MID-PENINSULA WATER DISTRICT

BOARD FINANCE COMMITTEE MEETING
THURSDAY, OCTOBER 8, 2020 – 2:00PM

DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED AS A TELECONFERENCE PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDERS N-25-20 AND N-29-20, WHICH SUSPEND CERTAIN REQUIREMENTS OF THE RALPH M. BROWN ACT.

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON.

Committee Directors, staff and the public may participate remotely.

Public comment may be submitted via email to the District Secretary, Candy Pina, at candyp@midpeninsulawater.org. Please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the committee Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in correspondence that will be provided to the full Board.

Meeting Link: https://global.gotomeeting.com/join/417631341
Dial by Telephone: 1-866-899-4679 (United States)
Access Code: 417-631-341

AGENDA

1. **Call to Order**
   A. Roll Call

2. **Public Comment**
   If you wish to address the Committee, please follow the directions at the top of the agenda. If you have anything that you wish distributed to the Committee and included for the official record, please include it in your email. Comments that require a response may be deferred for staff reply.

3. **Audit Exit Conference with David Becker, CPA, of James Marta & Company, regarding MPWD Financial Audit for FYE June 30, 2020**

4. **Discuss DRAFT Updated MPWD Miscellaneous Fee Schedule**

5. **Discuss Scenarios for Refunding Certificates of Participation (Cinderella) Series 2020 to be Utilized by MPWD's Placement Agent Brandis Tallman for Request for Proposal to Investment Banks, and Scenarios for Potential Issuance of New Debt to Finance the Capital Improvement Program**

6. **Discuss MPWD Cash Reserves and Financial Planning Options**

7. **Adjournment**

This agenda was posted at the Mid-Peninsula Water District's office, 3 Dairy Lane, in Belmont, California, and on its website at www.midpeninsulawater.org.

ACCESSIBLE PUBLIC MEETINGS
Upon request, the Mid-Peninsula Water District will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation (including auxiliary aids or services), to enable individuals with disabilities to participate in public meetings and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested. Requests should be sent to the District Secretary at (650) 591-8941 or candyp@midpennsulawater.org. Requests must be received at least two days before the meeting. Requests will be granted whenever possible and resolved in favor of accessibility.

MID-PENINSULA WATER DISTRICT

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

FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

701 HOWE AVENUE, E3
SACRAMENTO, CA

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MID-PENINSULA WATER DISTRICT

BOARD OF DIRECTORS

JUNE 30, 2020

Name	Office	Term Expires November
Matthew Zucca	President	2020
Brian Schmidt	Vice President	2022
Dave Warden	Director	2022
Louis Vella	Director	2020
Kirk Wheeler	Director	2022

ADMINISTRATION

Tammy Rudock
General Manager

MID-PENINSULA WATER DISTRICT

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mid-Peninsula Water District
Belmont, California

Report on the Financial Statements

We have audited the accompanying Statement of Net Position of Mid-Peninsula Water District (the District) as of June 30, 2020 and 2019 and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the years then ended and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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www.jpmcpa.com dbecker@jpmcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mid-Peninsula Water District as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions and Schedule of Changes in the Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE on our consideration of Mid-Peninsula Water District's internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mid-Peninsula Water District's internal control over financial reporting and compliance.

DRAFT

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
DATE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MID-PENINSULA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALSYS

JUNE 30, 2020

This section of the Mid-Peninsula Water District's ("District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. It should be reviewed in conjunction with the District's basic financial statements for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- The District's Net Position increased by $3,423,144 (14%) during the fiscal year ended June 30, 2020.
- The District's operating revenues increased from the previous year by $1,441,031 (11%).
- Non-operating revenues decreased from the previous year by -$130,677 (-10%).
- Operating expenses increased by $681,253 (6%).
- Non-Operating expenses decreased by -$14,150 (-2%).

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

USING THIS ANNUAL REPORT

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

Required Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT

MID-PENINSULA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALSYS

JUNE 30, 2020

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

Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2018
Current and Other Assets	$ 9,646,952	$ 5,765,142	$ 3,881,810	67%	$ 8,391,384
Restricted cash with fiscal agent	11,702,873	14,459,680	(2,756,807)	-19%	16,540,967
Net pension asset	74,271	-	74,271	0%	-
Capital Assets, Net	26,715,591	24,395,038	2,320,553	10%	20,657,271
Total Assets	48,139,687	44,619,860	3,519,827	8%	45,589,622
Deferred Outflows of Resources	721,495	2,226,591	(1,505,096)	-68%	1,210,080
Current and Other Liabilities	1,744,488	1,496,903	247,585	17%	2,665,025
Long-Term Liabilities	18,279,127	20,040,903	(1,761,776)	-9%	24,277,414
Total Liabilities	20,023,615	21,537,806	(1,514,191)	-7%	26,942,439
Deferred Inflows of Resources	1,071,617	965,839	105,778	11%	959,375
Net Investment in Capital Assets	20,868,464	20,284,718	583,746	3%	20,657,271
Unrestricted Net Position	6,897,486	4,058,088	2,839,398	70%	905,642
Total Net Position	$ 27,765,950	$ 24,342,806	$ 3,423,144	14%	$ 21,562,913

The District's net position at fiscal year end June 30, 2020 increased $3,423,144 (14%) when compared to fiscal year end June 30, 2019. Factors contributing to this increase are mainly due to Construction in Progress totaling an increase of $1,997,810 (85%); Utility Plant in Service which includes Water Main Replacements, Pressure Regulation Station Capital Project, and New and Upgraded Meter Services totaling an increase of $1,294,589 (3%), and Vehicle & Computer System Upgrades totaling $76,266 (17%).

MID-PENINSULA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALSYS

JUNE 30, 2020

Changes in Net Position

Changes in the District's net position between fiscal year end June 30, 2020, and fiscal year end June 30, 2019, can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2020	June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2018
Operating Revenue	$ 14,883,161	$ 13,442,130	$ 1,441,031	11%	$ 12,853,697
Non-Operating Revenue	1,140,598	1,271,275	(130,677)	-10%	1,336,084
Total Revenues	16,023,759	14,713,405	1,310,354	9%	14,189,781
Operating Expenses	11,923,897	11,242,644	681,253	6%	10,872,601
Non-Operating Expenses	676,718	690,868	(14,150)	0%	704,552
Total Expenses	12,600,615	11,933,512	667,103	6%	11,577,153
Change in Net Position	3,423,144	2,779,893	643,251	23%	2,612,628
Net Position, Beginning	24,342,806	21,562,913	2,779,893	13%	18,950,285
Net Position, Ending	$ 27,765,950	$ 24,342,806	$ 3,423,144	14%	$ 21,562,913

The District's Operating Revenues increased by $1,441,031 (11%) due to various factors: Water Commodity Charges increased by $1,413,354 (15%); Fixed System Charges increased by $254,914 (9%); Service Line & Installation Charges increased by $91,858 (770%) due to New Service connections and Upgrades; Miscellaneous Operating Revenue decreased by -$24,363 (-100%); and Water System Capacity Charges decreased by -$267,219 (-41%).

