VALLEY OF THE MOON WATER DISTRICT

BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

VALLEY OF THE MOON WATER DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Valley of the Moon Water District
El Verano, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Valley of the Moon Water District (District) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2017, and the respective changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the District's basic financial statements as of and for the fiscal year ended June 30, 2016, and our report dated January 17, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year fiscal year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress for Post-employment Health Insurance Benefits, the Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions on pages 3–5 and 27-29 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 18, 2018, 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
April 18, 2018

Management's Discussion and Analysis

The Management's Discussion and Analysis of the Valley of The Moon Water District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read this in conjunction with the financial statements as listed in the Table of Contents.

Using This Financial Report

This annual report consists of three required financial statements. The "Statement of Net Position" is similar to a "Balance Sheet" of a private sector (commercial) entity. Assets, Liabilities, and Net Position are reported in this statement.

The "Statement of Revenues, Expenses, and Changes in Net Position" reports revenues and expenses of the District and is similar to an "Income Statement" of a commercial enterprise.

The "Statement of Cash Flows" reports what activity occurred that caused increases and decreases in cash. This is very similar to a private sector cash flow statement. Increases or decreases in cash are segregated into natural categories such as "Operating Activities", "Capital and Related Financing Activities", "Non-Capital and Related Financing Activities", and "Investing Activities".

All statements are in comparative form to facilitate comparison to last fiscal year's financial activity.

The Comparative Statement of Net Position

Condensed comparative information is as follows:

	06/30/2017	6/30/2016	$ Change
Assets & Deferred Outflow			
Current Assets	$6,712,227	$7,148,450	$ (-436,223)
Net Capital Assets	22,262,301	21,154,696	1,107,605
Other Non-Current Assets	608,942	566,526	42,416
Deferred Outflow - Pension	626,225	218,282	407,943
TOTAL ASSETS	30,209,695	29,087,954	1,121,741
Liabilities & Deferred Inflow			
Current Liabilities	665,950	636,683	29,267
Long-Term Liabilities	3,547,937	3,365,985	181,952
Deferred Inflow - Pension	397,077	162,220	234,857
TOTAL LIABILITIES	4,610,964	4,164,888	446,076
NET POSITION			
Net Investment in Capital Assets	20,786,131	19,470,212	1,315,919
Unrestricted	4,812,600	5,452,854	(-640,254)
TOTAL NET POSITION	$25,598,731	$24,923,066	$675,665

The District's primary assets are property and equipment, investments held with the State Local Agency Investment Fund (LAIF) Account and the County of Sonoma Treasury, as well as current assets such as accounts receivable and operating cash.

At the end of the fiscal year, the District had $5,712,189 in investments included in "Current Assets" shown in the table on the previous page, $1,102,108 in LAIF and $4,610,081 in the Sonoma County Investment Pool.

The Comparative Statement of Revenues, Expenses, and Changes in Net Position

Condensed financial information is as follows (for the fiscal year ended):

OPERATING REVENUES	**6/30/2017**	**6/30/2016**	**$ Change**
Sale of Water and Service Charges	$5,047,565	$4,670,049	$377,516
OPERATING EXPENSES			
Water Purchases	1,656,627	1,540,350	116,277
Plant Operating Expenses	830,699	770,318	60,381
General & Administrative Expenses	1,320,611	1,050,456	270,155
TOTAL OPERATING EXPENSES	3,807,937	3,361,124	446,813
Operating Income Before Depreciation	1,239,628	1,308,925	(-69,297)
Depreciation	793,700	792,419	1,281
OPERATING INCOME	445,928	516,506	(-70,578)
NON-OPERATING REVENUES / (EXPENSES)	54,730	1,476,629	(-1,421,899)
Net Income Before Capital Contributions	500,658	1,993,135	(-1,492,477)
Capital Contributions	175,007	660,788	(-485,781)
CHANGE IN NET POSITION	$ 675,665	$ 2,653,923	(-$1,978,258)

The District's operating revenue increased by $377,516 or 8.0% over the previous fiscal year. The District's customer base is relatively stable. Changes in the water sales revenue are primarily attributable to implementation of a four tier volumetric charge for water consumption and increased service charges.

