	54,455	(56,188)
Devoken Tank - cell tower #2	739,617	-	(22,677)	716,940	23,367	693,573	(689,027)
Total leases receivable	\$ 1,223,833	-	(136,796)	1,087,037	140,810	946,227	(950,069)

Buckland Tank – Cell Tower

On February 7, 2003, the District entered into a lease agreement with City of Belmont (City). The City has agreed to pay the District for the purpose of leasing communication tower space at the Buckland Tank site. The terms of the agreement require City to pay the District in annual installments through 2027 and is adjusted annually by the Consumer Price Index.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(3) Leases Receivable, continued

Buckland Tank – Cell Tower, continued

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$36,748. Interest revenue recognized on the lease was \$1,064 for the year ended June 30, 2024. Principal receipts of \$14,512 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$48,998. Interest revenue recognized on the lease was \$1,351 for the year ended June 30, 2023. Principal receipts of \$14,225 were recognized during the year.

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 14,805	771	15,576	\$ (12,250)
2026	15,104	472	15,576	(12,249)
2027	15,408	167	15,575	(12,249)
Total	45,317	<u>1,410</u>	<u>46,727</u>	<u>\$ (36,748)</u>
Current	<u>(14,805)</u>			
Non-current	\$ <u>30,512</u>			

Devoken Tank – Cell Tower #1

On August 15, 1996, the District entered into a lease agreement with Metro PCS Wireless (Metro). Metro has agreed to pay the District for the purpose of leasing communication tower space at the Devoken Tank site. The terms of the agreement require Metro to pay the District in annual installments through 2026 and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$47,802. Interest revenue recognized on the lease was \$2,659 for the year ended June 30, 2024. Principal receipts of \$33,617 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$71,702. Interest revenue recognized on the lease was \$3,651 for the year ended June 30, 2023. Principal receipts of \$32,625 were recognized during the year.

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 34,640	1,636	36,276	\$ (23,900)
2026	35,694	582	36,276	(23,902)
Total	70,334	<u>2,218</u>	<u>72,552</u>	<u>\$ (47,802)</u>
Current	<u>(34,640)</u>			
Non-current	\$ <u>35,694</u>			

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(3) Leases Receivable, continued

Exbourne Tank – Cell Tower

On November 26, 2006, the District entered into a lease agreement with Sprint Wireless (Sprint). Sprint has agreed to pay the District for the purpose of leasing communication tower space at the Exbourne Tank site. The terms of the agreement require Sprint to pay the District in annual installments through 2026 and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by GASB Statement No. 87, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$56,103. Interest revenue recognized on the lease was \$3,121 for the year ended June 30, 2024. Principal receipts of \$39,455 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$84,154. Interest revenue recognized on the lease was \$4,285 for the year ended June 30, 2023. Principal receipts of \$38,291 were recognized during the year.

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 40,656	1,920	42,576	\$ (28,052)
2026	41,892	684	42,576	(28,051)
Total	82,548	<u>2,604</u>	<u>85,152</u>	<u>\$ (56,103)</u>
Current	<u>(40,656)</u>			
Non-current	\$ <u>41,892</u>			

Hallmark Tank – Cell Tower

On April 1, 2006, the District entered into a lease agreement with Sprint Wireless (Sprint). Sprint has agreed to pay the District for the purpose of leasing communication tower space at the Hallmark Tank site. The terms of the agreement require Sprint to pay the District in annual installments through March 25, 2026 and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by GASB Statement No. 87, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$35,117. Interest revenue recognized on the lease was \$2,121 for the year ended June 30, 2024. Principal receipts of \$29,858 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$56,188. Interest revenue recognized on the lease was \$3,002 for the year ended June 30, 2023. Principal receipts of \$28,978 were recognized during the year.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(3) Leases Receivable, continued

Hallmark Tank – Cell Tower, continued

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 30,767	1,213	31,980	\$ (21,070)
2026	23,689	296	23,985	(14,047)
Total	54,456	1,509	55,965	\$ (35,117)
Current	(30,767)			
Non-current	\$ 23,689			

Devoken Tank – Cell Tower #2

On July 1, 2020, the District entered into a lease agreement with T-Mobile (T-Mobile). T-Mobile has agreed to pay the District for the purpose of leasing communication tower space at the Devoken Tank site. The terms of the agreement require T-Mobile to pay the District in annual installments through June 25, 2045 and is adjusted annually by the Consumer Price Index.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 3.00%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2024, deferred inflows were reported at \$657,707. Interest revenue recognized on the lease was \$21,189 for the year ended June 30, 2024. Principal receipts of \$23,368 were recognized during the year. As of June 30, 2023, deferred inflows were reported at \$689,026. Interest revenue recognized on the lease was \$21,878 for the year ended June 30, 2023. Principal receipts of \$22,677 were recognized during the year.