The District's Non-Operating Revenues decreased by -$130,677 (-10%) due to various factors: Lease of Physical Property increased by $80,995 (53%); Property Tax Revenue increased by $19,891 (5%); Contributed Capital decreased by -$99,324 (-33%); LAIF and COP Funds Interest Revenue decreased by -$131,265 (-30%) due to the investment market volatility as a result of the COVID-19 pandemic.

The District's Operating Expenses increased by $681,253 (6%) due to various factors: Salaries and Benefits increased by $180,450 (7%) due to salary equity adjustments and merit increases; Maintenance & Rehabilitation increased by $130,788 (32%); Purchased Water increased by $284,802 (5%); and Depreciation increased by $109,728 (12%).

The District's Non-Operating Expenses decreased by -$14,150 (-2%) due to one factor: Debt Service Interest decreased by -$14,150 (-2%).

MID-PENINSULA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALSYS

JUNE 30, 2020

2016 COP CIP DEBT ISSUANCE

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

The annual payments required to amortize the Certificates of Participation outstanding as of June 30, 2019, are as follows, which includes a reference to interest payments made based on the Official Statement Schedule (OSS):

Year Ended June 30:	Principal	Interest	Total
2017	$ -	$ 330,133	$ 330,133
2018	315,000	736,500	1,051,500
2019	345,000	723,300	1,068,300
2020	360,000	709,200	1,069,200
Total Payments Made to Date	**1,020,000**	**2,499,133**	**3,519,133**
2021	375,000	694,500	1,069,500
2022	385,000	679,300	1,064,300
2023	405,000	663,500	1,068,500
2024	420,000	647,000	1,067,000
2025-2029	2,360,000	2,964,400	5,324,400
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
Remaining Payments	$ 17,550,000	$ 11,118,600	$ 28,668,600

BUDGETARY HIGHLIGHTS

In its commitment to fiscal responsibility, the District timely adopted an annual budget for Fiscal Year 2019/2020 on June 27, 2019 per Resolutions #2019-12 and #2019-13 that projected revenues and expenditures for operations and capital improvements. The Fiscal Year 2019/2020 Operating and Capital Budgets were reviewed at mid-year and amended on February 27, 2020 per Resolution #2020-02.

MID-PENINSULA WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALSYS

JUNE 30, 2020

CAPITAL ASSETS

During the fiscal year ended June 30, 2020, the District had $26,715,591 (net of accumulated depreciation) invested in capital assets. The following table is presented below to illustrate changes from the prior year:

	June 30, 2020	June 30, 2019	Amount Increase (Decrease)	Percent Increase (Decrease)	June 30, 2018
Land	$ 1,045,264	$ 1,045,264	$ -	0%	$ 1,045,264
Construction in Progress	4,345,242	2,347,432	1,997,810	85%	3,865,728
Utility Plant in Service	48,440,406	47,145,817	1,294,589	3%	41,163,223
Vehicles	1,718,138	1,711,727	6,411	0%	1,505,117
Computer System	496,386	426,531	69,855	16%	421,288
Capital Asset at Cost	56,045,436	52,676,771	3,368,665	6%	48,000,620
Less Accumulated Depreciation	(29,329,845)	(28,281,733)	1,048,112	4%	(27,343,349)
Capital Assets, Net	$ 26,715,591	$ 24,395,038	$ 2,320,553	10%	$ 20,657,271

RATES AND OTHER ECONOMIC FACTORS

The District is governed in part by provisions of the State Water Resources Control Board that require rate-based revenues must cover the costs of Operations, Maintenance and Repairs (OM&R) and capital improvement projects. The District is not subject to general economic conditions such as increases or reductions in property tax values or other types of revenues, such as sales taxes, that vary with economic conditions. Accordingly, the District sets its rates to its users to cover the costs of OM&R, capital improvement projects, plus any increments for known or anticipated changes in program costs. The MPWD is undertaking a Water Rate Study and Long-Term Financial Plan in Fiscal Year 2020/2021.

REQUESTS FOR FINANCIAL INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

MID-PENINSULA WATER DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 7,977,332	$ 4,357,722
Accounts receivables	1,441,842	1,206,156
Prepaid expenses and other assets	227,778	201,264
Total Current Assets	9,646,952	5,765,142
Restricted cash with fiscal agent (Note 2)	11,702,873	14,459,680
Net pension asset (Note 5)	74,271	-
Capital assets, net (Note 3)	26,715,591	24,395,038
TOTAL ASSETS	48,139,687	44,619,860
Deferred Outflows of Resources:		
OPEB related (Note 7)	156,867	12,382
Pension related (Note 5)	564,628	2,214,209
Total Deferred Outflows	721,495	2,226,591
LIABILITIES		
Current Liabilities		
Accounts payable	1,053,269	422,846
Accrued expenses	316,219	714,057
Current portion of long-term debt (Note 4)	375,000	360,000
Total Current Liabilities	1,744,488	1,496,903
Long-Term Liabilities		
Certificates of Participation (Note 4)	17,175,000	17,550,000
Net pension liability (Note 5)	-	1,503,970
Net OPEB liability (Note 7)	744,943	668,889
Compensated absences	359,184	318,044
TOTAL LIABILITIES	20,023,615	21,537,806
Deferred Inflows of Resources:		
Pension related (Note 5)	65,217	70,382
OPEB related (Note 7)	180,045	37,820
Original issue premium	826,355	857,637
Total Deferred Inflows	1,071,617	965,839
NET POSITION		
Net investment in capital assets	20,868,464	20,284,718
Unrestricted	6,897,486	4,058,088
TOTAL NET POSITION	$ 27,765,950	$ 24,342,806

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

MID-PENINSULA WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Water service charges	$ 14,669,447	$ 13,170,928
Other revenue	213,714	271,202
Total Operating Revenues	14,883,161	13,442,130
OPERATING EXPENSES		
Salaries and benefits	2,903,078	2,722,423
Maintenance and rehabilitation	543,617	412,829
Purchased water	5,866,091	5,581,289
Utilities	334,459	304,832
Professional services	479,370	522,511
Administrative and other	749,170	760,376
Depreciation	1,048,112	938,384
Total Operating Expenses	11,923,897	11,242,644
OPERATING INCOME (LOSS)	2,959,264	2,199,486
NON-OPERATING REVENUES (EXPENSES)		
Rent	233,920	152,926
Property taxes	400,400	380,509
Amortization of COP premium	31,282	31,282
Debt service interest	(708,000)	(722,150)
Interest income	305,838	438,076
Capital contributions	200,440	299,764
Total Non-Operating Revenues (Expenses)	463,880	580,407
CHANGE IN NET POSITION	3,423,144	2,779,893
NET POSITION, BEGINNING OF YEAR	24,342,806	21,562,913
NET POSITION, END OF YEAR	$ 27,765,950	$ 24,342,806