Water purchases increased $116,013 or 7.5% from last fiscal year. The District's unit cost of water purchased from the Sonoma County Water Agency went up from $836.55 per acre-foot to $894.62 per acre-foot. This represents a 6.9% increase. The increase in water purchase costs is primarily due to weather variations and mandatory conservation promulgated by State regulators. Compared to the prior fiscal year, plant-operating expenses increased $60,381 or 7.8% and general and administrative expenses increased $270,155 or 25.7% over the prior fiscal year due to retirements and staffing changes. Included in the Statement of Revenues, Expenses, and Changes in Net Position under "Capital Contributions" are developer projects. The decrease of ($485,781) over last fiscal year is due to a decrease in developer activity.

Debt Administration

The District's long-term loan with the Westamercia Bank decreased this fiscal year to $950,002 due to the planned FY 2016-17 principal payment of $168,841. The District's long-term loan with the California Infrastructure and Economic Development Bank decreased this fiscal year to $526,168 due to the planned FY 2016-17 principal payment of $39,743. In accordance with Governmental Accounting Standards Board Statement No. 68, the District recorded a net pension liability related to the District's CalPERS pension plan. As of June 30, 2017, this liability was $2,232,821. See Notes 6 and 7 for more information on this liability.

Capital Assets

The District's total planned capital improvements over the next five fiscal years amounts to $9,272,200. Amounts for each fiscal year are given below:

Year	Amount
2017/18	$2,855,200
2018/19	1,592,000
2019/20	1,800,000
2020/21	1,560,000
2021/22	1,465,000
Total	$ 9,272,200

Scheduled projects may be extended or shortened depending on available capital funding and project needs.

Economic Outlook and Next Years' Budget and Rates

The Valley of the Moon Water District's Board of Directors adopted the fiscal year 2017-2018 budget on June 6, 2017. The budget includes the following highlights:

- Operating revenues are estimated to be $5,243,845, reflecting an increase of $238,595 over the previous fiscal year's budget.
- The operating expenses are estimated at $4,059,873, not including a transfer of $1,400,000 to the capital improvement program.
- Rate Stabilization and Capital Improvement reserves have been included and are projected to be fully funded by the end of FY 2019/20.
- The District's customer base is expected to remain stable.
- Moderate rainfall is being experienced during the winter of 17/18, which may decrease customer summer demands.

Request for additional information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. If you have any questions concerning any information provided in this report or need additional information, please contact the District office at (707) 996-1037.

Daniel Muelrath
General Manager

VALLEY OF THE MOON WATER DISTRICT
STATEMENT OF NET POSITION
June 30, 2017
With Comparative Statement as of June 30, 2016

	June 30, 2017	June 30, 2016
ASSETS		
CURRENT ASSETS		
Cash and Investments	$ 5,778,877	$ 6,285,194
Accounts Receivable	843,390	794,779
Interest Receivable	16,130	12,277
Other Receivables	1,512	
Inventory	53,454	42,292
Prepaid Expenses	18,864	13,908
TOTAL CURRENT ASSETS	6,712,227	7,148,450
NONCURRENT ASSETS		
Land	215,795	215,795
Construction in Progress	246,459	186,836
Utility, Plant & Equipment	37,686,383	35,844,701
Less-Accumulated Depreciation	(15,886,336)	(15,092,636)
TOTAL CAPITAL ASSETS, NET	22,262,301	21,154,696
OTHER NONCURRENT ASSETS		
Prepaid Post-employment Benefits	608,942	566,526
TOTAL OTHER NONCURRENT ASSETS	608,942	566,526
TOTAL ASSETS	29,583,470	28,869,672
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources - pension	626,225	218,282
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	30,209,695	29,087,954
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	358,355	334,594
Accrued Wages	35,391	28,995
Accrued Interest	38,652	44,803
Customer Deposits	7,600	9,220
Other Payables	3,492	
Long Term Liabilities, due within one year	222,460	219,071
TOTAL CURRENT LIABILITIES	665,950	636,683
LONG TERM LIABILITIES		
Due in More Than One Year	3,547,937	3,365,985
TOTAL LONG TERM LIABILITIES	3,547,937	3,365,985
TOTAL LIABILITIES	4,213,887	4,002,668
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources - pension	397,077	162,220
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,610,964	4,164,888
NET POSITION		
Net Investment in Capital Assets	20,786,131	19,470,212
Unrestricted	4,812,600	5,452,854
TOTAL NET POSITION	$ 25,598,731	$ 24,923,066