Future payments to be received and deferred inflows as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2025	\$ 24,078	20,478	44,556	\$ (31,319)
2026	24,810	19,746	44,556	(31,319)
2027	25,565	18,991	44,556	(31,319)
2028	26,343	18,213	44,556	(31,319)
2029	27,144	17,412	44,556	(31,319)
2030-2034	148,618	74,162	222,780	(156,597)
2035-2039	172,637	50,143	222,780	(156,597)
2040-2044	200,538	22,242	222,780	(156,598)
2045	43,839	717	44,556	(31,320)
Total	693,572	242,104	935,676	\$ (657,707)
Current	(24,078)			
Non-current	\$ 669,494			

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2024 were as follows:

	<u>As Restated 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2024</u>
Non-depreciable assets:				
Land	\$ 1,045,264	-	-	1,045,264
Construction-in-process	<u>8,342,631</u>	<u>7,373,081</u>	<u>(7,280,303)</u>	<u>8,435,409</u>
Total non-depreciable assets	<u>9,387,895</u>	<u>7,373,081</u>	<u>(7,280,303)</u>	<u>9,480,673</u>
Depreciable assets:				
Utility Plant In Service	51,081,993	6,978,005	-	58,059,998
Structures	-	61,172	-	61,172
Vehicles	1,832,358	-	-	1,832,358
Machinery and Equipment	590,893	19,000	-	609,893
Computer System	496,385	-	-	496,385
Office Building - Right-to-use Asset	281,535	-	-	281,535
Subscription IT - Right-to-use Asset	<u>14,567</u>	<u>-</u>	<u>-</u>	<u>14,567</u>
Total depreciable assets	<u>54,297,731</u>	<u>7,058,177</u>	<u>-</u>	<u>61,355,908</u>
Accumulated depreciation and amortization:				
Utility Plant In Service	(29,366,782)	(1,084,510)	-	(30,451,292)
Structures	-	(9,278)	-	(9,278)
Vehicles	(1,745,646)	(46,185)	-	(1,791,831)
Machinery and Equipment	(9,357)	(9,379)	-	(18,736)
Computer System	(560,554)	(70,036)	-	(630,590)
Office Building - Right-to-use Asset	(58,653)	(140,767)	-	(199,420)
Subscription IT - Right-to-use Asset	<u>(2,428)</u>	<u>(4,856)</u>	<u>-</u>	<u>(7,284)</u>
Total accumulated depreciation and amortization	<u>(31,743,420)</u>	<u>(1,365,011)</u>	<u>-</u>	<u>(33,108,431)</u>
Total depreciable assets, net	<u>22,554,311</u>	<u>5,693,166</u>	<u>-</u>	<u>28,247,477</u>
Total capital assets, net	<u>\$ 31,942,206</u>			<u>37,728,150</u>

Major changes to capital assets in 2024 consisted primarily of additions of \$7,373,081 in additions to construction-in-progress, \$6,978,005 in upgrades to utility plant in service assets, \$61,172 in additions to structures, and \$19,000 in upgrades to machinery and equipment. Major deletions include \$7,280,303 in transfers from construction in progress to depreciable assets. Of the \$7,280,303, \$302,298 was abandoned and expensed.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(5) Capital Assets

Changes in capital assets for the year ended June 30, 2023 were as follows:

	As Restated 2022	Category Reclass	Additions	Deletions/ Transfers	As Restated 2023
Non-depreciable assets:					
Land	\$ 1,045,264	-	-	-	1,045,264
Construction-in-process	7,263,249	-	2,513,712	(1,434,330)	8,342,631
Total non-depreciable assets	8,308,513	-	2,513,712	(1,434,330)	9,387,895
Depreciable assets:					
Utility Plant In Service	50,675,999	(333,254)	923,116	(183,868)	51,081,993
Vehicles	1,791,206	-	41,152	-	1,832,358
Machinery and Equipment	-	343,941	246,952	-	590,893
Computer System	507,072	(10,687)	-	-	496,385
Office Building - Right-to-use Asset	-	-	281,535	-	281,535
Subscription IT - Right-to-use Asset	-	-	14,567	-	14,567
Total depreciable assets	52,974,277	-	1,507,322	(183,868)	54,297,731
Accumulated depreciation and amortization:					
Utility Plant In Service	(28,653,658)	219,540	(896,992)	183,868	(29,366,782)
Vehicles	(1,685,086)	-	(60,560)	-	(1,745,646)
Machinery and Equipment	-	(301,277)	(9,357)	-	(9,357)
Computer System	(528,383)	81,737	(32,171)	-	(560,554)
Office Building - Right-to-use Asset	-	-	(58,653)	-	(58,653)
Subscription IT - Right-to-use Asset	-	-	(2,428)	-	(2,428)
Total accumulated depreciation and amortization	(30,867,127)	-	(1,060,161)	183,868	(31,743,420)
Total depreciable assets, net	22,107,150	-	447,161	-	22,554,311
Total capital assets, net	\$ 30,415,663				31,942,206

Major changes to capital assets in 2023 consisted primarily of additions of \$2,513,712 in additions to construction-in-progress, \$923,116 in upgrades to utility plant in service assets, \$246,952 in upgrades to machinery and equipment, \$41,152 in upgrades to vehicle assets, \$281,535 in leased office building, and \$14,567 in leased software was added during the implementation of GASB 96. Major deletions include \$1,434,330 in transfers from construction in progress to depreciable assets and \$183,868 in disposal of utility plant in service assets.

(5) Compensated Absences

Changes to compensated absences for the year ended June 30, 2024 were as follows:

	Balance 2023	Earned	Taken	Balance 2024	Due Within One Year	Due in More Than One Year
\$	198,259	230,246	(186,998)	241,507	181,130	60,377

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(5) Compensated Absences, continued

Changes to compensated absences for the year ended June 30, 2023 were as follows:

As Restated			Balance	Due Within	Due in More
2022	Earned	Taken	2023	One Year	Than One Year
\$ 276,750	53,619	(132,110)	198,259	148,694	49,565

(6) Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2024 were as follows:

	Balance	Additions	Principal	Balance	Current	Long-term
	2023		Payments	2024	Portion	Portion
Long-term debt:						
Lease and SBITA payable:						
Old County Road – office building lease \$	224,522	-	(139,706)	84,816	84,816	-
ESRI subscription arrangement	9,567	-	(4,713)	4,854	4,854	-
Subtotal lease and SBITA payable	234,089	-	(144,419)	89,670	89,670	-
Bond payable:						
2016 Certificates of Participation	16,385,000	-	(420,000)	15,965,000	435,000	15,530,000
Add: Unamortized premium	732,510	-	(31,282)	701,228	-	701,228
Subtotal bond payable	17,117,510	-	(451,282)	16,666,228	435,000	16,231,228
Total long-term debt \$	17,351,599	-	(595,701)	16,755,898	524,670	16,231,228

Changes in long-term debt amounts for the year ended June 30, 2023 were as follows:

	Balance	Additions	Principal	Balance	Current	Long-term
	2022		Payments	2023	Portion	Portion
Long-term debt:						
Lease and SBITA payable:						
Old County Road – office building lease \$	-	281,535	(57,013)	224,522	139,706	84,816
ESRI subscription arrangement	-	14,567	(5,000)	9,567	4,713	4,854
Subtotal lease and SBITA payable	-	296,102	(62,013)	234,089	144,419	89,670
Bond payable:						
2016 Certificates of Participation	16,790,000	-	(405,000)	16,385,000	420,000	15,965,000
Add: Unamortized premium	763,792	-	(31,282)	732,510	-	732,510
Subtotal bond payable	17,553,792	-	(436,282)	17,117,510	420,000	16,697,510
Total long-term debt \$	17,553,792	296,102	(498,295)	17,351,599	564,419	16,787,180

Old County Road – Office Building Lease

On January 24, 2023, the District entered into an agreement with Swedcom Corporation, to lease office space for the purpose of the District’s administrative office operations. Terms of the agreement commenced on February 1, 2023, maturing on January 31, 2025, with base rent due monthly at \$11,908 per month for the entire lease term.

Following the provisions set forth by *GASB Statement No. 87*, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.00%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(6) Long-term Debt, continued

Old County Road – Office Building Lease, continued

Annual lease payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$	84,816	850	85,666
Total		84,816	850	85,666
Current		(84,816)		
Non-current	\$	-		

ESRI Software – Subscription Lease

On October 26, 2022, the District entered into an agreement with ESRI to lease geographic information system software for the purpose of mapping of the District's infrastructure. Terms of the agreement commenced on December 9, 2022, for a period of three years, with payments due annually at \$5,000 per year for the entire lease term.

Following the provisions set forth by GASB Statement No. 96, the District has recorded a right-to-use asset and a lease payable at present value with an implicit rate of 3.00%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Annual lease payments are as follows:

<u>Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$	4,854	146	5,000
Total		4,854	146	5,000
Current		(4,854)		
Non-current	\$	-		

2016 Series Certificates of Participation

On December 1, 2016, the District issued \$18,570,000 of 2016 Series Certificates of Participation. The Bonds purpose is to finance the acquisition and construction of certain improvements and facilities which constitute part of the District's water system infrastructure. Under terms of the Installment Sale Agreement Contract associated with the Bonds, the District makes principal and interest payments that are paid on a semiannual basis by the District to the holders of the Bonds. Interest is payable on December 1st and June 1st of each year, and principal is payable June 1st of each year commencing December 1, 2017, with an interest rate of 4.00%. The Bonds are scheduled to mature on December 1, 2046. The rate covenants of the Installment Purchase Contract require that net revenues of the District for each fiscal year be equal to at least 130% of the annual debt service payments required for that fiscal year.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(6) Long-term Debt, continued

Future principal and interest obligations on the note as of June 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 435,000	629,900	1,064,900
2026	455,000	612,100	1,067,100
2027	470,000	593,600	1,063,600
2028	490,000	574,400	1,064,400
2029	510,000	554,400	1,064,400
2030-2034	2,870,000	2,443,000	5,313,000
2035-2039	3,495,000	1,808,500	5,303,500
2040-2044	4,255,000	1,036,100	5,291,100
2045-2047	2,985,000	182,300	3,167,300
Total	15,965,000	<u>8,434,300</u>	<u>24,399,300</u>
Premium	701,228		
Current	<u>(435,000)</u>		
Non-current	\$ <u>16,231,228</u>		

(7) Other Post-employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. The Plan is a single employer defined benefit OPEB plan administered by the District. The District participates in the Public Agency Retirement Services Trust Program (PARS), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. The reporting requirements for these benefit programs as they pertain to the District are set forth on the following page.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(7) Other Post-employment Benefits (OPEB) Plan, continued

Benefits Provided

Medical, dental, and vision coverage is provided through the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). Eligibility requirements vary by employee classification and date of hire.

To be eligible for retiree health benefits, an employee must retire from the District on or after age 50 with at least 15 years of continuous service. Tier 1 (hired prior to June 27, 2008): 100% of the medical, dental, and vision premiums paid by the District for the lifetime of the retiree and the retiree's partner, and surviving partner. Tier 2 (hired between June 27, 2008 and September 26, 2014): 100% of the medical, dental, and vision premiums paid by the District for the lifetime of the retiree only. Tier 3 (hired on or after September 26, 2014): 50% of the medical, dental, and vision premiums paid by the District for the lifetime of the retiree only. Spousal support is not provided for Tiers 2 and 3. The District makes an HSA contribution of \$1,500 per year for single retirees under Tiers 1 and 2 and an additional \$1,500 per year for married retirees under Tier 1 until age 65. Tier 3 employees and retirees are not eligible for this benefit. Effective for retirements on or after January 1, 2017, the District's contribution is limited to the premium for the Consumer Driven Health Plan, with the retiree paying the cost of a more expensive plan if selected. Retirees under Tier 1 and Tier 2 with fewer than 20 years of service at retirement have benefits permanently reduced by 25%, that is, the District will contribute 75% of the amounts described above. The District's General Managers become eligible for 100% District-paid benefits, for the lifetime of the retiree only, after completion of 7.5 years of service with the District.

