



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2014

**WEST COUNTY WASTEWATER DISTRICT
RICHMOND, CA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2014**

**Prepared by:
Administrative Services Department**

**WEST COUNTY WASTEWATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

	<u>Page Number</u>
<u>Introductory Section</u>	1
Letter of Transmittal	3 – 5
CSMFO Certificate of Achievement	6
Mission Statement	7
Principal Officials and Management	8
Organization Chart	9
District Map	10
 <u>Financial Section</u>	 11
Independent Auditors' Report	13 – 14
Management's Discussion and Analysis	15 – 18
Basic Financial Statements:	19
Statement of Net Position	19
Statement of Revenues, Expenses and Changes in Net Position	20
Statement of Cash Flows	21
Notes to Financial Statements	22 – 39
 <u>Statistical Section (Unaudited)</u>	 41
Table of Contents	43
Introduction	44
Changes in Net Position and Statement of Net Position	45 – 46
Revenue by Type	47 – 48
Operating Expenses by Function	49
Major Revenue Base and Rates: Historical and Current Fees	50
Principal Revenue Sources	51
Assessed & Estimated Actual Valuation of Taxable Property	52
Property Tax & Sewer Service Charge Fees Collected	52
Debt Capacity	53
Demographic and Economic Data	54 – 57
Operating Information	58 – 59

INTRODUCTORY SECTION

The District is governed by a five-member Board of Directors elected at large for four-year over-lapping terms. The President is elected by members of the Board, customarily for a one-year term of office. Historically, the tenure of directors has generally been long, thereby enabling the District to maintain continuity and stability in policies and service. The District's affairs are administered by a General Manager who serves at the pleasure of the Board of Directors. Mr. E.J. Shalaby, the present General Manager, has been employed by the District for 10 years, serving in his present capacity since December 1, 2003.

The District's operation includes sewage collection, treatment and disposal. The District also provides contract services to neighboring communities to maintain various local government facilities. Since February 1977, the District participates in the West County Agency (WCA), a joint powers authority, with the City of Richmond's Municipal Sanitary Sewer District for the purpose of constructing and maintaining effluent and sludge disposal facilities.

The U.S. Environmental Protection Agency, the California Regional Water Quality Control Board, the California Health Services Department, as well as other regulatory agencies provide the permits and standards that the District must meet in order to collect, treat, recycle, reuse and dispose of wastewater.

LOCAL ECONOMY

The financial crisis has translated locally into an increase in foreclosed homes and significant loss of value in the housing market. According to MDA DataQuick, home sales in San Pablo remained flat in August 2014 compared to August 2013 with an increase in the median home price to \$284,500 for an increase of 26.4% (MDA DataQuick).

The District saw minimal permit activity for the fiscal year ended June 30, 2014. The majority of permits issued were due to the District's ordinance requiring repair or replacement of defective building sewers and sewer laterals upon sale of property.

The District's Board of Directors maintains sound fiscal policies and closely monitors expenses. The District's annual Sewer Service Charge of \$347 per single family residence for Fiscal Year 2013/14 remains one of the lowest among neighboring Bay Area sanitary sewer providers and below the average annual charge.

LONG TERM PLANNING

Sewer service charges are the main source of revenue for the District. The District does not fund depreciation expense through operating revenues. The District has established various reserves as follows: Rate Stabilization, Operating, Insurance, Catastrophic Insurance and Capital Improvement and Replacement Reserves. The District's Board of Directors reviews reserve levels annually to determine whether the levels established provide for the financial security required of a fiscally responsible local government.

A portion of the annual sewer use charges, interest revenues and all property taxes are utilized to fund capital asset additions and replacements. The District completed a 20-Year Comprehensive Master Plan and adopted a Five-Year Capital Improvement Plan with \$100 million in identified projects. The District is working with the State Water Resources Control Board to borrow sufficient funds to cover \$75 million of the identified projects.

RELEVANT FINANCIAL POLICIES

A utility or other enterprise government agency is a self-supporting operation of a commercial nature and the appropriate level of revenues and expenses is largely determined by the demand for service. Depending upon the timing and level of demand for service, the expenses will vary. Accordingly, the District's budgetary controls are established at the levels of total estimated expenses.

MAJOR INITIATIVES

The District strives to protect public health and San Francisco Bay by providing our communities with wastewater collection and treatment for reuse or disposal in an environmentally responsible, efficient and reliable manner.

The District is in the process of adopting a 20-Year District-wide Master Plan to address its infrastructure needs. As part of the analysis, the District is considering borrowing from the State Revolving Fund to finance some of the identified projects. The impact of the Master Plan will be felt in District operations, capital program and rates for the next 30 years.

AWARDS & ACKNOWLEDGEMENTS

In recognition of its outstanding work, the District has received Platinum and Gold awards from the National Association of Clean Water Agencies (NACWA) for nine straight years in recognition of compliance with its National Pollutant Discharge Elimination System (NPDES) permit. In addition, the California Water Environment Association selected the District as the best Medium Plant of the Year for the San Francisco Bay Area.

The District received the California Society of Municipal Finance Officers (CSMFO) award for outstanding financial reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the 16th consecutive year that the District has been recognized for its financial reporting. In order to receive an award, a government agency must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. The award is valid for a period of one year only. The District believes that the current CAFR continues to meet the award program requirements and plans to submit this report to the CSMFO for consideration.

The preparation of this report would not have been possible without the efficient and dedicated services of the members of the Administrative Services department. Management wishes to express its appreciation to all staff that assisted and contributed to the preparation of this report. Credit also must be given to the Board of Directors, especially to members of the Administration & Finance Committee, in the planning and implementation of the financial affairs of the District.

Respectfully submitted,

Beverli A. Marshall

Beverli A. Marshall
Business Services Manager

E. J. Shalaby

E.J. Shalaby,
General Manager



The West County Wastewater District received the California Society of Municipal Finance Officers (CSMFO) Outstanding Financial Reporting Award for Fiscal Year Ending June 30, 2013, and was the fourth year of receiving the award.

WEST COUNTY WASTEWATER DISTRICT

Mission Statement

The mission of the West County Wastewater District is to protect public health and San Francisco Bay by providing our communities with wastewater collection and treatment for reuse or disposal in an environmentally responsible, efficient and reliable manner.

To achieve these aspirations, the West County Wastewater District will perform the following tasks:

- Promote environmental responsibility and compliance
- Ensure fair rates and charges
- Provide all services as efficiently as possible
- Provide responsive customer service
- Provide a safe and healthy work environment
- Keep public informed of the activities of the District and related environmental issues
- Exercise responsible financial management
- Provide contract services to neighboring communities in a cost effective manner

The quality and cost effectiveness of our services are dependent upon our success in building a team of employees who will develop and maintain a responsible, public service oriented attitude.