MID-PENINSULA WATER DISTRICT

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities		
Reciepts from customers and users	$ 14,433,761	$ 13,221,584
Other operating revenue	213,714	271,202
Payments to suppliers	(7,766,636)	(8,749,285)
Payments related to employees	(2,721,969)	(4,912,674)
Net Cash Flows Provided (Used) by Operating Activities	4,158,870	(169,173)
Cash Flows From Non-Capital Financing Activities		
Rent received	233,920	152,926
Property taxes received	400,400	380,509
Net Cash Flows Provided (Used) by Non-Capital Financing Activities	634,320	533,435
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(3,368,665)	(4,676,151)
Cash received for completed projects	200,440	299,764
Restricted cash deposited with fiscal agent	2,756,807	2,081,287
Principal paid on COP bonds	(360,000)	(345,000)
Interest paid on COP bonds	(708,000)	(722,150)
Net Cash Flows Provided (Used) by Capital & Related Activities	(1,479,418)	(3,362,250)
Cash Flows From Investing Activities		
Interest income	305,838	438,076
Net Cash Flows Provided (Used) by Investing Activities	305,838	438,076
Net Increase (Decrease) in Cash	3,619,610	(2,559,912)
Beginning Cash and Equivalents	4,357,722	6,917,634
Ending Cash, Cash Equivalents and Restricted Cash	$ 7,977,332	$ 4,357,722

MID-PENINSULA WATER DISTRICT

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019

	2020	2019
Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities		
Cash Flows from Operating Activities:		
Operating Income (Loss)	$ 2,959,264	$ 2,199,486
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided (used) by Operations:		
Depreciation	1,048,112	938,384
(Increase) Decrease in:		
Accounts receivable	(235,686)	50,656
Prepaid expenses and other assets	(26,514)	15,674
Deferred outflows	1,505,096	(1,016,511)
Increase (Decrease) in:		
Accounts payable	630,423	(481,574)
Accrued benefits	41,140	30,373
Net OPEB liability	76,054	(1,156,889)
Customer deposits	(397,838)	(701,548)
Net pension liability	(1,578,241)	(84,970)
Deferred inflows	137,060	37,746
Net Cash Provided (used) by Operating Activities	$ 4,158,870	$ (169,173)

MID-PENINSULA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

<u>Manifestations of Oversight</u>

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

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

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

<u>Accounting for Fiscal Matters</u>

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

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

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

MID-PENINSULA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

A. REPORTING ENTITY (CONTINUED)

Scope of Public Service and Financial Presentation

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

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

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

B. BASIS OF ACCOUNTING

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

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

C. CASH AND CASH EQUIVALENTS

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

D. ACCOUNTS RECEIVABLE

The District extends credit to customers in the normal course of operations. The District has not experienced any significant bad debt losses, and elects to write off the bad debt as it is identified.

E. RESTRICTED CASH

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

F. UNEARNED REVENUE

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

G. COMPENSATED ABSENCES

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

H. CAPITAL ASSETS

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

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

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

I. REVENUES

Customer water meters are read on a monthly basis. Bills are rendered and income is recognized in the period in which meters are read. The District does not accrue income for water distributed but not yet billed at the end of the year. California state law requires water districts to report capacity charges collected and spent separately from operating revenue and expense and any fees unspent at year-end are shown in a separate equity fund.

MID-PENINSULA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

J. PROPERTY TAXES

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

K. INCOME TAXES

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

L. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mid-Peninsula Water District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

MID-PENINSULA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

N. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

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

O. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

Cash and cash equivalents as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Petty cash	$ 400	$ 400
Cash drawer	200	200
Sweep account	527,454	290,389
Cash in bank	414,301	144,837
Local Agency Investment Fund	7,034,977	3,921,896
Total Cash and Cash Equivalents	$ 7,977,332	$ 4,357,722

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

2. CASH AND INVESTMENTS (Continued)

Local Agency Investment Fund

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

Credit Risk

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

Custodial Credit Risk

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

Restricted Cash With Fiscal Agent

At June 30, 2020 and 2019, funds totaling $11,702,873 and $14,459,680, respectively, were held by The Bank of New York Mellon Trust Company, N.A. in various accounts related to the Certificates of Participation issued in December 2016 for the purpose of funding certain improvements to the District's municipal water system.

MID-PENINSULA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not subject to depreciation				
Land	$ 1,045,264	$ -	$ -	$ 1,045,264
Construction in progress	2,347,432	4,222,143	2,224,333	4,345,242
Total capital assets not subject to depreciation	3,392,696	4,222,143	2,224,333	5,390,506
Capital assets being depreciated				
Utility plant in service	47,145,817	1,294,589	-	48,440,406
Vehicles	1,711,727	6,411	-	1,718,138
Computer and telephone systems	426,531	69,855	-	496,386
Total capital assets being depreciated	49,284,075	1,370,855	-	50,654,930
Less accumulated depreciation for:				
Utility plant in service	(26,476,619)	(895,665)	-	(27,372,284)
Vehicles	(1,485,387)	(77,244)	-	(1,562,631)
Computer and telephone systems	(319,727)	(75,203)	-	(394,930)
Total accumulated depreciation	(28,281,733)	(1,048,112)	-	(29,329,845)
Total capital assets, net of depreciation	$ 24,395,038	$ 4,544,886	$ 2,224,333	$ 26,715,591

Depreciation for the year's ended June 30, 2020 and 2019 was $1,048,112 and $938,384, respectively.

4. LONG-TERM LIABILITIES

<u>Summary of Long-Term Liabilities</u>

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Net OPEB Liability	$ 668,889	$ 76,054	$ -	$ 744,943	$ -
Net Pension Liability (Asset)	1,503,970	-	1,578,241	(74,271)	-
Compensated Absences	318,044	41,140	-	359,184	-
Certificates of Participation	17,910,000	-	360,000	17,550,000	375,000
	$ 20,400,903	$ 117,194	$ 1,938,241	$ 18,579,856	$ 375,000

<u>Certificates of Participation</u>

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

MID-PENINSULA WATER DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

4. LONG-TERM LIABILITIES (CONTINUED)

The annual payments required to amortize the Certificates of Participation outstanding as of June 30, 2020, are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 375,000	$ 694,500	$ 1,069,500
2022	385,000	679,300	1,064,300
2023	405,000	663,500	1,068,500
2024	420,000	647,000	1,067,000
2025	435,000	629,900	1,064,900
2026-2030	2,455,000	2,868,100	5,323,100
2031-2035	2,985,000	2,325,900	5,310,900
2036-2040	3,635,000	1,665,900	5,300,900
2041-2045	4,425,000	862,500	5,287,500
2046-2047	2,030,000	82,000	2,112,000
	$ 17,550,000	$ 11,118,600	$ 28,668,600

5. EMPLOYEE RETIREMENT PLAN

A. Plan Description

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

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

A. **Plan Description (Continued)**

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	9.680%	6.985%

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Mid-Peninsula Water District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2020 and 2019, the contributions recognized as part of pension expense for the Plan were $307,601 and $1,866,231, respectively.

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

As of June 30, 2020 and 2019, the Mid-Peninsula Water District reported net pension liabilities for its proportionate share of the net pension liability (asset) of ($74,271) and $1,503,970, respectively.