Employees Covered by Benefit Terms

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

	<u>2024</u>	<u>2023</u>
Active plan members	15	17
Retiree's receiving benefit payments	<u>9</u>	<u>7</u>
Total Plan membership	<u><u>24</u></u>	<u><u>24</u></u>

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays its share of the cost of health and vision insurance for retirees and dental insurance under any group plan offered by ACWA-JPIA, subject to certain restrictions as determined by the District.

No contributions were made for the fiscal years ending June 30, 2024 and 2023, respectively.

Net OPEB Liability

As of the fiscal year ended June 30, the District reported its net OPEB asset as follows:

	<u>2024</u>	<u>2023</u>
Net OPEB asset	\$ <u>(660,560)</u>	<u>(135,246)</u>
Total employer paid contributor	\$ <u><u>(660,560)</u></u>	<u><u>(135,246)</u></u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(7) Other Post-employment Benefits (OPEB) Plan, continued

Net OPEB Liability, continued

The District's net OPEB liability was measured as of June 30, 2024 and 2023, and the total OPEB liability used to calculate the net OPEB liability were determined by the actuarial valuation date as of June 30, 2022 and 2021, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Changes in the Net OPEB Liability

Changes in the net OPEB liability as of June 30, were as follows:

	June 30, 2024			June 30, 2023		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB (Asset)	Total OPEB Liability	Fiduciary Net Position	Net OPEB (Asset)
Balance at beginning of year	\$ 3,495,503	3,630,749	(135,246)	\$ 3,304,226	3,473,591	(169,365)
Changes for the year:						
Service cost	67,746	-	67,746	98,315	-	98,315
Interest	174,020	-	174,020	184,652	-	184,652
Benefit payments	(87,835)	(87,835)	-	(91,690)	(91,690)	-
Difference between expected and actual experience	(379,862)	-	(379,862)	-	-	-
Change in assumptions	23,937	-	23,937	-	-	-
Employer contributions	-	18,129	(18,129)	-	12,033	(12,033)
Net investment income	-	414,608	(414,608)	-	257,075	(257,075)
Administrative expenses	-	(21,582)	21,582	-	(20,260)	20,260
Net change	(201,994)	323,320	(525,314)	191,277	157,158	34,119
Balance at end of year	\$ 3,293,509	3,954,069	(660,560)	\$ 3,495,503	3,630,749	(135,246)

Changes in Assumptions

During the measurement period, the inflation rate was reduced from 2.50 to 2.30 percent, salary increases were reduced from 3.00 percent, to 2.80 percent, and the healthcare cost trend rate increased from 5.20 percent for 2023 through 2024 to 5.00 percent for 2024 through 2034.

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

For the fiscal years ended June 30, 2024 and 2023, the District recognized OPEB income of \$73,334 and OPEB expense of \$56,501, respectively.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(6) Other Post-employment Benefits (OPEB) Plan, continued

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

At June 30, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	(578,615)	45,779	(128,950)
Differences between expected and actual experience	43,453	(103,159)	-	(338,378)
Net differences between expected and actual return on investments	303,068	(274,527)	245,620	-
Total	<u>\$ 346,521</u>	<u>(956,301)</u>	<u>291,399</u>	<u>(467,328)</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30:	Net Deferred Outflows/ (Inflows) of Resources
2025	\$ (125,843)
2026	(28,805)
2027	(179,726)
2028	(170,131)
2029	(50,130)
Thereafter	<u>(55,145)</u>
Total	<u>\$ (609,780)</u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(7) Other Post-employment Benefits (OPEB) Plan, continued

Actuarial Assumptions

The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2024 – 2.30 percent 2023 – 2.50 percent
Salary increases	2024 – 2.80 percent, average, including inflation 2023 – 3.00 percent, average, including inflation
Discount rate	2024 – 5.50 percent 2023 – 5.50 percent
Healthcare cost trend rates	2024 – 5.50 percent for 2024 through 2034; 4.50 percent for 2035 through 2074; and 4.00 percent for 2075 and beyond. 2023 – 5.20 percent for 2023 through 2034; 5.00 percent for 2035 through 2049; 4.50 percent for 2050 through 2064; and 4.00 percent for 2065 and beyond.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of the most recent applicable experience study and a review of plan experience during the period July 1, 2023 to June 30, 2024.

Discount Rate

GASB 75 requires the use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources.

OPEB plans with irrevocable trust accounts can utilize a discount rate equal to the long-term expected rate of return to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the OPEB plan assets are expected to be invested using a strategy to achieve that return.

To determine if the OPEB plan assets are sufficient, a calculation of the projected fiduciary net position and the amount of projected benefit payments is compared in each period. When OPEB plan assets are determined to not be sufficient, a blended rate is calculated.

For OPEB plans that do not have irrevocable trust accounts, GASB 75 requires a discount rate equal to the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The District has an irrevocable trust account for prefunding OPEB liabilities. Plan assets are expected to be sufficient. The discount rate used to measure the total OPEB liability is equal to the long-term expected rate of return.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(7) Other Post-employment Benefits (OPEB) Plan, continued

Discount Rate, continued

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The table below provides the long-term expected real rates of return by asset class.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return</u>
Broad U.S. Equity	50.0%	5.30%
U.S. Fixed	50.0%	0.09%
Total	<u>100%</u>	

As of June 30, 2024, the discount rate used to measure the net OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the retirees' benefits. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following tables present the District's net OPEB liability calculated using the discount rate, as well as what the District's net 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 rate.