WEST COUNTY WASTEWATER DISTRICT
Principal Officials and Management

BOARD OF DIRECTORS

George H. Schmidt
Since 1992
President

Paul C. Soltow, Jr.
Since 1998
Secretary

Leonard Battaglia
Since 1975
Director

Michael Caine
Since 2007
Director

Alfred M. Granzella
Since 1985
Director

Legal Counsel

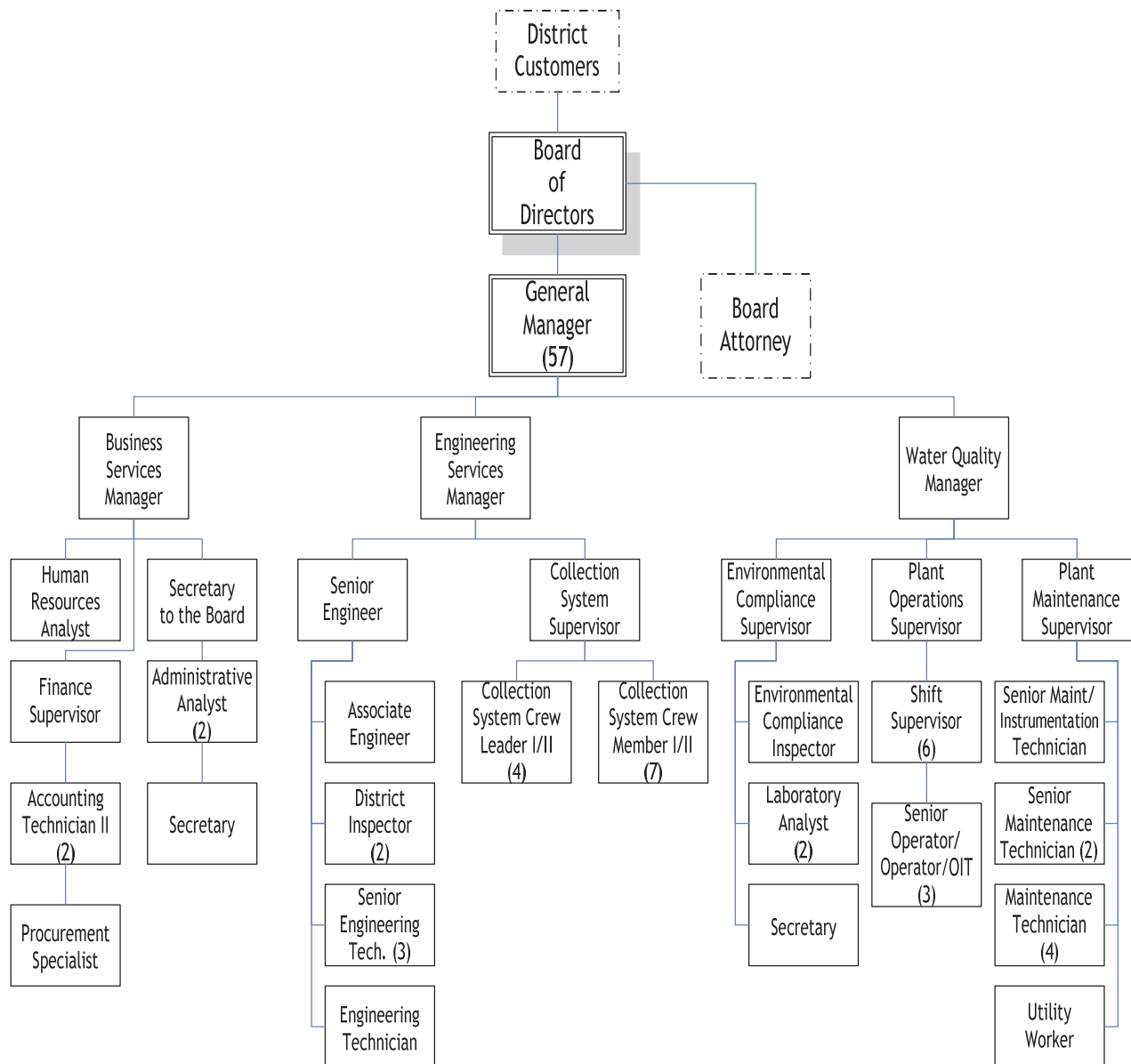
Mr. Alfred A. Cabral
Pelletreau, Alderson and Cabral

Management

E. J. Shalaby, General Manager
Ken Cook, Engineering Services Manager
Brian E. Hill, Water Quality Manager
Beverli A. Marshall, Business Services Manager
Maria L. Sena, Secretary to the Board

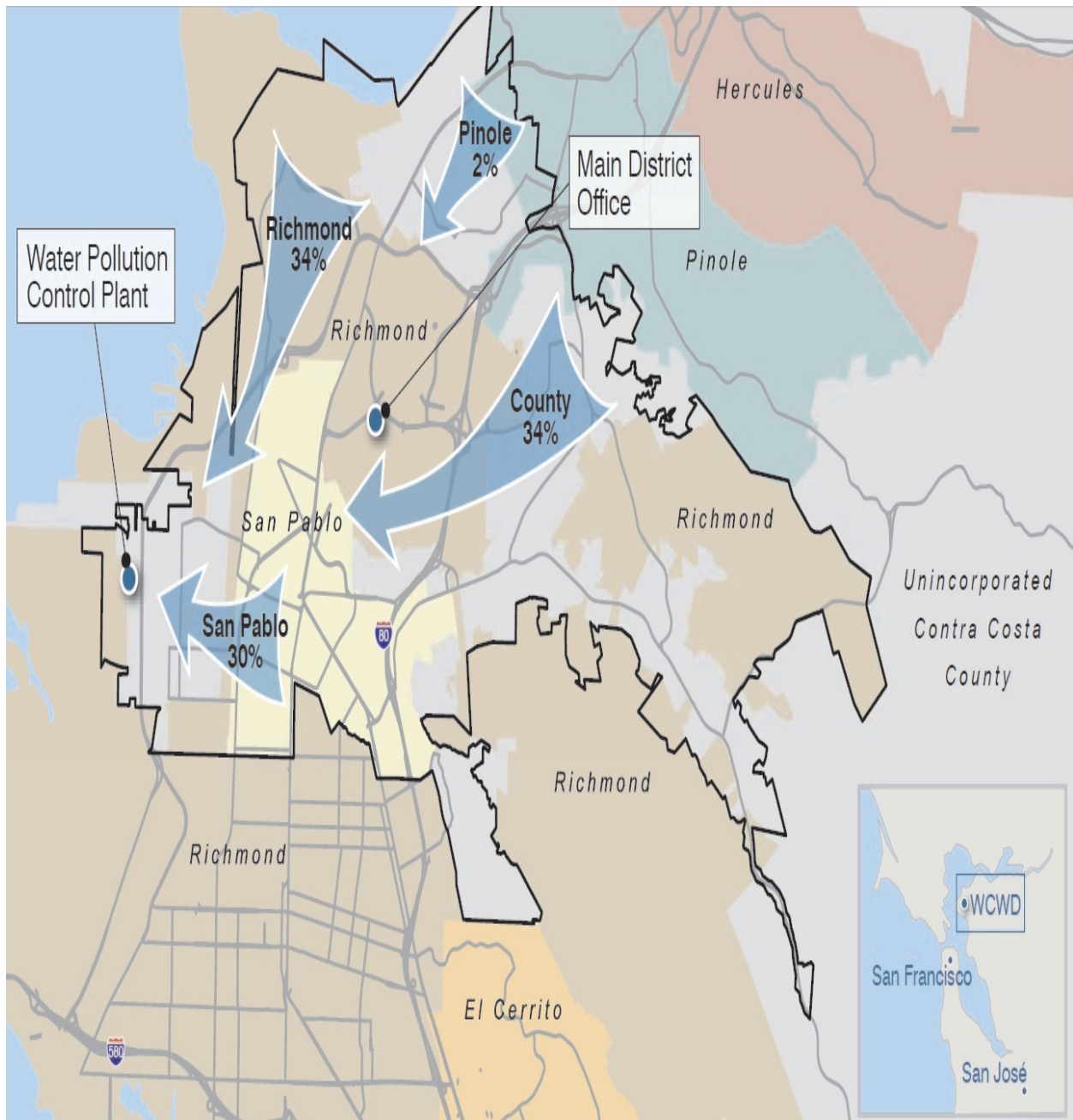
WEST COUNTY WASTEWATER DISTRICT

Organizational Chart



WEST COUNTY WASTEWATER DISTRICT

District Map



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
West County Wastewater District
Richmond, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of West County Wastewater District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise West County Wastewater District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

West County Wastewater District's 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 business-type activities of West County Wastewater District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 15 – 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise West County Wastewater District's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory and statistical sections are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, CA
September 25, 2014

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

Management's Discussion and Analysis ("MD&A") is designed to focus on the current year's activities, resulting changes and currently known facts and should be read in conjunction with the District's financial statements. The MD&A also provides information in regards to the economic factors of the District and financial contact information.