See accompanying notes to basic financial statements

VALLEY OF THE MOON WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017
With Comparative Statement for the Fiscal Year Ended June 30, 2016

	June 30, 2017	June 30, 2016
Operating Revenues		
Water Sales	$ 5,047,565	$ 4,670,049
Total Operating Revenues	5,047,565	4,670,049
Operating Expenses		
Water Purchases	1,656,627	1,540,350
Plant Operating Expenses	830,699	770,318
General and Administrative Expenses	1,320,611	1,050,456
Depreciation	793,700	792,419
Total Operating Expenses	4,601,637	4,153,543
Operating Income	445,928	516,506
Non-Operating Revenues (Expenses)		
Other Income	61,324	34,570
Insurance Proceeds		1,500,000
Interest Earned	57,423	36,404
Loss on Sale/Disposal of Capital Assets	(3,560)	(28,634)
Interest Expense	(60,457)	(65,711)
Total Non-Operating Revenues (Expenses)	54,730	1,476,629
Net Income Before Capital Contributions	500,658	1,993,135
Capital Contributions		
Capital Contributions	175,007	660,788
Total Capital Contributions	175,007	660,788
Change in Net Position	675,665	2,653,923
Total Net Position, Beginning of Fiscal Year	24,923,066	22,269,143
Total Net Position, End of Fiscal Year	$ 25,598,731	$ 24,923,066

See accompanying notes to basic financial statements

VALLEY OF THE MOON WATER DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017
With Comparative Statement for the Fiscal Year Ended June 30, 2016

	June 30, 2017	June 30, 2016
Cash Flows From Operating Activities		
Cash Received from Customers	$ 4,995,822	$ 4,433,357
Payments to Suppliers for Goods and Services	(2,782,297)	(2,452,216)
Payments to Employees and Related Items	(829,956)	(760,621)
Net Cash Flows Provided by Operating Activities	1,383,569	1,220,520
Cash Flows From Capital and Related Financing Activities		
Acquisition of Capital Assets	(1,904,865)	(617,797)
Principal Payment on Long-Term Debt	(208,314)	(200,682)
Interest Payments	(66,608)	(71,564)
Capital Contributions	175,007	660,788
Net Cash Flows (Used) by Capital and Related Financing Activities	(2,004,780)	(229,255)
Cash Flows From Non-Capital and Related Financing Activities		
Other Income	61,324	1,534,570
Net Cash Flows Provided by Non-Capital and Related Financing Activities	61,324	1,534,570
Cash Flows From Investing Activities		
Interest Income	53,570	28,537
Net Cash Flows Provided by Investing Activities	53,570	28,537
Net Increase (Decrease) in Cash and Investments	(506,317)	2,554,372
Cash and Investments, Beginning of Fiscal Year	6,285,194	3,730,822
Cash and Investments, End of Fiscal Year	$ 5,778,877	$ 6,285,194
Reconciliation of Cash and Investments to Amounts Reported on the Statement of Net Position:		
Cash and Investments	$ 5,778,877	$ 6,285,194
Reconciliation of Operating Income to Net Cash Provided by Operations:		
Operating Income	$ 445,928	$ 516,506
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	793,700	792,419
(Increase) Decrease in Other Receivables	(1,512)	43,012
(Increase) Decrease in Accounts Receivable	(48,611)	(256,144)
(Increase) Decrease in Inventory	(11,162)	2,226
(Increase) Decrease in Prepaid Expenses	(4,956)	(301)
(Increase) Decrease in Prepaid Post-employment Benefits	(42,416)	(20,131)
(Increase) Decrease in Deferred Outflows of Resources - pension	(407,943)	(90,028)
Increase (Decrease) in Accounts Payable	23,761	47,046
Increase (Decrease) in Accrued Wages	6,396	11,129
Increase (Decrease) in Customer Deposits Payable	(1,620)	(23,560)
Increase (Decrease) in Deferred Inflows of Resources - pension	234,857	(280,828)
Increase (Decrease) in Net Pension Liability	439,824	474,584
Increase (Decrease) in Compensated Absences	(46,169)	4,590
Increase (Decrease) in Other Payable	3,492	
Total Adjustments	937,641	704,014
Net Cash Provided by Operating Activities	$ 1,383,569	$ 1,220,520