At June 30, 2024, the discount rate comparison are the following:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate 5.50%</u>	<u>Discount Rate + 1%</u>
Net OPEB asset \$	<u>(181,029)</u>	<u>(660,560)</u>	<u>(1,052,354)</u>

At June 30, 2023, the discount rate comparison are the following:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate 5.50%</u>	<u>Discount Rate + 1%</u>
Net OPEB (asset) liability \$	<u>383,368</u>	<u>(135,246)</u>	<u>(559,914)</u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(7) Other Post-employment Benefits (OPEB) Plan, continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

At June 30, 2024, the healthcare cost trend rate comparison was the following:

		Healthcare Cost Trend Rates	
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB asset	\$ <u>(1,110,337)</u>	<u>(660,560)</u>	<u>(99,431)</u>

At June 30, 2023, the healthcare cost trend rate comparison was the following:

		Healthcare Cost Trend Rates	
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB (asset) liability	\$ <u>(663,647)</u>	<u>(135,246)</u>	<u>529,725</u>

See pages 55 and 56 for the Required Supplementary Information.

(8) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the District's 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.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(8) Defined Benefit Pension Plan, continued

Benefits Provided

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 each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 (New Classic) Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. Employees hired after January 1, 2013, and have not previously participated in a CalPERS plan are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA. New employees that have previously participated in the Classic Plan are eligible for the District's CalPERS 2.0% at 55 Retirement Plan.

The Plan's provisions and benefits in effect at June 30 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years 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 2.5%	1.0% to 2.5%
2024:		
Required employee contribution rates	6.92%	7.75%
Required employer contribution rates	11.84%	7.68%
2023:		
Required employee contribution rates	6.92%	6.75%
Required employer contribution rates	10.32%	7.47%

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(8) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to 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 Plan 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. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions for the Plan were as follows:

		<u>2024</u>	<u>2023</u>
Contributions – employer	\$	<u>195,804</u>	<u>196,490</u>

Net Pension Liability

As of the fiscal year ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan was as follows:

		<u>2024</u>	<u>2023</u>
Miscellaneous Plan	\$	<u>555,222</u>	<u>271,173</u>

The District's net pension liability for the PERF C is measured as the proportionate share of the net pension liability for the miscellaneous pool. As of June 30, 2024 and 2023, the net pension liability of the Plan is measured as of June 30, 2023 and 2022 (the measurement dates), respectively. The total pension liability for the PERF C's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021 (valuation dates), rolled forward to June 30, 2023 and 2022, respectively, 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 change in the proportionate share of the net pension liability as of the fiscal years ended June 30, were as follows:

	<u>2024</u>	<u>2023</u>
Proportion – beginning of year	0.00235%	-0.02508%
Proportion – end of year	<u>0.00445%</u>	<u>0.00235%</u>
Change – Increase (Decrease)	<u>0.00210%</u>	<u>0.02743%</u>

Pension Expense and Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2024 and 2023, the District recognized pension expense of \$619,078 and \$2,063,801, respectively.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(8) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	June 30, 2024		June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 195,804	-	196,490	-
Differences between actual and expected experience	23,964	-	1,798	-
Change in assumptions	33,521	-	27,787	-
Net difference between projected and actual earnings on plan investments	89,895	-	49,672	-
Differences between actual contribution and proportionate share of contribution	299,404	(356,333)	729,123	(265,137)
Net adjustment due to differences in proportions of net pension liability	<u>670,945</u>	<u>(238,402)</u>	<u>893,756</u>	<u>(578,978)</u>
Total	\$ <u>1,313,533</u>	<u>(594,735)</u>	<u>1,898,626</u>	<u>(844,115)</u>

As of June 30 2024 and 2023, the District reported \$195,804 and \$196,490, respectively, as deferred outflows of resources related to contributions subsequent to the measurement dates. Pension contributions subsequent to the measurement date for the year ended June 30, 2024, will be recognized as a reduction of the net pension liability for the year ended June 30, 2025. Pension contributions subsequent to the measurement date for the year ended June 30, 2023, were recognized as a reduction of the net pension liability for the year ended June 30, 2024.

At June 30, 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2025	\$ 310,109
2026	164,557
2027	45,749
2028	<u>2,579</u>
Total	\$ <u>522,994</u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(8) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation report was determined using the following actuarial assumptions:

Valuation dates	June 30, 2022 and 2021
Measurement dates	June 30, 2023 and 2022
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	2024 - 6.90% 2023 - 6.90%
Inflation	2024 - 2.30% 2023 - 2.30%
Salary increases	Varies by entry age and service
Investment rate of return	6.90% Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' membership data for all funds
Period upon which actuarial Experience Survey assumption were based	2024 – 1997-2015 2023 – 1997-2015
Post retirement benefit	2024 & 2023 – Contract COLA up to 2.30% until Purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. 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 for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(8) Defined Benefit Pension Plan, continued

Long-term Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

As of June 30, 2024, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	New Strategic Allocation	Real Return Years 1–10*
Global Equity - Cap-weighted	30.00 %	4.45 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	-5.00	-0.59
Total	100.00 %	

* An expected inflation of 2.30% used for this period

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

The table above presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension 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 rate.

At June 30, 2024 the discount rate comparison was the following:

	Discount Rate - 1% 5.90%	Current Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension liability (asset) \$	2,105,769	555,222	(721,011)

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(8) Defined Benefit Pension Plan, continued

At June 30, 2023 the discount rate comparison was the following:

		Discount Rate - 1% 5.90%	Prior Discount Rate 6.90%	Discount Rate + 1% 7.90%
District's net pension (asset)	\$	<u>1,711,831</u>	<u>271,173</u>	<u>(914,132)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See pages 57 and 58 for the Required Supplementary Information.