FINANCIAL HIGHLIGHTS

- The District had a net position balance of \$86.07 million at June 30, 2014. Total net position was comprised of unrestricted assets of \$15.76 million and amounts invested in capital assets of \$70.3 million. Net position increased by \$1,000,177 for the fiscal year.
- The District's total operating revenues were \$14.51 million and total operating expenses were \$15.06 million, generating a net operating loss of \$549,891 for the year.
- The District's net non-operating revenues and expenses were \$1.35 million for the year, comprised entirely of non-operating revenues.
- Capital contributions were \$196,518 for the fiscal year and were comprised of connection fees.

USING THE ANNUAL REPORT

The annual report consists of this MD&A, a series of basic financial statements (described below) and notes to those statements. These statements are organized so the reader can understand the District as a financial whole. The statements provide an increasingly detailed look at specific financial activities. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

BASIC FINANCIAL STATEMENTS

The District consists exclusively of one Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Statement of Net Position: The Statement of Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire District. Net Position (formerly net assets) is reported in three broad categories within the Statement of Net Position:

- Net Position, Invested in Capital Assets, Net of related Debt: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position: This component of Net Position consists of restricted assets; when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

Statement of Revenues, Expenses and Changes in Net Position: This statement is similar to an Income Statement and includes Operating Revenues, Operating Expenses, and Non-Operating Revenue and Expenses. The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

Statement of Cash Flows: This statement discloses net cash provided by, or used for, operating activities, non-capital financing activities, and from capital and related financing activities.

SUMMARY OF THE STATEMENT OF NET POSITION

The following table reflects the condensed statement of Net Position for the current and preceding fiscal years. The District is engaged only in Business-Type Activities.

TABLE 1
Statement of Net Position

	2014	2013	Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current Assets	\$ 18,684,248	\$ 17,335,638	\$ 1,348,610	7.8%
Capital Assets	70,302,862	69,404,267	898,595	1.3%
Other Non-Current Assets	409,500	409,500	-	0.0%
Total Assets	89,396,610	87,149,405	2,247,205	2.9%
Liabilities				
Current Liabilities	2,256,477	1,224,336	1,032,141	84.3%
Non-Current Liabilities	1,069,238	854,350	214,888	25.2%
Total Liabilities	3,325,715	2,078,686	1,247,029	60.0%
Net Position				
Invested in Capital Assets	70,302,862	69,404,267	898,595	1.3%
Unrestricted	15,768,033	15,666,451	101,582	0.7%
Total Net Position	\$ 86,070,895	\$ 85,070,718	\$ 1,000,177	1.2%

Major Factors Affecting the Statement of Net Position

- Ninety-five percent (95%) of current assets consist of cash and equivalents at June 30, 2014.
- The District had no outstanding debt at June 30, 2014.
- Non-current liabilities increased by \$214,888.

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Table 2 presents the revenues and expenses for the current and preceding fiscal years. The District is engaged only in Business-Type Activities.

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

TABLE 2
Statement of Revenues, Expenses and Changes in Net Position

	2014	2013	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
Operating Revenues				
Service charges	\$ 14,107,559	\$ 13,898,997	\$ 208,562	1.5%
Sewer fees	80,326	141,039	(60,713)	(43.0)%
Toll zone fees	5,960	8,012	(2,052)	(25.6)%
Service contracts	316,961	545,286	(228,325)	(41.9)%
Non-operating revenues				
Investment income	34,712	30,257	4,455	14.7%
Taxes	790,139	749,228	40,911	5.5%
Rents and leases	341,007	155,448	185,559	119.4%
Other non-operating revenue	187,692	219,946	(32,254)	(14.6)%
Total Revenues	15,864,356	15,748,213	116,143	0.7%
Expenses				
Operating Expenses	15,060,697	16,675,734	(1,615,037)	(9.7)%
Non-Operating Expenses	-	-	-	-
Total Expenses	15,060,697	16,675,734	(1,615,037)	(9.7)%
Increase/Loss Before Capital Contributions	803,659	(927,521)	1,731,180	186.6%
Capital Contributions	196,518	167,916	28,602	17.0%
Change in Net Position	1,000,177	(759,605)	1,759,782	231.7%
Net Position, Beginning	85,070,718	85,830,323	(759,605)	(0.8)%
Net Position, Ending	\$ 86,070,895	\$ 85,070,718	\$ 1,000,177	1.2%

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position:

- Operating Revenues were 15.86 million and Operating Expenses were 15.06 million.
- Service Charges increased based on a Sewer Use Charge rate increase of 7.5%.
- Operating Expenses decreased significantly because in FY2012/13 the District paid off its CalPERS side fund.
- Non-operating revenues were \$1.4 million and non-operating expenses were \$0.
- Investment income increased by 14.7% due to increased revenue available for investment.

SUMMARY OF CAPITAL ASSETS

Table 3 presents a summary of the District's capital assets as of June 30, 2014. More detailed information on capital asset activity is provided on Note 5 to the financial statements.

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

TABLE 3
Summary of Capital Assets

	2014	2013	Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 2,451,806	\$ 2,451,806	\$ -	-
Sewage Facilities	113,625,586	113,625,586	-	-
Equipment	6,583,750	4,645,695	1,938,055	41.7%
Vehicles	2,112,534	2,112,534	-	-
Construction in Progress	5,317,828	3,445,769	1,872,059	54.3%
Subtotal	130,091,504	126,281,390	3,810,114	3.0%
Less Accumulated Depreciation	(59,788,642)	(56,877,123)	(2,911,519)	5.1%
Total Capital Assets net of depreciation	\$ 70,302,862	\$ 69,404,267	\$ 898,595	1.3%

Capital Asset Highlights:

Capital Assets increased by \$898,595 (1.3%) from the prior year due in large part to an increase in construction in progress (54.3%).

ECONOMIC FACTORS AND NEXT YEAR'S RATES

Significant economic factors affecting the District are as follows:

- Changes in the economy continue to have an impact on the District, specifically, investment returns.
- The District continues to identify areas to reduce spending and achieve efficiencies. While the District has the ability to raise the sewer service charge to meet its long-term needs, it does so conservatively.
- Effective July 1, 2013, the District increased its sewer service charge from \$304 to \$347 per residence with an equivalent increase for commercial and industrial customers.
- The District was approved by the California State Water Resources Control Board for low-interest loans (1.9%) totaling \$17.8 million on June 20, 2014 through the State Revolving Fund (SRF) to fund infrastructure projects as identified by a Master Plan study. Repayment of the loan is dependent on future rate increases.
- The District is currently in the process of applying for additional funding of \$28 million for a recycled water program at an even lower interest rate (1.0%)
- The District elected to pay off its CalPERS side fund. The side fund was established to change the benefit formula for employees to 3% @ 60 years of age. During its 10 years, the side fund balance grew to \$2.4 million. The payoff resulted in dropping the Total Employer Contribution Rate from 27.3% to 15.3%, a decrease of 12%. As a result, operating expenses decreased significantly, by approximately \$1.6 million.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Beverli A. Marshall, Business Services Manager, at (510) 222-6700, or bmarshall@wcwd.org. Specific requests may be submitted to: Beverli A. Marshall, Business Services Manager, West County Wastewater District, 2910 Hilltop Drive, Richmond, CA 94806-1974.