See accompanying notes to basic financial statements

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Valley of the Moon Water District (District) was formed in 1960 through an election under Division 12, Section 30000 of the California State Water Code for the primary purpose of providing adequate quantities of potable water to all properties located within the District.

The District accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments, in accordance with the uniform system of accounts for water utility special enterprise districts as prescribed by the State Controller in compliance with the government code of the State of California.

B. Method of Accounting

The District follows the accrual basis of accounting. The District's policy is to record all assets, liabilities, revenues, and expenses on the accrual basis of accounting and the flow of economic resources measurement focus. Under this method, revenue is recognized when earned and expenses are recognized when the related liability is incurred. Receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

C. Budgetary Reporting

The Board of Directors adopts the budget by passage of a resolution prior to July 1st, for the new fiscal year. The general manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total appropriations must be approved by the Board of Directors.

D. Inventories

Materials, supplies, and gasoline are valued at cost using the first-in-first-out method.

E. Capital Assets

Land, structures, and improvements are recorded at cost at the time of purchase, or if constructed, at the completion of the construction. Contributed assets are recorded at their fair value at the time of transfer to the District. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Specifically, transmission and distribution mains are depreciated over 67 years; wells, springs, and tunnels over 30 years; reservoirs and tanks over 50 years; equipment over 5-25 years; meters over 20 years; and structures and improvements over 25 years.

Note 1: Summary of Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) 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 those estimates.

G. Proprietary Fund Accounting

The District has one fund which is considered a proprietary fund.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

H. Flexible Benefits Plan

The District has established a benefits plan including a Dependent Care Expense Reimbursement Plan and a Medical Care Expense Reimbursement Plan. Pre-tax premium elections under the plan are intended to qualify for the exclusion from income provided by Section 125 of the Internal Revenue Code. At present, this plan is only used for medical premiums.

I. Comparative Data

Comparative total data for the prior fiscal year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position, operations, and cash flows.

Note 1: Summary of Significant Accounting Policies (Continued)

J. Future Accounting Pronouncements

The following GASB Statements will be implemented in future financial statements:

Statement No. 75	" Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.

K. Contingent Liabilities

The District is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of District operations. To the extent the outcome of such litigation may be determined to result in financial loss to the District, in the opinion of District management, any potential liability for these actions is adequately provided for in the basic financial statements.

Note 2: Cash and Investments

Classification

The cash and investments are classified in the financial statements as shown below, based on whether or not its use is restricted under the terms of District debt instruments or District agreements.

Statement of Net Position:		
Cash and Investments	$	5,778,877

Cash and Investments as of June 30, 2017 consists of the following:		
Cash on Hand	$	500
Cash in Banks		66,188
Investments		5,712,189
Total Cash and Investments	$	5,778,877

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

The table below identifies the investment types that are authorized for the Valley of the Moon Water District (District) by 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 risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$65 million
Certificates of Deposit	N/A	None	$250,000
Sonoma County Pooled Investment Fund	N/A	None	None
Passbook Savings Accounts	N/A	None	None
U.S. Treasury Obligations	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the 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 is maturing or coming closer to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Note 2: Cash and Investments (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

		Remaining Maturity (in Months)					
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	36-48 Months	49-60 Months	More than 60 Months
State Investment Pool (LAIF)	$ 1,102,108	$ 1,102,108	$ -	$ -	$ -	$ -	$ -
Sonoma County Investment Pool	4,610,081	4,610,081					
Total	$ 5,712,189	$ 5,712,189	$ -	$ -	$ -	$ -	$ -

Disclosures Relating to 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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

				Rating as of Fiscal Year End		
Investment type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	Not Rated
State Investment Pool (LAIF)	$ 1,102,108	N/A	$ -	$ -	$ -	$ 1,102,108
Sonoma County Investment Pool	4,610,081	N/A				4,610,081
Total	$ 5,712,189		$ -	$ -	$ -	$ 5,712,189

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments (other than LAIF and Sonoma County Investment Pool).