Mid-Peninsula Water District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. Mid-Peninsula Water District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2019 was as follows:

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

Proportion - June 30, 2020	0.04053%
Proportion - June 30, 2019	0.03991%
Change - Increase (Decrease)	0.00062%

For the year ended June 30, 2020 and 2019, the District recognized pension expense of \$2,071,089 and \$385,549, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 307,601	
Difference between projected and actual experience	112,727	$ 8,734
Difference between employer's contributions and proportionate share of contributions	26,973	
Change in proportion	39,933	671
Changes in assumptions	77,394	27,436
Net differences between projected and actual earnings on plan investments		28,376
Total	$ 564,628	$ 65,217

\$307,601 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	
2021	$ 168,022
2022	(109)
2023	18,163
2024	5,734
2025	-
Thereafter	-

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

June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,866,231	
Difference between projected and actual experience	57,705	$ 19,636
Changes in assumptions	171,457	42,021
Difference between employer's contributions and proportionate share of contributions.	56,625	
Change in employer's proportion	54,756	8,725
Net differences between projected and actual earnings on plan investments	7,435	
Total	$ 2,214,209	$ 70,382

$1,866,231 reported as deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the current year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	
2020	$ 200,735
2021	128,241
2022	(37,853)
2023	(13,527)
2024	-
Thereafter	-

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Mortality	Derived using CalERS' Membership Data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvement using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report based on CalPERS demographic data from 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Current Strategic Allocation (a)	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.00% used for this period
(c) An expected inflation of 2.92% used for this period

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

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

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
CalPERS Net Pension Liability	$ 2,701,400	$ 1,623,042	$ 732,934
Amounts held in PARS Trust	1,697,313	1,697,313	1,697,313
Plan's Net Pension Liability (Asset)	$ 1,004,087	$ (74,271)	$ (964,379)

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

Additional Funding – The District funded a separate pension trust account through Public Agency Retirement Services. The balance as of June 30, 2020 and 2019 was $1,753,971 and $1,697,313, respectively. The actuarially determined net pension liability does not account for this additional trust account, therefore the balance of this separate trust as of the beginning of the fiscal year is subtracted from the actuarially determined net pension liability.

C. Payable to the Pension Plan

The District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

6. DEFERRED COMPENSATION PLAN

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

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

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

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

B. Funding Policy

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

C. Benefits Provided

Depending on the employee's placement within the tiered system, the District's plan provides healthcare benefits for retirees and their dependents, or retirees only. Benefits are provided through a third-party insurer and the full cost of the benefits is covered by the plan.

D. Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitles to but not yet receiving benefit payments	-
Active employees	19
	24

E. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.00%
Investment rate of return	5.5%, net of OPEB plan investment expense
Healthcare cost trend rate	Healthcare costs were assumed to increase according to the following schedule:

FYB	Medical/Rx	Dental/Vision
2019	7.0%	4.0%
2020	6.0%	4.0%
2021+	5.0%	4.0%

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

F. Discount Rate

The long-term expected rate of return (LTROR) on OPEB plan investments of 5.50% was determined by PARS and HighMark 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The discount rate of 5.50% is based on the long-term rate of return. It was determined that the LTROR was an appropriate basis for selection of the discount rate based on the results of a cross-over test performed by the plan's actuaries, Pacific Crest Actuaries, as of the valuation date, which shows that plan assets, together with expected future contributions, will be sufficient to pay all expected future benefits.

G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	$ 3,310,376	$ 2,641,487	$ 668,889
Changes for the year:			
Service cost	86,889	-	86,889
Interest	185,027	-	185,027
Differences between expected and actual experience	(182,016)	-	(182,016)
Changes of assumptions	137,343		137,343
Contributions - employer	-	63,015	(63,015)
Net investment income	-	145,068	(145,068)
Differences between expected and actual investment income		(42,701)	42,701
Benefit payments	(63,015)	(63,015)	-
Administrative expense	-	(14,193)	14,193
Net changes	164,228	88,174	76,054
Balances at June 30, 2020	$ 3,474,604	$ 2,729,661	$ 744,943

H. Sensitivity of the Net OPEB Liability to Changes in the Discount 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 a discount rate that is 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current discount rate:

	1% Decrease (4.5%)	Discount Rate (5.5%)	1% Increase (6.5%)
Net OPEB liability (asset)	$ 1,338,158	$ 744,943	$ 269,303

I. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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 (5 percent decreasing to 4 percent) or 1-percentage-point higher (7 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	1% Decrease (6% decreasing to 4%)	Healthcare Cost Trend Rates (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Net OPEB liability (asset)	$ 206,838	$ 744,943	$ 1,428,955

J. OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separate PARS financial report issued and presented annually to the board of directors.

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

For the year ended June 30, 2020, the District recognized OPEB expense of ($335,926). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 151,680
Changes of assumptions	114,452	-
Net difference between projected and actual return on OPEB plan investments	42,415	28,365
Total	$ 156,867	$ 180,045

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

Year ended June 30	Total Deferred Outflows/(Inflows) of Resources
2021	$ (4,233)
2022	$ (4,233)
2023	$ (4,233)
2024	$ (4,233)
2025	(6,246)
Thereafter	-
Total	$ (23,178)

L. Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions payable to the plan.

8. JOINTLY GOVERNED ORGANIZATIONS

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

ACWA JPIA and BAWSCA are governed by a Board consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution or assessment commensurate with the level of coverage and services requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from ACWA JPIA and BAWSCA. Condensed information for ACWA JPIA and BAWSCA for the years ended September 30, 2019 and June 30, 2019, respectively, is as follows:

	ACWA JPIA September 30, 2019	BAWSCA June 30, 2019
Total Assets	$ 212,099,851	$ 326,913,389
Total Deferred Outflows	553,790	423,762
Total Liabilities	112,046,920	310,854,728
Total Deferred Inflows	1,672,219	70,636
Total Net Position	98,934,502	16,411,787
Total Revenues	181,825,144	31,768,964
Total Expenses	169,356,246	30,054,923
Change in Net Position	12,468,898	1,714,041

9. COMMITMENTS

<u>Purchase commitment</u>

The District entered into an agreement with the City and County of San Francisco to purchase water to be delivered to the District's customers. This is a 25 year agreement that was effective July 1, 2009 and ends on June 30, 2034. The cost of purchasing water through this agreement represented approximately 49% and 50% of the District's operating costs for the years ended June 30, 2020 and 2019, respectively.

10. LEASE REVENUES

The District contracted with five different companies to lease land for communication towers on District-owned properties. The agreements are for multiple years and require monthly payments based on the contracted amounts. Lease revenues for the years ended June 30, 2020 and 2019 totaled $233,920 and $152,926, respectively. A schedule of future lease revenues was not available as of the date of these financial statements.