WEST COUNTY WASTEWATER DISTRICT
Statement of Net Position
June 30, 2014

	<u>2014</u>
ASSETS	
Current Assets:	
Cash and cash equivalents (note 2)	\$ 18,119,748
Accounts Receivable (note 3)	313,627
Interest receivable	9,319
Prepaid Expense	68,558
Deposits	37,500
Inventory	<u>135,496</u>
Total Current Assets	<u>18,684,248</u>
Non-current assets:	
Advances (note 4)	409,500
Capital assets, net of accumulated depreciation (note 5)	<u>70,302,862</u>
Total Non-current Assets	<u>70,712,362</u>
Total Assets	<u>89,396,610</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,380,038
Other post-employment benefits (note 11)	165,402
Accrued payroll	354,625
Accrued compensated absences- current portion (note 7)	<u>356,412</u>
Total Current Liabilities	<u>2,256,477</u>
Non-current liabilities:	
Accrued compensated absences- non-current portion (note 7)	<u>1,069,238</u>
Total Non-current Liabilities	<u>1,069,238</u>
Total Liabilities	<u>3,325,715</u>
NET POSITION	
Invested in capital assets	70,302,862
Unrestricted	<u>15,768,033</u>
Total Net Position	<u>\$ 86,070,895</u>

The accompanying notes are an integral part of the financial statements

WEST COUNTY WASTEWATER DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

	<u>2014</u>
OPERATING REVENUE	
Service charges	\$ 14,107,559
Sewer fees	80,326
Toll zone fees	5,960
Service contracts	316,961
Total operating revenue	<u>14,510,806</u>
OPERATING EXPENSES	
Sewage collection	3,639,837
Sewage treatment	5,208,478
Administration - general	2,868,589
Service contracts	269,874
West County Agency	133,670
Depreciation	2,940,249
Total operating expenses	<u>15,060,697</u>
OPERATING LOSS	<u>(549,891)</u>
NON-OPERATING REVENUES (EXPENSES)	
Taxes	790,139
Interest income	34,712
Rents and leases	341,007
San Pablo redevelopment allocation	120,307
Other non-operating revenues (expenses)	67,385
Total non-operating revenues (expenses)	<u>1,353,550</u>
Increase before contributions	803,659
Capital contributions - connection fees	196,518
Contributed sewer lines	<u>-</u>
CHANGE IN NET POSITION	1,000,177
Total Net Position - Beginning	85,070,718
Total Net Position - Ending	<u>\$ 86,070,895</u>

The accompanying notes are an integral part of the financial statements

WEST COUNTY WASTEWATER DISTRICT
Statement of Cash Flows
Year Ended June 30, 2014

	2014
Cash Flows From Operating Activities:	
Receipts from service charges and fees	\$ 14,881,445
Cash paid for West County Agency	(133,670)
Cash paid for goods and services	(2,943,440)
Cash paid for employee services	(7,875,669)
Receipts from other income	67,385
Net cash provided by operating activities	<u>3,996,051</u>
Cash Flows From Non-capital Financing Activities:	
Receipt of taxes	793,784
Receipt of rents and lease income	341,007
Payment of redevelopment allocation	120,307
Net cash provided by non-capital financing activities	<u>1,255,098</u>
Cash Flows From Capital And Related Financing Activities:	
Receipts of connection fees	196,518
Payments for acquisition and construction of capital assets	(3,838,844)
Net cash used in capital and related financing activities	<u>(3,642,326)</u>
Cash Flows From Investing Activities	
Interest received	34,712
Net cash provided by investing activities	<u>34,712</u>
Net decrease in cash and cash equivalents	1,643,535
Cash and cash equivalents, July 1, 2013	16,476,213
Cash and Cash equivalents, June 30, 2014	<u><u>\$ 18,119,748</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities	
Operating loss	\$ (549,891)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	2,940,249
Receipts of other income	67,385
(Increase) decrease in:	
Accounts receivable	370,639
Prepaid expenses	(57,810)
Inventory	(21,551)
Increase (decrease) in:	
Accounts payable and accrued expenses	705,029
Accrued payroll	68,509
Accrued vacation	286,517
OPEB liability	186,975
Net cash provided by operating activities	<u><u>\$ 3,996,051</u></u>

The accompanying notes are an integral part of the financial statements

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West County Wastewater District (the "District") is a sanitary district formed December 19, 1921, and operates pursuant to the provision of Section 6400 et. seq. of the State of California Health and Safety Code. The District is governed by an elected five member Board of Directors that exercise the powers allowed by state statutes. The District is a stand-alone government entity and is not financially responsible for any other governmental unit or agency. The District is a legally separate governmental entity and is not a component unit of another governmental entity.

B. Measurement Focus and Basis of Accounting

The District reports its activities as an enterprise fund. An enterprise fund is accounted for on a cost of service or "economic resources" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. The reported fund equity presents total net position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net position. Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenue for the District is charges to customers for services. Operating expenses include personnel services, employee benefits, repairs and maintenance, professional services, transportation, materials and supplies, claims and judgments, rent, insurance, utilities, communications, general administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Statement of Net Position - The statement of net position is designed to display the financial position of the District. The District's fund equity is not reported as retained earnings and contributed capital, but rather as net position, which is broken down into three categories defined as follows:

- Invested in capital assets, net of related debt - This component consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted - This component consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Statement of Revenues, Expenses, and Changes in Net Position - The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and net operating income/loss.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

C. Assets and Liabilities

(1) Cash and Cash Equivalents

For purpose of the statements of cash flows, the District considers cash equivalents to be all highly liquid investments with maturity of three months or less when purchased, including investments in the Local Agency Investment Fund ("LAIF").

Investments made by fiscal agents and deferred compensation plan agents are made under the investment policies of those fiduciaries.

(2) Investments

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are stated at fair market values. Long-term investments made by fiscal agents and deferred compensation plan agents are made under the investment policies of those fiduciaries.

The District's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100. All of the District's financial assets are classified as Level 1, meaning that values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date. All District investments are liquid, and fair market values are easily determined.

(3) Receivables

Accounts receivable represents revenue accrued at year-end for contract services, sewer service charges, unbilled services, and other income. In the year ended June 30, 2012, an allowance for doubtful accounts was created related to the receipt of state mandated costs.

(4) Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first out (FIFO) method. Inventories are recorded as an expense when consumed rather than purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

(5) Restricted Assets

Deposits are classified as restricted assets as they will be returned to contractors after services are performed.

(6) Capital Assets

Capital assets are those purchased or acquired with an original cost of \$1,000 or more and are reported at historical cost or estimated historical cost. Additions and replacements of property, plant and equipment are stated at historical cost or at fair market value in the case of properties acquired by contribution. Such costs include material, labor, transportation and such indirect items as engineering, supervision and employee benefits.

Expenditures that add to the value of the asset or materially extend asset lives are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets as applicable.

When property and equipment are disposed of or retired, the related costs and accumulated depreciation are eliminated and gains or losses arising from the disposition are reflected as income or expense. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seventy years as follows:

Submarine outfall	70 years
Collection lines	50 years
Treatment plant	40 years
Office building	30 years
Automotive equipment	4 - 10 years
Other equipment	3 - 15 years

(7) Compensated Absences

The District has a policy whereby an employee can accumulate unused sick leave, compensatory time and vacation. Immediately prior to retirement, employees with a satisfactory record of service who otherwise qualify for retirement may be granted time off from the job, with full compensation, for a period of time not to exceed the amount of their accumulated sick leave time, or 60 work days, whichever is shorter. Management estimates that 90% of current employees will work until qualified for retirement and has accrued for 90% of accumulated sick leave balances, in addition to full accrual of accumulated vacation and compensatory time.