Note 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 do 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The District had no deposits with financial institutions in excess of federal depository insurance limits as of June 30, 2017.

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 California Government Code and the District's investment policy do not contain legal or 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 Sonoma County Investment Pool).

Investment in State and County Investment Pools

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

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The District's investments are exempt from the classifications above.

Note 3: Capital Assets

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

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Capital assets, not being depreciated:					
Land	$ 215,795	$ -	$ -	$ -	$ 215,795
Construction in progress	186,836	1,834,278	(3,560)	(1,771,095)	246,459
Total capital assets, not being depreciated	402,631	1,834,278	(3,560)	(1,771,095)	462,254
Source of supply	8,401,829	9,849		744,593	9,156,271
Transmission and distribution	25,533,547	60,738		856,194	26,450,479
General plan	1,909,325			170,308	2,079,633
Total capital assets, being depreciated	35,844,701	70,587		1,771,095	37,686,383
Less Accumulated Depreciation	(15,092,636)	(793,700)			(15,886,336)
Total capital assets, being depreciated, net	20,752,065	(723,113)		1,771,095	21,800,047
Governmental activities capital assets, net	$ 21,154,696	$ 1,111,165	$ (3,560)	$ -	$ 22,262,301

Note 4: Operating Leases and Commitments

A. Pitney Bowes

The District is obligated to make lease payments for office equipment (Pitney Bowes) until July 2021. The following is a schedule by years of future minimum rental payments required under the operating lease as of June 30, 2017:

Fiscal Year Ending June 30,	Amounts
2018	$ 286
2019	286
2020	286
2021	286

B. Larbre Well Lease

The District also entered into a well lease agreement (Larbre Well Lease) whereby the District is purchasing water from the owner. The District must maintain average monthly purchases of at least $2,000 for the period of December 1 to November 30. The lease was amended in December 2009, and expired on December 1, 2014, and is now month-to-month. For the current fiscal year, $29,041 was used for purchases under this agreement and $29,453 was used for water purchases in the prior fiscal year. For the period of December 1, 2015 to November 30, 2016 the District paid $28,931.

Note 5: **Capital Improvement Program**

The District has developed a capital improvement program for water projects including water mains, wells, storage tanks, and pump stations. The list of improvements has been developed by District staff and consulting engineers. Projects have been identified from a series of annual capital improvement program updates developed by District staff from the Strategic Water Supply Plan prepared by JONWRM, from a Water Master Plan and a Water Storage Plan prepared by Brelje & Race, and from a Master Plan for Ground Water Development and Management by Luhdorff and Scalmanini. Projects are phased in over a five-year period, although this is not a rigid schedule and may be extended or shortened somewhat depending on available capital funding and project needs.

Projected capital improvements over the next five years are as follows:

Fiscal Year	Per Updated Budget 16/17
2017/2018	$ 2,855,200
2018/2019	1,592,000
2019/2020	1,800,000
2020/2021	1,560,000
2021/2022	1,465,000

Note 6: **Long-Term Debt**

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the District for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017	Due Within One Year
Certificates of participation	$ 1,118,843	$ -	$ (168,841)	$ 950,002	$ 175,595
CIEDB loan payable	565,641		(39,473)	526,168	40,724
Net pension liability	1,792,997	439,824		2,232,821	
Compensated absences	107,575	40,131	(86,300)	61,406	6,141
Long-term liabilities	$ 3,585,056	$ 479,955	$ (294,614)	$ 3,770,397	$ 222,460

The details of the long-term debt are as follows:

A. **Certificates of Participation/1999 Installment Purchase Contract**

In September 1999, the District sold a $2,833,992 Certificates of Participation Note to Sonoma Valley Bank (now Westamerica Bank) in order to finance the initial two years of the Capital Improvement Program. Total annual payments (principal and interest) are $213,638 with interest accruing at 4.00%. The note matures on September 1, 2021. During the 2010/11 fiscal year, the District renegotiated the terms of the Note to lower the interest rate from 5.25% to 4.00%.