(9) Net Investment in Capital Assets

Calculation of net investment in capital assets as of June 30 were as follows:

	2024	As Restated 2023
Capital assets:		
Capital assets – not being depreciated	\$ 9,480,673	9,387,895
Capital assets, net – being depreciated or amortized	28,247,477	22,554,311
Unspent capital project proceeds	-	4,984,088
Current:		
Leases and SBITAs payable	(89,670)	(144,419)
Bonds payable	(435,000)	(420,000)
Non-current:		
Leases and SBITAs payable	-	(89,670)
Bonds payable	<u>(16,231,228)</u>	<u>(16,697,510)</u>
Total net investment in capital assets	<u>\$ 20,972,252</u>	<u>19,574,695</u>

(10) Restricted Net Position

Calculation of restricted net position as of June 30 was as follows:

	2024	As Restated 2023
Project funds –Bank of New York	\$ -	4,984,088
Retirement funds –PARS	<u>528,881</u>	<u>475,779</u>
Total restricted net position	<u>\$ 528,881</u>	<u>5,459,867</u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(11) Unrestricted Net Position

Unrestricted net position as of June 30 were categorized as follows:

	<u>2024</u>	<u>As Restated 2023</u>
Non-spendable net position:		
Prepaid expenses and other deposits	\$ 209,173	143,876
Total non-spendable net position	<u>209,173</u>	<u>143,876</u>
Spendable net position are as follows:		
Unrestricted	<u>17,684,579</u>	<u>13,264,633</u>
Total spendable net position	<u>17,684,579</u>	<u>13,264,633</u>
Total unrestricted net position	<u>\$ 17,893,752</u>	<u>13,408,509</u>
Total net position	<u>\$ 39,394,885</u>	<u>38,443,071</u>

(12) Adjustments to Net Position

In fiscal year 2024, the District identified a prior year misstatement relating to the prior year reported balances in the June 30, 2023 financial statements. Below is a summary of the identified misstatements:

During the fiscal year, it was identified that the reported construction-in-progress balance did not include amounts which should have been recorded in construction-in-progress and accrued for in accounts payable at fiscal year-end. As a result, construction in progress and accounts payable were understated in the amount \$81,326.

In fiscal year 2023, the District identified several prior year misstatements relating to the prior year reported balances in the June 30, 2022 financial statements. Below is a summary of the identified misstatements:

During the fiscal year, it was identified that the prior year reported investment balance for the District's Local Agency Investment Fund (LAIF) balance did not include the fair market value adjustment which is required under Generally Accepted Accounting Principles. As a result, cash and cash equivalents were overstated in the amount \$175,533.

During the fiscal year, it was identified that the prior year reported receivable balance was not adjusted for unbilled receivables related to the fiscal year end. As a result, accounts receivable was understated in the amount \$934,660.

During the fiscal year, it was identified that the prior year reported lease receivables balance as incorrect due to errors identified in the calculation. As a result, lease receivables were understated in the amount \$21,651.

During the fiscal year, it was identified that the reported construction-in-progress balance did not include amounts which should have been recorded in construction-in-progress and accrued for in accounts payable at fiscal year-end. As a result, construction in progress and accounts payable were understated in the amount \$434,740.

During the fiscal year, it was identified that the prior year reported compensated absences included amounts which should not have been included as part of the liability balance based on the District's Vacation and Sick Leave policy. As a result, compensated absences were overstated by \$44,504.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(12) Adjustments to Net Position, continued

During the fiscal year, it was identified that the prior year reported pension related deferred outflows of resources and deferred inflows of resources contained material errors in the calculation of pension amounts. As a result, pension deferred outflows of resources and deferred inflows of resources were understated by \$1,311,069 and \$126,329, respectively.

As a result of the identified misstatements, the District recorded has recorded prior period adjustments to restate net position as of June 30, 2022.

In fiscal year 2024, the adjustments to net position were as follows:

Net position at June 30, 2022	\$ 38,365,333
Effect of adjustment for 2023 to record construction in-progress	81,326
Effect of adjustment for 2023 to record payable for construction-in-progress	<u>(81,326)</u>
Total adjustments to net position	-
Change in net position at June 30, 2023, as previously stated	<u>77,738</u>
Net position at June 30, 2023, as restated	<u><u>\$ 38,443,071</u></u>

In fiscal year 2023, the adjustments to net position were as follows:

Net position at June 30, 2021	\$ 32,039,704
Effect of adjustment for 2022 to record fair market value for Local Agency Investment Fund	(175,533)
Effect of adjustment for 2022 calculation of unbilled accounts receivable related to water sales	934,660
Effect of adjustment for 2022 calculation of lease receivables related to GASB 87	21,651
Effect of adjustment to record construction-in-progress project activity in 2022	434,740
Effect of adjustment for 2022 to pension related related deferred outflows of resources	1,311,069
Effect of adjustment to record June 30, 2022 payable related to construction-in-progress project activity	(434,740)
Effect of adjustment for 2022 calculation of eligible sick leave accrual related to compensated absences	44,504
Effect of adjustment for 2022 calculation of pension related deferred inflows of resources	<u>(126,329)</u>
Total adjustments to net position	2,010,022
Change in net position at June 30, 2022, as previously stated	<u>4,315,607</u>
Net position at June 30, 2022, as restated	<u><u>\$ 38,365,333</u></u>

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(13) Other District Sponsored Retirement Plan

Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (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. The assets are held with MissionSquare Retirement 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 total market value of all plan assets held in trust at June 30, 2024 and 2023, were \$872,627 and \$884,599, respectively.