(8) Accounting Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

D. Budgetary Information

The District is not legally required to budget any of its funds. Budgets are adopted on a basis consistent with generally accepted accounting principles to enhance the District management's effectiveness in their financial planning efforts and to enhance control over the District's operations.

Once the annual budget is approved, the Board of Directors can legally amend the budget at any time. The General Manager has the authority to make transfers between particular line items but the Board of Directors must approve any revisions that alter the total budget. The General Manager has the authority to expend non-budgeted funds when an emergency occurs provided that the Board of Directors is informed of the emergency and the steps taken and expenses incurred.

E. Service Charge Revenue

Service charges determined by the District are included on property tax bills of the County of Contra Costa ("the County"). Service charge revenue is recorded as revenue when received due to the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the County. The Teeter Plan authorizes the auditor/controller of the County to allocate 100% of the service charges billed, but not yet paid.

The County remits service charge revenue to the District in three installments as follows:

55%	remitted in December
40%	remitted in April
5%	remitted in June

F. Property Tax Revenue

Property taxes in California are levied in accordance with Article XIII of the State Constitution at one percent of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate unit of local government. Each year, the District receives a portion of this property tax revenue.

The property tax calendar is as follows:

Valuation date:	March 1
Lien/Levy date:	March 1
Due dates:	50% on November 1 50% on February 1
Delinquent date:	First Installment - December 10 Second Installment - April 10

The County remits property tax revenues to the District on the same schedule as service charge revenues.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

G. New Pronouncements

In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The District is required to implement the provisions of this Statement for the current fiscal year. This Statement did not result in a change in current practice, or have a material effect on the financial statements of the District.

In March of 2012, GASB issued GASBS No. 66, *Technical Corrections - 2012 - an Amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District is required to implement the provisions of this Statement for the current fiscal year. This Statement did not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, including cost-sharing multi-employer pension plans, in which the District participates. Cost-sharing plans are those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The net pension liability information will offer an up-to-date indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates. In that circumstance, it also will provide information about whether employers and nonemployer contributing entities are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due. The District is required to implement to provisions of this Statement for the current fiscal year ended June 30, 2014 (effective for periods beginning after June 15, 2013). Because the District is only a participant in a pension plan, this Statement did result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified into categories. Cost-sharing employers, such as the District, are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans. Cost-sharing plans are pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

Cost-sharing employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability.

In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees). The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plans through which the pensions are provided. Cost-sharing employers should identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities. Cost-sharing employers also should disclose information about how their contributions to the pension plan are determined.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) information about required contributions, contributions to the pension plan, and related ratios. The District is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will result in a change in current practice, but will most likely not have a material effect on the financial statements of the District.

In January of 2013, GASB issued GASBS No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

This Statement requires the use of carrying values to measure the assets and liabilities in a government merger; it also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values, provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold, and requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The District is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after December 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In April of 2013, GASB issued GASBS No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting. The District is required to implement provisions of this Statement for the current fiscal year. This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In November of 2013, GASB issued GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding the application of the transition provisions of Statement No. 68, Accounting and Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The District is required to implement the provisions of this Statement simultaneously with the provisions of Statement 68 for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will result in a change in current practice and may have a material effect of the financial statements of the District.

NOTE 2: CASH AND INVESTMENTS

A summary of cash, deposits and investments as of June 30, 2014, is as follows:

<u>Deposit or Investment</u>	
Cash on-hand or in banks	\$ 1,126,034
Local Agency Investment Fund	<u>16,993,714</u>
Total Cash and Investments	\$ 18,119,748

A. Cash Deposits

The carrying amount of the District's cash and deposits (restricted and unrestricted) was \$1,126,034 at June 30, 2014. Bank balances, before reconciling items, were \$1,332,670 at June 30, 2014 of which \$250,000 was fully insured for the fiscal year and there was no money collateralized with securities held by the pledging financial institutions in the District's name. The District has waived the collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash is considered to be held by the third party bank or institution-owned trust department in the District's name. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure a district's deposits by pledging first trust deed mortgage notes having a value of at least 150% of a district's total deposits.

B. Investments

Cash balances are invested to the extent possible pursuant to the District's approved Investment Policy and Guidelines and State Government Code. Investments are stated at the current fair value. Fair value information is provided as quoted on June 30, 2014. The District does not plan to liquidate the investments before maturity and intends to hold the investments to maturity.

The California Government Code authorizes a district to invest in their own bonds, certain time deposits, commercial paper, obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances with maturities not to exceed 270 days, medium-term notes issued by corporations operating within the U.S., commercial paper rated P-1 or higher by Moody's or A-1 by Standard & Poor's commercial paper record, repurchase agreements of obligations of the U.S. Government or its agencies for a term of one year or less and the Local Agency Investment Fund.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The District invests in Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The District's investments with LAIF at June 30, 2014, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2014, the fair market value of funds invested in LAIF was \$16,993,714. The LAIF fair value factor of 1.00029875 was used to calculate the fair value of the investments in LAIF. The fair value of the District's position in the pool was the same as the value of the pool shares. Of the funds invested by all public entities involved in the pool, 1.86% was invested in structured notes and asset backed securities and there were no investments in derivative products.

C. Risk Disclosures

GASB Statement No. 40 requires that deposit and investment risks be disclosed.

Interest Rate Risk - the risk of loss of value of an investment due to rising interest rates. In order to limit loss exposure due to Interest Rate Risk, the investment policy limits the length of maturity of investments.

Credit Risk - the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. State law limits investments in commercial paper with an A-1 rating and all other investments with an investment grade rating issued by nationally recognized statistical rating organizations (NSROs). The investment policy limits the District's investments in these investment types to the top rating issued by NSROs including raters Standard and Poor's, Fitch Ratings and Moody's Investor Service.

Custodial Credit Risk - the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. There are no investments in the District's name in which the securities are held by the investment's counterparty.

Based upon the aforementioned criteria, the District's deposits and investments were categorized as follows at June 30, 2014:

Deposit or Investment	Credit Quality Rating	Maturities	Fair Value
Cash on-hand or in banks	N/A	Current	\$ 1,126,034
Local Agency Investment Fund	Not Rated	Current	16,993,714
Total Cash and Investments			\$ 18,119,748

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2014, accounts receivable are comprised of the following:

Sewer Use Charges	\$ 63,901
State Mandated Costs	88,575
Pretreatment inspections	41,742
Contracts	47,025
EBMUD pilot project	63,786
City of Richmond	60,000
All other	<u>16,001</u>
Subtotal	381,030
Allowance for doubtful accounts	<u>(67,403)</u>
Net Accounts Receivable	<u>\$ 313,627</u>

NOTE 4: ADVANCES

The District and the General Manager amended their employment agreement effective December 20, 2005, which included an advance of not more than 50% of the cost of a residence, to a maximum of \$500,000, for the General Manager to reside within District boundaries. Title to the residence shall be taken in the name of the Manager and, upon close of escrow of a sale of the residence, the District shall first be reimbursed its initial advance and the Manager shall then be reimbursed his initial down payment. The net sale proceeds shall be allocated to the District and the Manager using the ratio of purchase cost. The total amount advanced by the District as of June 30, 2014, was \$409,500.