Note 6: Long-Term Debt (Continued)

The details of the long-term debt are as follows (Continued):

A. **Certificates of Participation/1999 Installment Purchase Contract** (Continued)

The remaining debt service payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 175,595	$ 38,043	$ 213,638
2019	182,619	31,019	213,638
2020	189,923	23,715	213,638
2021	197,520	16,118	213,638
2022	204,345	8,217	212,562
	$ 950,002	$ 117,112	$ 1,067,114

B. **CIEDB Loan Payable/Enterprise Fund Installment Sale Agreement**

On June 15, 2008, the District entered into an installment sale agreement with California Infrastructure and Economic Development Bank for $810,000. Proceeds of this agreement were used for the construction portion of the Well No. 5 Replacement Project, which includes replacement of an abandoned production well, construction of a well house and security fence, and acquisition and installation of a pump, appurtenances, a filtration system, and a disinfection system. Interest accrues on the agreement at 3.17% and repayments began on February 1, 2009. The agreement matures on August 1, 2027.

The remaining debt service payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 40,724	$ 16,034	$ 56,758
2019	42,015	14,723	56,738
2020	43,347	13,369	56,716
2021	44,721	11,974	56,695
2022	46,139	10,533	56,672
2023-2027	253,581	29,418	282,999
2028	55,641	882	56,523
	$ 526,168	$ 96,933	$ 623,101

C. Compensated Absences

Included in accrued liabilities are accruals for accumulated sick leave and fully vested accumulated vacation pay. It is District policy to allow employees with greater than 15 years of service to receive 50% payment of their accumulated sick leave upon retirement, or have 100% applied to their California Public Employees Retirement System (CalPERS) retirement credit, and to pay no accumulated sick leave upon termination under other circumstances (such as employees who have less than 15 years of service). However, for employees with more than 10 consecutive years of service, those individuals can convert all unused sick leave hours to CalPERS.

Note 7: Employees Retirement Plan (Defined Benefit Pension Plan)

A. General Information about the Pension Plan

Plan Description

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

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 the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.5% @ 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% to 2.5%	1% to 2%
Required employee contribution	10.614%	6.25%
Required employer contribution	6.925%	6.553%

Contributions

Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees 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 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 fiscal 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.

The District's contributions to the Plan for the fiscal year ended was $69,788

Note 7: Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the net position liability of the Plan of $2,232,821.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. 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 plans 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, 2015 and 2016 was as follows:

Proportion - June 30, 2016	0.06430%
Proportion - June 30, 2015	0.06540%
Change - Increase (Decrease)	0.00110%

For the fiscal year ended June 30, 2017, the District recognized pension expense of $372,104. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 69,788	$ -
Changes in assumptions		(31,029)
Difference between expected and actual experience	3,280	(1,495)
Difference in actual contribution and proportionate share of contribution	83,972	(143,029)
Net differences between projected and actual earnings on pension plan investments	469,185	(221,524)
Total	$ 626,225	$ (397,077)

Note 7: Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

$69,788 reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized as pension expense as follows:

Fiscal Year Ended June 30,		
2018	$	(8,414)
2019		(15,648)
2020		123,891
2021		59,531
Total	$	159,360

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

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.300% - 14.2% (1)
Investment Rate of Return	7.65% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Protection Allowance Floor on Purchasing Power applies, 2.75 thereafter

(1) Depending on age, service, and type of employment.
(2) Net of pension plan investment expenses, including inflation.
(3) The mortality table used was developed based on CalPERS' specific data. The table incudes 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.