11. SUBSEQUENT EVENTS

District management has evaluated its June 30, 2020 financial statements for subsequent events through DATE, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MID-PENINSULA WATER DISTRICT

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

JUNE 30, 2020

	Fiscal Year [1]					
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Proportion of the net pension liability	0.04525%	0.04059%	0.03995%	0.04031%	0.03991%	0.04053%
Proportionate share of the net pension liability 9asset)	$ 1,118,234	$ 1,113,540	$ 1,387,977	$ 1,588,940	$ 1,503,970	$ (74,271)
Covered-employee payroll [2]	$ 1,178,386	$ 1,457,920	$ 1,565,051	$ 1,628,722	$ 1,677,384	$ 1,762,962
Proportionate share of the net pension liability as percentage of covered-employee payroll	94.90%	76.38%	88.69%	97.56%	89.66%	-4.21%
Plans fiduciary net position as a percentage of the total pension liability	77.06%	79.89%	75.41%	75.41%	77.69%	77.73%
Proportionate share of aggregate employer contributions [3]	$ 101,596	$ 107,544	$ 133,318	$ 153,703	$ 170,970	$ 210,237

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

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

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

MID-PENINSULA WATER DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2020

	Fiscal Year[1]					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Actuarially Determined Contribution (2)	$ 186,823	$ 189,429	$ 213,992	$ 244,660	$ 266,231	$ 313,615
Contributions in relation to the actuarially determined contributions (2)	(186,823)	(203,461)	(204,748)	(248,731)	(1,866,231)	(307,601)
Contribution deficiencey (excess)	$ -	$ (14,032)	$ 9,244	$ (4,071)	$ (1,600,000)	$ 6,014
Covered-employee payroll (3,4)	$ 1,178,386	$ 1,457,920	$ 1,565,051	$ 1,628,722	$ 1,677,384	$ 1,762,962
Contributions as a percentage of covered-employee payroll (3)	15.85%	12.99%	13.67%	15.02%	15.87%	17.79%

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

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

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

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

MID-PENINSULA WATER DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

JUNE 30, 2020

	2018	2019	2020
Total OPEB liability			
Service cost	$ 100,557	$ 103,576	$ 86,889
Interest	162,026	170,863	185,027
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	(182,016)
Changes of assumptions	-	-	137,343
Benefit payments	(65,392)	(139,440)	(63,015)
Net change in total OPEB liability	197,191	134,999	164,228
Total OPEB liability - beginning	2,978,186	3,175,377	3,310,376
Total OPEB liability - ending (a)	$ 3,175,377	$ 3,310,376	$ 3,474,604
Plan fiduciary net position			
Contributions - employer	$ 599,502	$ 1,264,440	$ 63,015
Net investment income	39,388	171,926	145,068
Differences between expected and actual investment income	-	-	(42,701)
Benefit payments	(65,392)	(139,440)	(63,015)
Administrative expense	(2,698)	(5,038)	(14,193)
Net change in plan fiduciary net position	570,800	1,291,888	88,174
Plan fiduciary net position - beginning	778,799	1,349,599	2,641,487
Plan fiduciary net position - ending (b)	$ 1,349,599	$ 2,641,487	$ 2,729,661
District's net OPEB liability - ending (a) - (b)	$ 1,825,778	$ 668,889	$ 744,943
Plan fiduciary net position as a percentage of the total OPEB liability	43%	80%	366%
Covered-employee payroll	$ 1,695,877	$ 1,677,384	$ 2,069,385
District's net OPEB liability as a percentage of covered-employee payroll	108%	40%	36%

MID-PENINSULA WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

1. PURPOSE OF SCHEDULES

A - Schedule of District's Proportionate Share of the Net Pension Liability

Changes of Assumptions

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

B - Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

C - Schedule of the Changes in the Net OPEB Liability and Related Ratios

Benefit changes. There were no benefit changes during the year.

Change of assumptions. There was a change in the actuarial cost method from projected unit credit to entry age, level percent of pay, as required by GASB 75.

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

MID-PENINSULA WATER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

1. PURPOSE OF SCHEDULES (CONTINUED)

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of pay
Amortization period	30 years
Asset valuation method	Fair value
Healthcare cost trend rates	7.0% for 2019-20, decreasing to 5.0% for 2021-22 and after
Salary increases	3.00%
Investment rate of return	5.50%, net of OPEB plan investment expense
Retirement age	Retirement ages are based on the following table:

Age	Percent Retiring
50	2.0%
51	3.0%
52	4.0%
53	5.0%
54	6.0%
55	8.0%
56	10.0%
57	12.0%
58	14.0%
59	16.0%
60	18.0%
61	20.0%
62	21.0%
63	22.0%
64	24.0%
65	100.0%

Mortality	Pre-retirement - RP-2014 Employee Mortality, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049 and 20% of MP-2016 for 2050 and thereafter.

OTHER INDEPENDENT AUDITOR'S REPORT

James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

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

Independent Auditor's Report

Board of Directors
Mid-Peninsula Water District
Belmont, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mid-Peninsula Water District (the "District"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated DATE.

Internal Control Over Financial Reporting

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

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

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

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www.jpmcpa.com dbecker@jpmcpa.com

Compliance and Other Matters

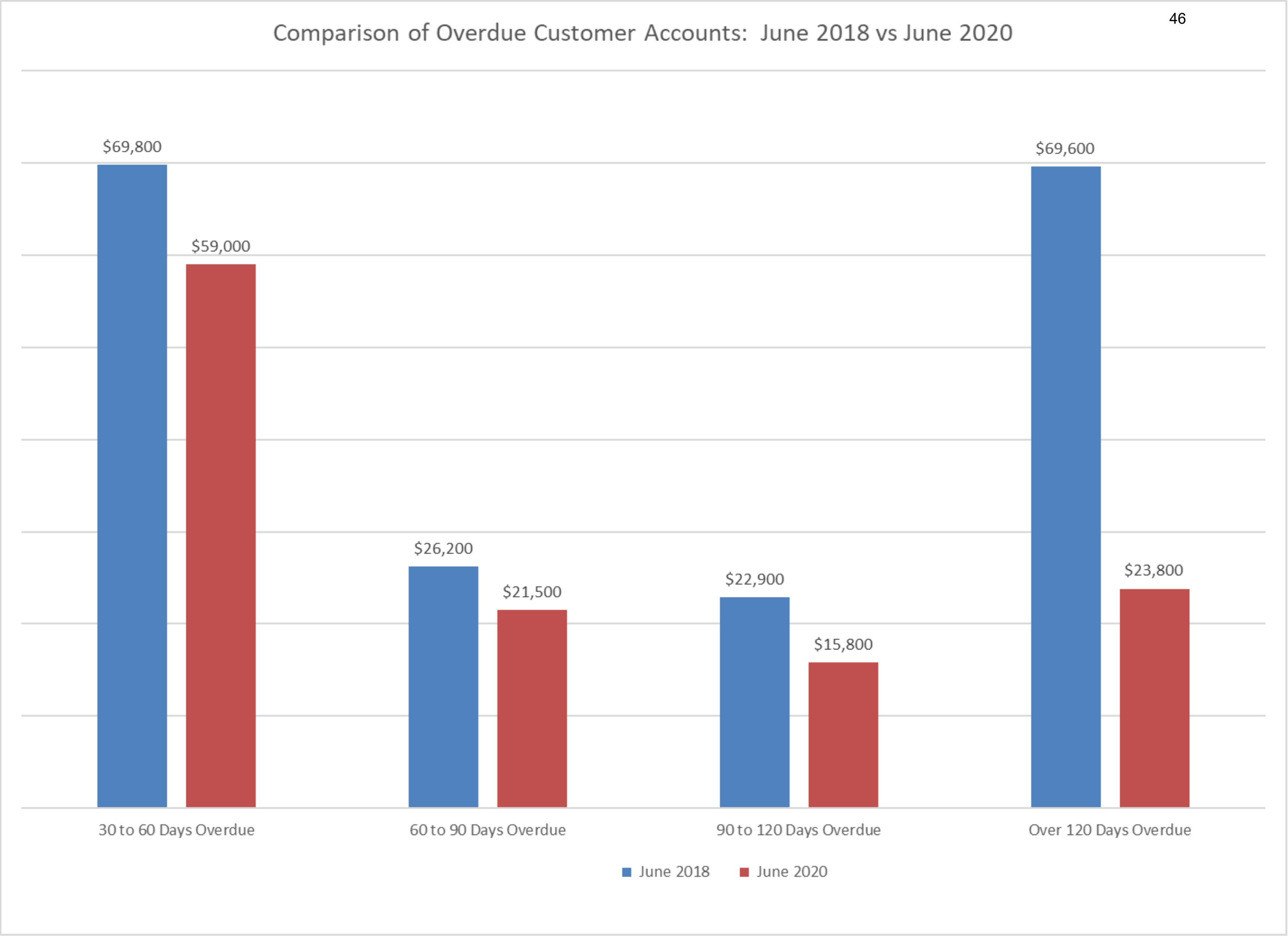
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