NOTE 5: CAPITAL ASSETS

A summary of changes in capital assets and depreciation is as follows:

	Balance July 1, 2013	Additions	Deletions	Transfers from CIP	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 2,451,806	\$ -	\$ -	\$ -	\$ 2,451,806
Construction in progress	3,445,769	3,625,409	-	(1,753,349)	5,317,829
Total capital assets not being depreciated	<u>5,897,575</u>	<u>3,625,409</u>	<u>-</u>	<u>(1,753,349)</u>	<u>7,769,635</u>
Capital assets being depreciated:					
Sewage collection & treatment facilities	113,625,586	-	-	-	113,625,586
Equipment	4,645,695	213,435	(28,730)	1,753,349	6,583,749
Vehicles	2,112,534	-	-	-	2,112,534
Total capital assets being depreciated	<u>120,383,815</u>	<u>213,435</u>	<u>(28,730)</u>	<u>1,753,349</u>	<u>122,321,869</u>
Less accumulated depreciation:					
Sewage collection & treatment facilities	(52,183,797)	(2,567,315)	-	-	(54,751,112)
Equipment	(3,213,851)	(247,185)	28,730	-	(3,432,306)
Vehicles	(1,479,475)	(125,749)	-	-	(1,605,224)
Total accumulated depreciation	<u>(56,877,123)</u>	<u>(2,940,249)</u>	<u>28,730</u>	<u>-</u>	<u>(59,788,642)</u>
Capital assets - net of depreciation	<u>\$69,404,267</u>	<u>\$ 898,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$70,302,862</u>

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Depreciation expense was \$2,940,249 for the year ended June 30, 2014. Most of the additions to construction in progress were for replacement electrical switchgear and breakers, including a building to house them, which will protect the plant in the event of a power outage.

NOTE 6: JOINT VENTURE

The West County Agency operates under a joint exercise of powers agreement between the West County Wastewater District, the District of Richmond and the Richmond Municipal Sewer District. The Agency is a joint venture, which is legally separate from its participants and is governed by a Board of Directors appointed by and from the governing boards of its member agencies. The Board of Directors establishes the Agency's operating budget, which is a cost sharing of pipeline maintenance expenses, sets the contributions required from each of the member agencies and exercises the other powers specified in the joint exercise of powers agreement. Agency assets are held separately from District assets, and the Agency does not hold significant assets or liabilities. For the fiscal year ended June 30, 2014, the Agency has an unrestricted net position of \$4,697. For more detail, the financial statements of the West County Agency are available at the West County Wastewater District's office.

NOTE 7: ACCRUED COMPENSATED ABSENCES

The accrued liabilities for compensated absences for the fiscal years ending June 30, 2014 and 2013 were \$1,425,651 and \$1,139,133. For June 30, 2014, \$356,413 was classified as a current liability and \$1,069,238 was classified as non-current.

Balance at 6/30/13	Additions (Reductions)	Balance at 6/30/14	Estimated Current Portion
<u>\$1,139,133</u>	<u>\$ 286,518</u>	<u>\$ 1,425,651</u>	<u>\$ 356,413</u>

The District has a policy whereby immediately prior to retirement, employees with a satisfactory record of service who otherwise qualify for retirement may be granted time off from the job, with full compensation, for a period of time not to exceed the amount of their accumulated sick leave time, or 60 work days, whichever is shorter. In fiscal years ended June 30, 2009, and prior, no liability was recognized by the District for accumulated sick leave. For the fiscal years ended June 30, 2014 and 2013, District management has estimated that 90% of current employees will work until qualified for retirement and has accrued for 90% of accumulated sick leave balances, in addition to full accrual of accumulated vacation and compensatory time.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Commitments and contingencies of an indeterminable amount include normal recurring pending claims, litigation and other contingencies related to the District's operations. At June 30, 2014, the District had several active claims.

In October 2006, the District reached a settlement with Baykeeper and West County Toxins Coalition (the Settlement Agreement). As a part of the Settlement Agreement, the District is required to spend a total of \$5 million in capital improvements on the sewer collection system by June 30, 2016. The Settlement Agreement also requires that the District fund a private sewer lateral replacement program in the amount of \$250,000 each fiscal year until the year ended June 30, 2016.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The District has budgeted for these capital improvement obligations, as well as for the lateral grant obligation in its adopted Capital Improvement Plan.

The District has active construction projects as of June 30, 2014. The projects include sewage pipes reconstruction/replacement and capital improvements of the wastewater treatment plant. The commitments are for wastewater treatment facilities and are being financed from available reserves.

At year-end, the commitments with contractors for construction in progress were as follows:

Capital Improvement Program (CIP)

<u>Project #</u>	<u>Project name</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
13AD101	Board room repair and ADA improvements	\$ 38,596	\$ 186,404
13AD102	Telephone system replacement	21,614	53,386
14AD101	District facilities improvements	48,995	473,995
14AD102	Switchboard MDB replacement	66,070	358,930
13CS206	Sewer replacement Folsom & Mark	176,329	(2,807)
14CS204	7th St. and Silver Ave.	39,667	721,841
14CS205	Amador St. sewer replacement	1,687	151,313
14CS206	Mira Vista sewer replacement	30,343	670,557
14CS207	Valley View sewer replacement	3,205	323,795
14CS208	Riverside sewer replacement	171	363,829
14CS210	San Pablo sewer replacement	341	238,779
14CS211	Market Ave. RR (A) sewer installation	171	681,829
14CS212	Market Ave. RR (B) sewer installation	146	681,854
14CS213	Hazel Ave. sewer replacement	12,709	13,180
14CS214	Church Lane phase 2	4,748	10,495
12EG301	Systemwide master plan	2,136,224	53,776
12PP502	Flow monitoring for Richmond plant	3,121	96,879
14PP501	Replace MCCs	483	377,817
10PS604	Chlorine contact basin	481	41,418
10PS607	Garden tract road enhancements	25,981	124,019
11PS602	Equalization expansion	30,003	3,081,397
12PS602	Vactor spoils process facility	23,847	74,953
12PS603	Sodium Hypochlorite tanks	87,793	6,586
12PS604	Switch gear and building	2,495,784	504,216
12PS605	Cathodic protection	66,060	263,940
14LS406	Hilltop green lift station rehab	519	1,420,481
14LS407	Tara Hills lift station rehab	1,399	456,601
14LS408	Davali lift station rehab	1,342	2,341
Total construction commitments		<u>\$ 5,317,829</u>	<u>\$ 11,431,804</u>

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9: DEFERRED COMPENSATION PLAN

The District offers its eligible employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, disability, death or unforeseen emergency.

Per GASB Statement No. 32, the District is not required to report its Section 457 Deferred Compensation Plan. As required by the Internal Revenue Code, the District established a trust for the assets and income of the Plan with an independent trustee for the exclusive benefit of participants and their beneficiaries and no longer holds assets in a trustee capacity. Therefore, the District discontinued its practice of accounting for and reporting the Deferred Compensation Plan in its financial statements.

NOTE 10: EMPLOYEE BENEFITS

Public Employee Retirement System

A. Plan Description

The District contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS, as Plan Administrator, provides retirement and disability benefits, annual cost-of living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. The District participates in the 3.0% at 60 risk pool.

Benefit provisions and all other requirements are established by state statute and District ordinances. PERS issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained from the Executive Office, 400 P Street, Sacramento, CA 95814.

B. Funding Policy

Participants are required to contribute 8% of their annual salary for miscellaneous employees. The District makes a portion of the contribution for the miscellaneous employees on their behalf and for their account, as described in the relevant memoranda of understanding. During fiscal 2012 - 13, the District paid off the side-fund with a lump-sum payment of \$2,410,434, thus reducing the actuarially determined rate of the required contribution for fiscal 2013 -14 from 28.102% to 15.724% of annual covered payroll for miscellaneous employees. The contribution requirements of plan members and the District are established, and may be amended, by PERS. The District is not required to disclose a schedule of funding progress.