Note 7: Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality, and retirement rates. The experience study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions
There were no changes of assumptions.

Discount Rate
The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

Amortization of Deferred Outflows and Deferred Inflows of Resources under GASB Statement No. 68, actuarial gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

Note 7: Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings on investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments at the measurement date is to be amortized over the remaining amortization period. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2016 measurement date is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of all active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount rate -1% 6.65%	Current Discount rate 7.65%	Discount rate +1% 8.65%
Plan's net pension liability/(asset)	$ 3,276,322	$ 2,232,821	$ 1,370,419

Note 7: Employees Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

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

Note 8: Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources less liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

Note 9: Post-employment Health Insurance Benefits

Plan Description

The District provides certain health insurance benefits, in accordance with memoranda of understanding, to retired employees as detailed below:

A. PEMHCA Contribution

The District currently provides health benefits through the California Public Employee's Retirement System (CalPERS) Health Benefits Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees retiring at age 50 and greater with a minimum of 5 years CalPERS service will receive the minimum health premium annually established under the PEMHCA, currently at $128 per month and nominally increased annually by CalPERS.

B. Additional Benefit Amount Paid by the District

Employees hired before July 1, 2010, retiring at a minimum age of 50 with a minimum of 5 years of District service, 10 years CalPERS service, and retire while in District service will receive the Additional Benefit Amount, as shown below, and based on the years of service, as shown on the Table. Employees hired on or after July 1, 2010 are not eligible for the Additional Benefit Amount. However, they will be eligible for the PEMHCA Contribution, as described under Section A.

Note 9: Post-employment Health Insurance Benefits (Continued)

Retirees under the age of 65

Single – $452.68 plus 90% of the rate increase in Kaiser Rate, with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

2 Party (both under 65) – $822.20 plus 50% of the rate increase in Kaiser Rate, with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

Family (all under 65) – $1,058.23 plus 50% of the rate increase in Kaiser Rate with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

Retirees over the age of 65

Single – $253.61 plus 90% of the rate increase in Kaiser Supplement / Managed Medicare Monthly Rate with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

2 Party (both over 65) – $507.21 plus 50% of the rate increase in Kaiser Supplement / Managed Medicare Monthly Rate with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

2 Party (one over 65) – $706.28 plus 50% of the rate increase in respective Kaiser rates with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

Family (two over 65) – $760.82 plus 50% of the rate increase in Kaiser Supplement / Managed Medicare Monthly Rate with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

Family (one over 65) – $959.89 plus 50% of the rate increase in respective Kaiser rates with 2010 rate as the base, effective January 1, 2011 and annually thereafter, less PEMHCA Contribution.

Credited Years of CalPERS Service	Percentage of Additional Benefit Amount
Less than 10	0%
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20	100%

C. Retiree Contribution

Retirees shall contribute the difference between his/her CalPERS Health Premium and the District paid PEMHCA Contribution and Additional Benefit Amount.

Note 9: **Post-employment Health Insurance Benefits (Continued)**

D. Additional Requirements

In order to be eligible to receive health benefits through CalPERS upon retirement, District employees must meet the following definition of "annuitant" under CalPERS law: 1) Employees must be a member of CalPERS; 2) Employees must be enrolled in the CalPERS Health Program; and 3) Employees must retire within 120 days of separation from employment with the District and receive a monthly retirement allowance from CalPERS.

E. Dental and Vision Coverage for Retirees

The District will bear the cost of the premiums in full for dental and vision insurance coverage for each employee and dependents upon retirement, provided that the employee has a minimum of twenty (20) years of service with the District at the time of retirement.

Funding Policy

The District adopted a resolution to enter into an agreement with CalPERS to participate in the California Employer's Retiree Benefit Trust Program (CERBT). During the fiscal year 2016-17, the District contributed $0 to the CERBT to prefund the post retirement health insurance benefits for retirees. However, the District paid $130,216 for current retirees' health care benefits during the 2016-17 fiscal year.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation (asset).