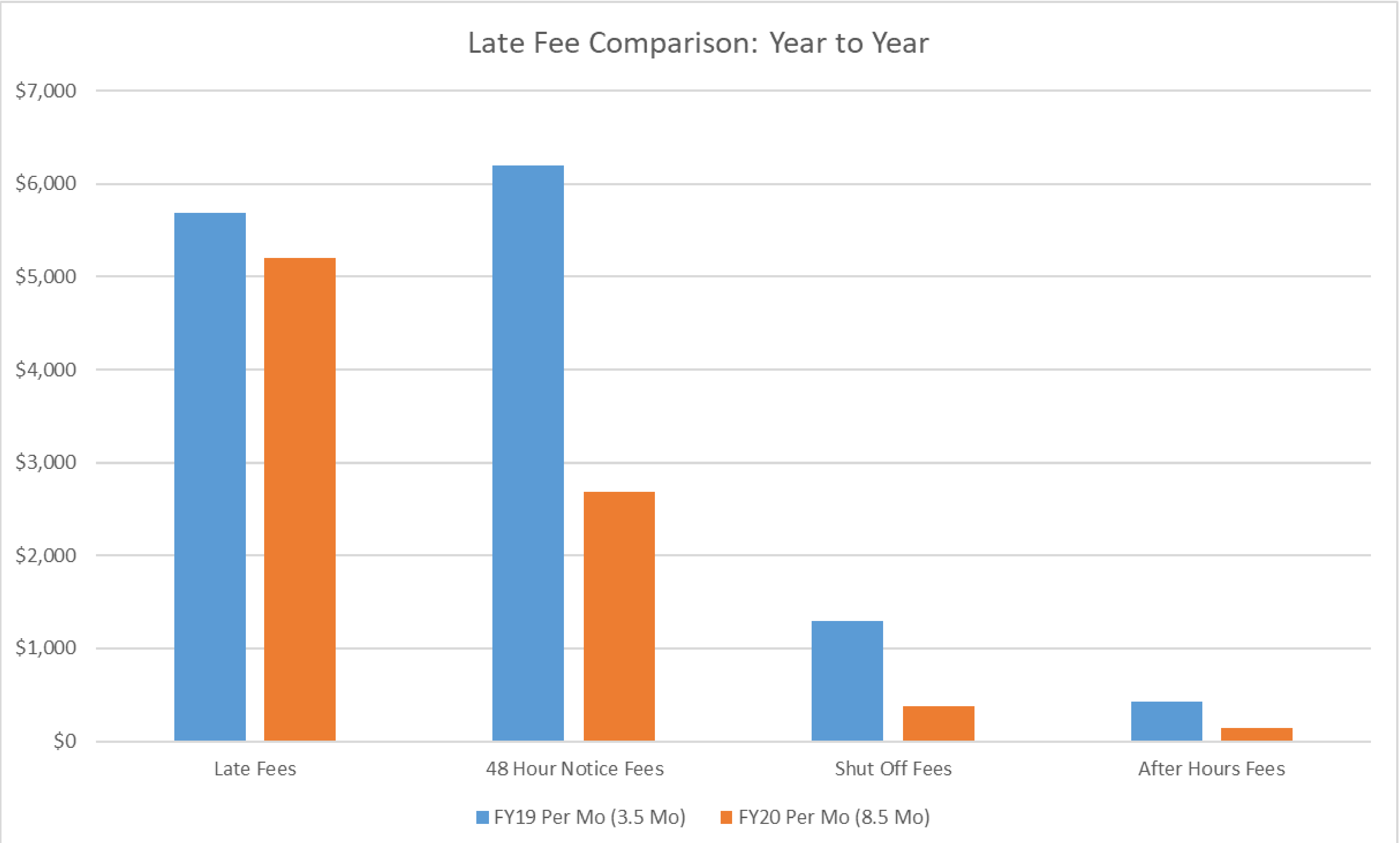
Purpose of this Report

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

DRAFT

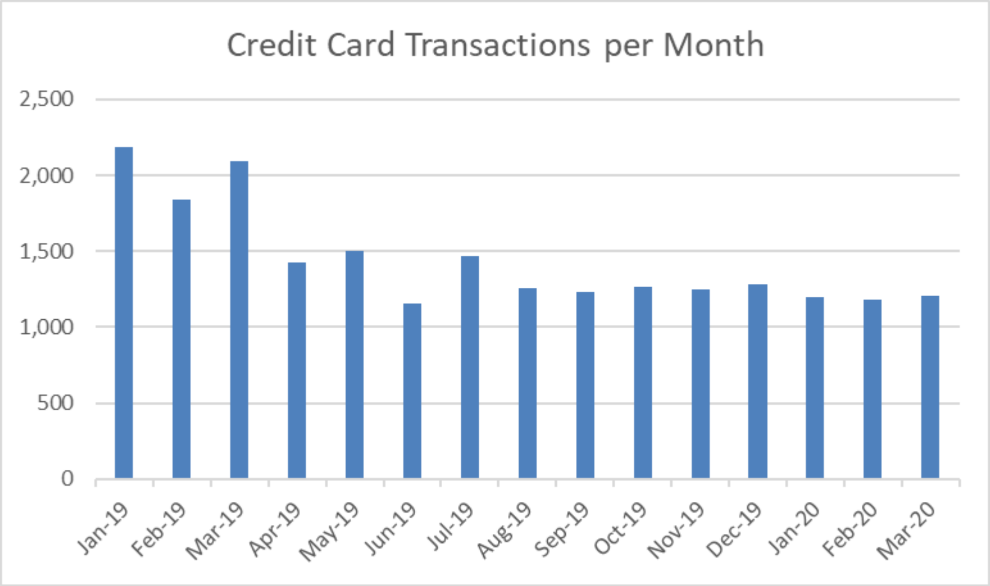
James Marta & Company LLP
Certified Public Accountants
Sacramento, California
DATE