C. Annual Pension Cost

For 2013/14, the District's annual pension cost of \$1,378,126 for PERS was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.3% to 14.2% for miscellaneous employees depending on age, service and type of employment and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The actuarial value of PERS assets was determined using 15-year smoothing period to minimize the effects of short-term volatility in the market value of investments. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2011 was 19 years for miscellaneous employees for prior and current service unfunded liability.

D. Three-Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$1,271,955	100%	\$ 0
6/30/13	\$1,342,889	100%	\$ 0
6/30/14	\$1,378,126	100%	\$ 0

E. Funding Status as of the Most Recent Actuarial Date

The District's plan is part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing, multiple-employer defined benefit plan, disclosure of the most recent funding progress is not required.

NOTE 11: POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The District provides post-retirement benefits to eligible employees. Eligibility is based upon active employee status of the District at the time of retirement, completion of at least five years employment with the District, having achieved the age of 50 or older, eligibility to retire under PERS, and not receiving health care benefits from any other source other than Medicare or workers' compensation.

The maximum employer's contribution is limited to \$1,500, regardless of which coverage the retiree has selected.

Public Agency Retirement System Trust (PARS Trust)

To comply with requirements of Governmental Accounting Standards Board (GASB) statements No. 43 and No. 45, the District established a PARS Trust in fiscal 2010. As of June 30, 2014, the District had \$3,266,423 into the PARS Trust.

The purpose of the PARS Trust is to provide California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits. The objective of the Trust is to seek favorable returns that reflect the broad investment performance. The Trust utilizes the concept of diversification through asset allocation. However, there is no guarantee that the Trust will achieve its investment objective. The Employers who participate in the Trust own units of the Trust's portfolio that invests in accordance with the approved strategic asset allocation, they do not have direct ownership of the securities in the portfolio. The Trust's unit value changes with market conditions. The PARS Trust is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets. PARS issues a separate Comprehensive Annual Financial Report. Copies of the PARS annual financial report may be obtained from PARS, 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660; by calling 1(800) 540-6369; or by emailing info@pars.org.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy

Statement No. 45 sets rules for computing the employer's expense for retiree benefits other than pension, called OPEBs. The expense, called the *annual OPEB Cost (AOC)*, is determined similarly to pensions. The *annual required contribution (ARC)* of the employer, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. When an agency contributes more than the ARC, there is a net OPEB asset; when the contribution is less, a net OPEB obligation results. The District has a net OPEB liability of \$165,402 as of June 30, 2014.

Annual OPEB Cost

For 2014, the District's annual OPEB cost (expense) was \$981,000. The District contributed \$260,318 for retiree health care premiums (an implied subsidy) and \$554,683 was contributed to the PARS trust during the year ended June 30, 2014. As such, a net OPEB liability of \$165,402 exists at June 30, 2014, which is reflected in the financial statements.

The following table shows the components of the District's annual OPEB costs for 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2014</u>	<u>2013</u>
Net OPEB Obligation (Asset) - Beginning of Year	\$ (597)	\$ (597)
Annual Required Contribution, including interest	981,000	787,000
Contributions Made:		
Health care premiums paid	(260,318)	(227,606)
Contributions to CERBT trust	(554,683)	(559,394)
Net OPEB Obligation (Asset) - End of Year	<u>\$ 165,402</u>	<u>\$ (597)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2014 and the two preceding years are presented below:

Fiscal Year	Annual OPEB Cost (AOC)	Annual Employer Contribution	Percentage of AOC Contributed	Current Year AOC Obligation (Asset)	Net OPEB Obligation (Asset)
June 30, 2014	\$ 981,000	\$ 815,001	83.1%	\$ 165,999	\$ 165,402
June 30, 2013	\$ 787,000	\$ 787,000	100%	\$ -	\$ (597)
June 30, 2012	\$ 760,000	\$ 864,598	114%	\$ (104,598)	\$ (597)

Funding Status and Funding Progress

The District's actuarial report dated June 30, 2013 (the date of the most recent actuarial report) estimates an Unfunded Actuarial Accrued Liability (UAAL) of \$7,119,000 in order to fund the health medical benefits of retired employees.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

The funded status of the plan as of June 30, 2013 was as follows:

Actuarial Valuation Date	Actuarial Valuation of Assets (A)	Cost Method Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (A-B) UAAL	Funding Ratio (A/B)	Covered Payroll (Active Plan Members)	UAAL as a % of Covered Payroll
June 30, 2013	\$ 2,495,000	\$ 9,614,000	\$ (7,119,000)	26%	\$ 4,121,000	173%
January 1, 2011	\$ 601,100	\$ 6,962,700	\$ (6,361,600)	9%	\$ 4,521,400	141%
January 1, 2008	\$ -	\$ 6,747,000	\$ (6,747,000)	0%	\$ 3,900,000	173%

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. 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.

Actuarial Methods and Assumptions

GASB Statement No. 43 requires actuarial reporting by the retiree health benefits trust fund and Statement No. 45 requires that an employer's expense be determined using actuarial methods so that costs accrue over the employees' working lifetimes. In order to comply with the above requirements, the Actuarial Analysis of Retiree Health Benefits for the District's, as of June 30, 2013, was performed by enrolled actuary Steven T. Itelson.

The actuary used the following actuarial methods and assumptions:

Valuation date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Method
Amortization Method	Level percentage of increasing payroll
Average Remaining Period	Twenty-six years (closed)
Actuarial Assumption	
Investment Rate of Return	6.50%
Projected Salary Increases	3.50% covered payroll
Inflation	General- 3.00% per year
Healthcare cost trend rate	Based on premiums, declining 0.5% annually beginning in 2016
Rates of death and disability	California PERS rates for Public Agencies from 2010 Experience Study
Number of retirees receiving benefits	30

Actuarial calculations of other post-employment benefits are based on the benefits provided under the term of the substantive plan in effect at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 60 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to CSRMA for its general liability, property damage and workers compensation insurance.

CSRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

In addition to the primary insurance types provided for through CSRMA listed above, the District also maintains commercial fidelity bonds, a public employee dishonesty and public official bonds, to protect against employee theft or defalcation. Settled claims for CSRMA or commercial fidelity bonds have not exceeded coverage in any of the past three fiscal years.

The following is a summary of the insurance coverage carried by the District as of June 30, 2014:

<u>Insurance Program/Company</u>	<u>Type of Coverage</u>	<u>Limits</u>
Pooled Liability Program - CSRMA	Bodily injury & property damage -Includes errors & omissions and employment related practices	15,500,000
Ironshore Specialty Insurance	Excess liability	10,000,000
Travelers Property Ins. Program - CSRMA	Employee dishonesty	500,000
Public Entity Property Ins. Program	Special form property	94,056,005
Workers Compensation Plan - CSRMA	Workers compensation	750,000
Safety National Casualty Co.	Excess workers compensation	1,000,000

The financial statements of CSRMA are available upon request from: The California Sanitation Risk Management Authority, c/o Alliant Insurance Services, Inc., 100 Pine Street, 11th Floor, San Francisco, California 96111-5101.

As stated in footnote 8, at June 30, 2014, the District had several active claims.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2014, the date on which the financial statements were available to be issued. No events occurred which are material to these financial statements.