Annual required contribution	$ 81,955
Interest on net OPEB obligation	(24,020)
Adjustment to annual required contribution	46,873
Annual OPEB cost (expense)	104,808
Contributions made	(130,216)
Increase in net OPEB obligation (asset)	(25,408)
Net OPEB obligation (asset), beginning of fiscal year	(583,534)
Net OPEB obligation (asset), end of fiscal year	$ (608,942)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2016-17 and the two preceding fiscal years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of OPEB Contribution	Net OPEB Obligation (Asset)
2015	$ 63,248	119.6%	$ (534,020)
2016	63,786	131.6%	(583,534)
2017	104,808	124.2%	(608,942)

Note 9: Post-employment Health Insurance Benefits (Continued)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 53.1% funded. The actuarial accrued liability for benefits was $1,850,394, and the actuarial value of assets was $982,937, resulting in an unfunded actuarial accrued liability (UAAL) of $867,457. The covered payroll (annual payroll of active employees covered by the plan) was $709,417, and the ratio of the UAAL to the covered payroll was 122.3 percent.

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

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.61 percent investment rate of return, which is the expected long-term investment returns on plan assets and an annual healthcare cost trend rate of 5.0 to 6.1 percent. The actuarial value of assets was $982,937. The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at July 1, 2015 was twenty-four years.

Note 10: Deferred Compensation Plans

The District offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees. The District matches the employees' contribution up to a maximum of $100 per month. Part-time employees are eligible for the District's match on a pro-rata basis. The Omnibus Budget Reconciliation Act of 1990 mandates social security coverage for state and local government employees who are not covered by a retirement plan. The plans permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third party administrator (AIG Valic and ING) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

Note 11: Subsequent Events

On October 3, 2017, The Board approved an agreement with Quality Painting & Maintenance, Inc. for Temelec 200,000 Gallon Water Tank Recoating Project in the amount of $165,000.

VALLEY OF THE MOON WATER DISTRICT
Required Supplementary Information
June 30, 2017

Post-employment Health Insurance Benefits

Schedule of Funding Progress

Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
7/1/2011	$ 1,372,653	$ 727,622	$ 645,031	53.0%	$ 787,171	81.9%
7/1/2013	1,391,390	832,351	559,039	59.8%	693,709	80.6%
7/1/2015	1,850,394	982,937	867,457	53.1%	709,417	122.3%

VALLEY OF THE MOON WATER DISTRICT
Required Supplementary Information
June 30, 2017

Prepared for Valley of the Moon Water District, a Cost Sharing Defined Benefit Pension Plan
As of June 30, 2017

Schedule of the District's Proportionate Share of the Plan's Net Pension Liability – Last 10 Years*

Fiscal Year End	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.06430%	0.06540%	0.02119%
Proportionate share of the net pension liability	$ 2,232,821	$ 1,792,997	$ 1,318,413
Covered employee payroll	$ 748,727	$ 709,417	$ 665,327
Proportionate Share of the net pension liability as a percentage of covered employee payroll	298.22%	252.74%	198.16%
Plan fiduciary net position as a percentage of total pension liability	71.19%	76.71%	79.82%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: In 2016, there were no changes. In 2015, the discount rate was changed from 7.5 percent (net of administrative expenses) to 7.65 percent to correct for an adjustment to excluded administrative expenses.

*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

VALLEY OF THE MOON WATER DISTRICT
Required Supplementary Information
June 30, 2017

Prepared for Valley of the Moon Water District, a Cost Sharing Defined Benefit Pension Plan As of June 30, 2017

Schedule of Contributions – Last 10 Years*

Employer Fiscal Year End	June 30, 2017	June 30, 2016	June 30, 2015
Contractual required contribution (actuarially determined)	$ 69,788	$ 132,577	$ 82,498
Contributions in relation to the actuarially determined contributions	(69,788)	(132,577)	(82,498)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	748,727	709,417	665,327
Contributions as a percentage of covered employee payroll	9.32%	18.69%	12.40%

Notes to Schedule of Plan Contributions:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2015 public agency valuation report.

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Payroll Growth	3.00%
Investment Rate of Return	7.75%, net of administrative expenses
Mortality	The mortality assumptions are based on mortality rates resulting from the CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.