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 statements of net position.

(14) Section 115 Trust

In fiscal year 2022, the District's Board approved the creation of a Section 115 Trust Agreement with the Public Agency Retirement Services (PARS), Trustee and Trust Administrator. The Section 115 Trust was established as a means to set aside monies to fund the District's pension plan obligation. Contributions to the Section 115 Trust are irrevocable, the assets are dedicated to providing benefits to plan members, and the assets are protected from creditors of the District. The purpose of the creation of the Section 115 Trust was to address the District's pension obligations by accumulating assets to reduce the net pension liability. However, in accordance with generally accepted accounting principles, the assets in the Section 115 Trust are not considered to have present service capacity as plan assets and are therefore considered restricted assets of the District rather than pension plan assets. Accordingly, the Section 115 Trust's assets are recorded as restricted for pension benefits in the District's fund net position rather than assets of the pension plan during the measurement date of the net pension liability. The assets held in trust will be considered pension plan assets at the time they are transferred out of the Trust into the pension plan.

During the fiscal year ended June 30, 2024, the District deposited \$0 into the Trust. During the fiscal year ended June 30, 2024, the Trust earned \$55,967 in interest income and incurred \$2,865 in bank fees. The Trust account balance on June 30, 2023, amounted to \$528,881.

During the fiscal year ended June 30, 2023, the District deposited \$0 into the Trust. During the fiscal year ended June 30, 2023, the Trust earned \$14,397 in interest income and incurred \$226 in bank fees. The Trust account balance on June 30, 2023, amounted to \$475,779.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(15) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2024, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

- General and auto liability, public officials and employees' errors and omissions: The ACWA/JPIAs total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$50 million for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.

In addition, the District also has the following insurance coverage:

- Crime coverage up to \$1,100,000, which includes District excess coverage of \$100,000, per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer and funds transfer fraud coverage's, subject to \$1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$500 million per loss, subject to a \$5,000 deductible per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to \$1,000 deductible per loss.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Cyber liability: including cyber-security up to \$3,000,000 per member maximum limit, subject to a \$2,000,000 limit maximum per member. Cyber liability deductible is \$100,000 per incident.
- Workers' compensation coverage up to California statutory limits for all work-related injuries/illnesses covered by California law; a pooled self-insured limit of \$2,000,000. The ACWA/JPIA purchased additional excess coverage layer: \$2,000,000 employer's liability.

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 June 30, 2024, 2023 and 2022. 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 June 30, 2024, 2023, and 2022, respectively.

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2024 that have effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 101, continued

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – *Certain Risk Disclosures*. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

Mid-Peninsula Water District
Notes to the Basic Financial Statements, continued
For the Fiscal Years Ended June 30, 2024 and 2023

(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 104

In September 2024, the GASB issued Statement No. 104 – Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. Also, this Statement establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(17) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water and wastewater 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 capital contributions.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(18) Subsequent Events

2025 Certificates of Participation Bonds

On April 1, 2025, the District entered into an installment sale agreement with The Bank of New York Mellon in the amount \$33,100,000 for the purpose of finance the acquisition and construction of certain improvements and facilities which constitute part of the municipal water system. Terms of the agreement call for semi-annual principal and interest payments payable on June 1st and December 1st each year at an interest rate ranging from 4.125% to 4.250%, commencing on June 1, 2025, and maturing in fiscal year 2047.

Management is not aware of any other events or transactions, including estimates that provide additional evidence about conditions which existed after June 30, 2024, which require disclosure as of April 24, 2025, which is the date the financial statements were available to be issued.

< Page Intentionally Left Blank >

Required Supplementary Information

Mid-Peninsula Water District
Schedules of Changes in the District's Net OPEB Liability and Related Ratios
As of June 30, 2024
Last Ten Years*

Fiscal year ending	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability							
Service cost	\$ 67,746	98,315	95,451	89,496	86,889	103,576	100,557
Interest	174,020	184,652	174,549	194,087	185,027	170,863	162,026
Differences in expected and actual experience	(379,862)	-	(386,217)	(3,676)	(182,016)	-	-
Changes in assumptions	23,937	-	(180,532)	-	137,343	-	-
Benefit payments	(87,835)	(91,690)	(86,733)	(66,803)	(63,015)	(139,440)	(63,392)
Actuary valuation adjustment	-	-	-	-	-	-	-
Net change in total OPEB liability	(201,994)	191,277	(383,482)	213,104	164,228	134,999	199,191
Total OPEB liability – beginning	3,497,503	3,306,226	3,689,708	3,476,604	3,312,376	3,177,377	2,978,186
Total OPEB liability – ending	\$ 3,295,509	3,497,503	3,306,226	3,689,708	3,476,604	3,312,376	3,177,377
Plan fiduciary net position							
Contributions employer	\$ 18,129	12,033	86,733	749,216	63,015	1,264,440	599,502
Net investment income	414,608	257,075	(513,767)	616,363	102,367	171,926	39,388
Benefit payments	(87,835)	(91,690)	(86,733)	(66,803)	(63,015)	(139,440)	(65,392)
Administrative expense	(21,582)	(20,260)	(23,319)	(17,760)	(14,193)	(5,038)	(2,698)
Actuary valuation adjustment	-	-	-	-	-	253	2,000
Net change in plan fiduciary net position	323,320	157,158	(537,086)	1,281,016	88,174	1,292,004	572,684
Plan fiduciary net position – beginning	3,632,749	3,475,591	4,012,677	2,731,661	2,643,487	1,351,483	778,799
Plan fiduciary net position – ending	\$ 3,956,069	3,632,749	3,475,591	4,012,677	2,731,661	2,643,487	1,351,483
Net OPEB (asset) liability – ending	\$ (660,560)	(135,246)	(169,365)	(322,969)	744,943	668,889	1,825,894
Covered payroll	\$ 2,348,687	2,493,837	2,173,535	2,131,467	2,069,385	1,677,384	1,695,877
Net OPEB (asset) liability as a percentage of covered payroll	-28.12%	-5.42%	-7.79%	-15.15%	36.00%	39.88%	107.67%