Comparison of Overdue Customer Accounts: June 2018 vs June 2020
$69,800
$59,000
$26,200
$21,500
$22,900
$15,800
$69,600
$23,800
30 to 60 Days Overdue
60 to 90 Days Overdue
90 to 120 Days Overdue
Over 120 Days Overdue
June 2018
June 2020


Late Fee Comparison: Year to Year
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Late Fees
48 Hour Notice Fees
Shut Off Fees
After Hours Fees
FY19 Per Mo (3.5 Mo)
FY20 Per Mo (8.5 Mo)

Credit Card Usage: “The $3 charge”

- The $3 charge was implemented early 2019, then suspended (with Covid) March 2020.
- $3 charge is based on 3% of $100
- However, the average bill place on a credit card is $176
- Thus, the average cost incurred by the District is $5.28, so a loss per average transaction
- Not practical to charge a percentage rather than the fixed $3



Calculation of Hourly Rates	Direct Labor	Indirect Labor	Vehicle	Subtotal	District Overhead	Total (rounded)
Administrative Staff	$35.91	$23.45	NA	$59.36	$3.36	$63
Operations Staff (Business Hours)	$40.80	$31.21	$6.32	$78.33	$4.43	$83
Operations Staff (Off Hours)	$61.20	$31.21	$6.32	$98.73	$4.43	$103
Executive Staff	$82.78	$45.65	$4.51	$132.94	$7.52	$140
Outside Principal Engineer	→	→	→	$220.00	$12.44	$232
Outside Supporting Engineer	→	→	→	$170.00	$9.62	$180

District Overhead Cost per Dollar of District Revenue (%)		
(A) "Total Operating Revenues"	$13,442,130	(FY19 Audit, p 9)
(B) "Administration and other"	$760,376	(FY19 Audit, p 9)
Result of B/A:	6%	
Note: Subtotal in Calculation of Hourly Rates is multiplied by Result of B/A to obtain District Overhead.		

Vehicle Allocation Based on:	Hrs/d	d/wk	wk/yr	d/yr	Hrs/yr
	6	5	48	240	1,440
Note: Truck/Vehicle cost per year is divided by Hrs/yr to obtain Vehicle cost Hourly Rate					

Truck and Tools (10 years)						
Truck	$40,000					$/Yr
Tools	$10,000	Divide by 10 years of vehicle life				
Total	$50,000					$5,000
Fuel	Miles/day	d/yr	Miles/yr	Mpg	$/g	
	25	240	6,000	10	$4.00	$2,400
Maintenance and Repair						$500
Insurance						$1,200
Total Truck per year						$9,100

"Private Fire Protection" from WSO #103

2.22 Private Fire Protection Service. Water service and facilities for sprinkler systems, hydrants, hose reels and other facilities installed on private property for fire protection and available water. A monthly Private Fire Protection Service surcharge will be applied to Residential and Nonresidential accounts that have such a service to cover costs for the use of District Facilities and required annual inspections for Backflow Protection Devices.

ARTICLE 11. PRIVATE FIRE PROTECTION SERVICE

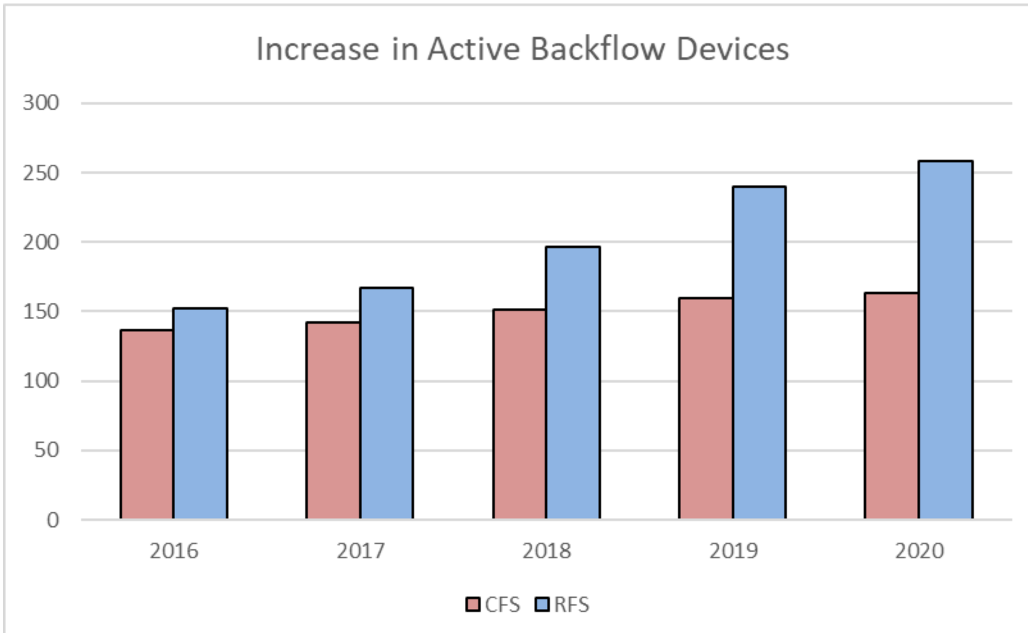
11.1 Application for Private Fire Protection Service. Applications will be made in accordance with Article 6 and include completing or updating the District's application. The applicant for new private fire protection service will pay the total actual cost of installation of the service connection from the distribution main up to the customer's premises, including a detector check meter or other suitable and equivalent device, valve and meter box. The installation shall be the property of the District.

11.2 Requirements of Private Fire Protection Service. There shall be no connections between the private fire protection system and any other water distribution system on the premises. All automatic sprinkler systems connected to the Water System shall be equipped with a backflow protection device in accordance with Section 3.5. The connection of the automatic sprinkler system to the District's facilities will be made according to District Standard Specifications and is subject to inspection by appropriate authorities.

11.3 Use. There shall be no water used through the fire protection service connection except for purposes of extinguishing accidental fires or testing the fire fighting equipment.

11.4 Monthly Surcharge. A Monthly Surcharge for Private Fire Protection will be added to the Monthly Service Charge and charged in accordance with Section IV of Attachment A, District Schedule of Rates and Fees.

Present Revenue from Private Fire Protection Service Fee				
Customer Class	Fee $/mo	Count	$/mo	$/yr
Commercial (CFS)	$6.25	163	$1,019	$12,225
Residential (RFS)	$1.25	258	$323	$3,870
		421	$1,341	$16,095



Backflow installations required on all new construction and remodels requiring fire systems. Also required on all commercial irrigation systems, approximately 70 in Belmont.