Notes to Schedule

Valuation dates	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Methods and assumptions used to determine contribution rates:							
Single and agent employers	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value	Market value
Inflation	2.30%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary increases	2.80%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Mortality, retirement, disability							
Termination	(4)	(4)	(4)	(3)	(3)	(2)	(2)
Other information	(6)	(6)	(6)	(5)	(5)	N/A	N/A

- (1) Level percentage of payroll, closed
- (2) Pre-retirement mortality based on RP-2014 Employee Mortality Tables, Post-retirement mortality rates based on RP-2014 Health Annuitant Mortality Table
- (3) CalPERS 1997-2015 Experience Study
- (4) CalPERS 2000-2019 Experience Study
- (5) Mortality projected fully generational with Scale MP-2019
- (6) Mortality projected fully generational with Scale MP-2021

*The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Mid-Peninsula Water District
Schedules of OPEB Plan Contributions
As of June 30, 2024
Last Ten Years*

Fiscal year ending	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ -	-	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	<u>(18,129)</u>	<u>(12,033)</u>	<u>(86,733)</u>	<u>(66,803)</u>	<u>(63,015)</u>	<u>(139,440)</u>	<u>(65,392)</u>
Contribution deficiency (excess)	\$ <u>(18,129)</u>	<u>(12,033)</u>	<u>(86,733)</u>	<u>(66,803)</u>	<u>(63,015)</u>	<u>(139,440)</u>	<u>(65,392)</u>
Covered payroll	\$ <u>2,348,687</u>	<u>2,493,837</u>	<u>2,173,535</u>	<u>2,131,467</u>	<u>2,069,385</u>	<u>1,677,384</u>	<u>1,695,877</u>
Contribution's as a percentage of covered payroll	<u>0.77%</u>	<u>0.48%</u>	<u>3.99%</u>	<u>3.13%</u>	<u>3.05%</u>	<u>8.31%</u>	<u>3.86%</u>

*The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Mid-Peninsula Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2024
Last Ten Years

Measurement dates	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.00445%	0.00235%	-0.02508%	0.01601%	-0.00185%	0.03991%	0.04031%	0.03995%	0.04059%	0.04525%
District's proportionate share of the net pension liability (asset)	\$ 555,222	271,173	(1,356,634)	(11,893)	(74,271)	1,503,970	1,588,940	1,387,977	1,113,540	1,118,234
District's covered payroll	\$ 1,720,615	1,787,222	1,672,922	1,649,407	1,582,623	1,519,722	1,489,649	1,299,254	1,144,064	1,143,034
District's proportionate share of the net pension liability as a percentage of its covered payroll	32.27%	15.17%	-81.09%	-0.72%	-4.69%	98.96%	106.67%	106.83%	97.33%	97.83%
District's fiduciary net position as a percentage of the District's total pension liability	95.16%	97.43%	114.72%	83.28%	83.84%	84.37%	82.04%	80.93%	79.23%	81.15%

Notes to schedule:

Benefits changes:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that long-term expected rate of return should be determined net of pension plan investment expense but without reduction of 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:

The inflation rate was reduced from 2.75% to 2.50%.

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

There were no changes in assumptions.

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

There were no changes in assumptions.

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

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

The inflation rate was reduced from 2.50% to 2.30%.

From fiscal year June 30, 2023 to June 30, 2024:

There were no changes in assumptions.

Mid-Peninsula Water District
Schedules of Pension Plan Contributions
As of June 30, 2024
Last Ten Years

Fiscal year ending	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 202,864	189,308	170,713	298,100	313,615	266,231	244,660	213,992	189,429	186,823
Contributions in relation to the actuarially determined contribution	(202,864)	(189,308)	(170,713)	(298,100)	(313,615)	(266,231)	(244,660)	(213,992)	(189,429)	(186,823)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,857,561	1,720,615	1,787,222	1,672,922	1,649,407	1,582,623	1,519,722	1,489,649	1,299,254	1,178,386
Contribution's as a percentage of covered payroll	10.92%	11.00%	9.55%	17.82%	19.01%	16.82%	16.10%	14.37%	14.58%	15.85%
Notes to schedule:										
Valuation dates	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value	Market value	Market value	Market value	15 year Smoothed Market Method
Inflation	2.300%	2.300%	2.500%	2.500%	2.625%	2.750%	2.750%	2.750%	2.750%	2.750%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	6.90% (3)	7.150% (3)	7.000% (3)	7.250% (3)	7.375% (3)	7.500% (3)	7.500% (3)	7.500% (3)	7.500% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation'

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

Report on Internal Controls and Compliance



Christopher J. Brown, CPA, CGMA
Jonathan Abadesco, CPA
Jeffrey Palmer

C.J. Brown & Company CPAs

An Accountancy Corporation

Cypress Office:
10805 Holder Street, Suite 150
Cypress, California 90630
(657) 214-2307

Riverside Office:
5051 Canyon Crest Drive, Suite 203
Riverside, California 92507
(657) 214-2307

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Mid-Peninsula Water District
Belmont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mid-Peninsula Water District (District) as of and for the year ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated April 24, 2025.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
April 24, 2025