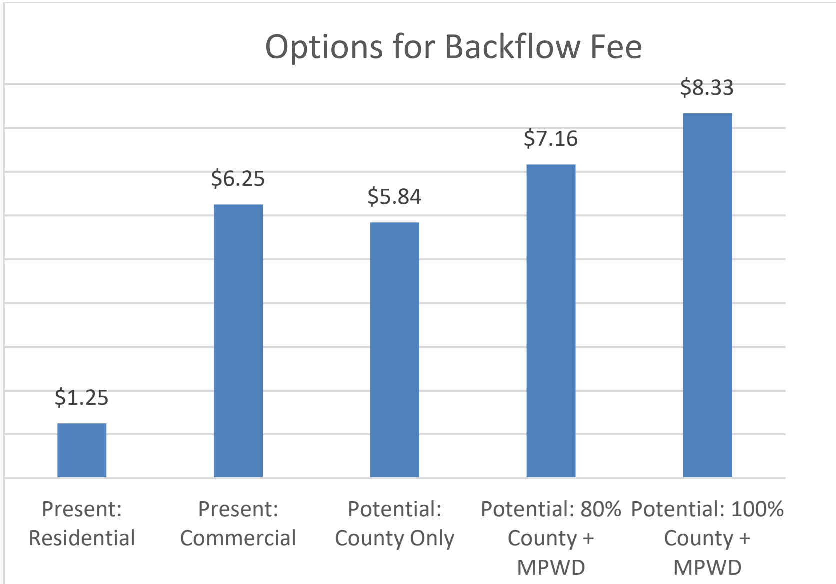
Mid-Peninsula Water District User Fee Schedule

Approved by Resolution ____________, dated ________, 2020

User Fee Item	Existing Fee	Proposed Fee	Change or New
Application for Regular or Temporary Service	Unchanged	$10.00	
Security Deposit	Unchanged	$0.00	
Payment with Credit/Debit Card	Unchanged	$3.00	
Late Payment Charge	Unchanged	$10 per month	
48 Hour Notice	Unchanged	$35.00	
Shut-off / Restore Service	Unchanged	$75.00	
After-Hours Service Call	Unchanged	$100.00	
Returned Check	Unchanged	$25.00	
Photocopies, per page	Unchanged	$0.25	
Electronic Files via USB Storage Device	Unchanged	$10 per Service	
Meter Test (Refundable if bad meter)	Unchanged	$200.00	
Fire Flow Test Report (Actual Cost)	Unchanged	$500 Deposit for Actual Cost	
Temporary Construction Water Connection: 1" Meter	Unchanged	$550 dep + Fixed Monthly + Vol	
Temporary Construction Water Connection: 3" Meter	Unchanged	$2,500 dep + Fixed Monthly + Vol	
Unauthorized Connection to Fire Hydrant	Unchanged	$1,000.00	
Unauthorized Hydrant Valve Operation	$500.00	$1,000.00	C
Commercial Plan Check Review	Unchanged	$5,000.00	
Unauthorized District Valve Operation	$500.00	$1,000.00	C
Commercial/Multi-Family/Mixed Use Plan Check Review	New	$5,000.00	N
Residential Plan Check Review (3 units or larger)	$3,000.00	Moved above	C
Landscape Plan Check Review	$400.00	$420.00	C
Private Fire Protection, monthly - Residential	$1.25	Ended	C
Private Fire Protection, monthly - Non-Residential	$6.25	Ended	C
Backflow Prevention Compliance Fee*	New	TBD	N
Labor - Administration	$60.00	Combined below	C
Labor - Operations Personnel w/Truck (Business Hours)	$76.00	Combined below	C
Labor - Operations Personnel w/Truck (Off Hours)	$95.00	Combined below	C
Equipment - Back Hoe, Dump Truck, Compressor Labor -	$113.00	Combined below	C
Executive Staff	$121.00	Combined below	C
Labor - Outside Principal Engineer	$212.00	Combined below	C
Labor - Outside Supporting Engineer	$159.00	Combined below	C
Labor, equipment, review, planning, and meeting time for projects not otherwise covered**	New	Actual Cost	N
Labor - Outside Professional Services	Unchanged	Cost + 15%	

* Previously "Private Fire Protection." This charge is for backflow devices assocated with fire systems, irrigation systems, and other services that are required by Ordinance to have a backflow device.

** Initial development meeting up to one hour is complementary


Options for Backflow Fee
$8.33
$7.16
$6.25
$5.84
$1.25
Present: Residential
Present: Commercial
Potential: County Only
Potential: 80% County + MPWD
Potential: 100% County + MPWD

Mid-Peninsula Water District
October 8, 2020 Finance Committee Meeting

Refinancing Scenarios

It has been determined that the most cost effective structure to refinance the 2016 COPs include leaving the 2020-2026 maturities (the non-callable maturities) outstanding to minimize the negative arbitrage created by the long escrow. All four scenarios below exclude the 2020-2026 maturities from the refinancing and result in a par amount of bonds of $17,901,600.

	Scenario 1:	**Scenario 2:**	**Scenario 3:**	**Scenario 4:**
Structure	Cinderella	All-taxable	Cinderella	All-taxable
Tax Status	Taxable thru 2026 Tax-exempt thereafter	Taxable to maturity	Taxable thru 2026 Tax-exempt thereafter	Taxable to maturity
Term	15-years (2035)	15-years (2035)	20-years (2040)	20-years (2040)
True Interest Cost	2.26% blended	2.82% taxable	2.61% blended	3.35% taxable
Total Debt Service*	$24,234,595	$25,130,477	$26,155,150	$27,776,625
Projected Savings	$3,708,005	$2,812,123	$1,787,450	$165,975
Projected Net Present Value	$370,291	$(926,458)	$(477,260)	$(2,038,608)

**Total Debt Service shown includes all unrefunded debt service payments on the 2016 Certificates of $2,941,600*

All figures are preliminary, estimated, and subject to change

New Money Scenarios

	Scenario A:	**Scenario B:**	**Scenario C:**	**Scenario D:**	**Scenario E:**	**Scenario F:**
New Projects Funds	$10,000,000	$10,000,000	$15,000,000	$15,000,000	$20,000,000	$20,000,000
Term	20-years (2040)	30-years (2050)	20-years (2040)	30-years (2050)	20-years (2040)	30-years (2050)
True Interest Cost	1.72% tax-exempt	2.47% tax-exempt	1.72% tax-exempt	2.47% tax-exempt	1.72% tax-exempt	2.47% tax-exempt
Total Debt Service	$12,111,000	$14,469,000	$18,010,000	$21,522,000	$23,909,000	$28,566,000
Average Annual Debt Service	$605,000	$482,000	$900,000	$718,000	$1,195,000	$951,000
Debt Service Coverage**	2.46	2.65	2.09	2.30	1.82	2.04

***Debt Service Coverage assumes that the 2016 Certificates are not refinanced*

Figures are rounded to the nearest $1,000 increment

All figures are preliminary, estimated, and subject to change

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