STATISTICAL INFORMATION

WEST COUNTY WASTEWATER DISTRICT

STATISTICAL SECTION

TABLE OF CONTENTS

	<u>Page Number</u>
Introduction	44
<u>Financial Trends</u>	
Changes in Net Position and Statement of Net Position	45 – 46
Revenue by Type	47 – 48
Operating Expenses by Function	49
<u>Revenue Capacity</u>	
Major Revenue Base and Rates	50
Principal Revenue Sources	51
Assessed & Estimated Actual Valuation of Taxable Property	52
Property Tax and Sewer Service Charge Fees Collected	52
<u>Debt Capacity</u>	
Summary of Debt Service	53
<u>Demographic & Economic Information</u>	
Demographic & Economic Data	54 – 57
<u>Operating Information</u>	
Operating Information	58 – 59

Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement No. 34 in Fiscal Year 2004/05. Schedules presented include information beginning in that year.

WEST COUNTY WASTEWATER DISTRICT

STATISTICAL SECTION

This section of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial position has changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the District's most significant revenue sources.

Debt Capacity

This schedule contains trend information to help the reader assess the District's debt burden and its ability to issue additional debt in the future.

Demographic & Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain trend information about the District's operations and resources to help the reader in using the District's financial report to understand and assess its economic condition.

WEST COUNTY WASTEWATER DISTRICT
CHANGES IN NET POSITION & STATEMENT OF NET POSITION
Last Ten Fiscal Years

Change in Net Position	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues:					
Service Charges	\$ 14,107,559	\$ 13,898,997	\$ 12,239,921	\$12,182,304	\$ 9,845,595
Sewer Fees	80,326	141,039	99,781	106,732	116,436
Toll Zone Fees	5,960	8,012	38,707	5,392	61,878
Service Contracts	<u>316,961</u>	<u>545,286</u>	<u>322,998</u>	<u>338,434</u>	<u>134,890</u>
Total Operating Revenue	<u>14,510,806</u>	<u>14,593,334</u>	<u>12,701,407</u>	<u>12,632,862</u>	<u>10,158,799</u>
Operating Expenses:					
Sewage Collection	3,639,837	3,372,341	2,908,773	3,176,367	2,847,920
Sewage Treatment	5,208,478	6,798,874	5,712,477	5,940,831	6,023,821
Administration	2,868,589	2,935,722	2,554,171	2,515,705	2,713,479
Service Contracts	269,874	474,623	287,977	239,973	55,756
West County Agency	133,670	172,391	105,041	148,273	91,085
Depreciation	<u>2,940,249</u>	<u>2,921,783</u>	<u>2,735,155</u>	<u>2,856,717</u>	<u>2,814,261</u>
Total Operating Expenses	<u>15,060,697</u>	<u>16,675,734</u>	<u>14,303,594</u>	<u>14,877,866</u>	<u>14,546,322</u>
Net Operating Loss	<u>(549,891)</u>	<u>(2,082,400)</u>	<u>(1,602,187)</u>	<u>(2,245,004)</u>	<u>(4,387,523)</u>
Non-Operating Revenue (Expenses):					
Interest Income	34,712	30,257	49,106	64,645	100,077
Taxes	910,446	773,092	808,759	834,524	940,733
Rents and Leases	341,007	155,448	199,974	246,948	170,448
Other Non-Op. Rev/(Exp)	<u>67,385</u>	<u>196,082</u>	<u>(256,871)</u>	<u>(108,804)</u>	<u>286,370</u>
Total Non-Op. Rev/(Exp)	<u>1,353,550</u>	<u>1,154,879</u>	<u>800,968</u>	<u>1,037,313</u>	<u>1,497,628</u>
Loss/Gain Before Contribution	803,659	(927,521)	(801,219)	(1,207,691)	(2,889,895)
Capital Contributions	196,518	167,916	153,929	1,068,927	417,696
Contributed Sewer Lines	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>541,844</u>
	196,518	167,916	153,929	1,068,927	959,540
Change in net position	1,000,177	(759,605)	(647,290)	(138,764)	(1,930,355)
Net Position, Beginning	<u>85,070,718</u>	<u>85,830,323</u>	<u>86,477,613</u>	<u>86,616,377</u>	<u>88,546,732</u>
Net Position, Ending	<u>\$86,070,895</u>	<u>\$85,070,718</u>	<u>\$85,830,323</u>	<u>\$86,477,613</u>	<u>\$86,616,377</u>
Statement of Net Position	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Invested in Capital Assets	\$ 70,302,862	\$ 69,404,267	\$ 69,725,812	\$ 69,663,380	\$ 68,847,559
Unrestricted	<u>15,768,033</u>	<u>15,666,451</u>	<u>16,104,511</u>	<u>16,814,233</u>	<u>17,768,818</u>
Total Net Position	<u>\$86,070,895</u>	<u>\$85,070,718</u>	<u>\$85,830,323</u>	<u>\$86,477,613</u>	<u>\$86,616,377</u>

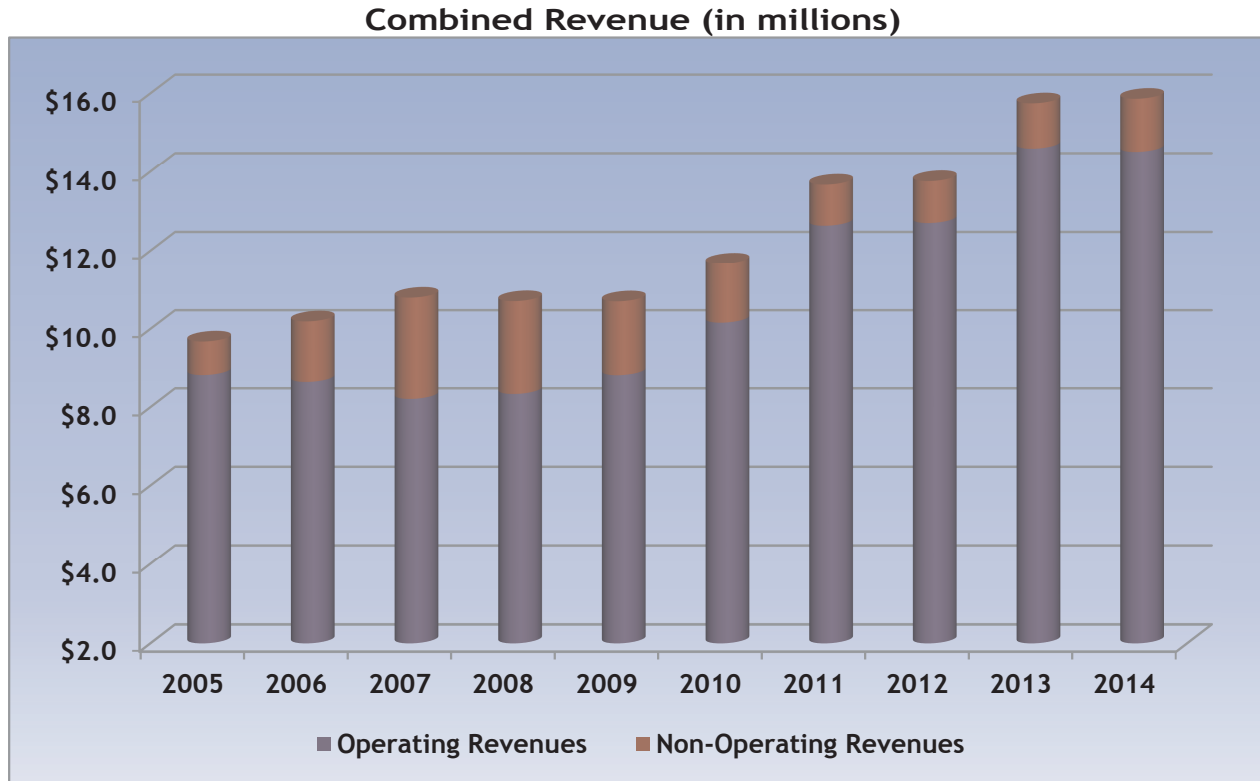
Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
CHANGES IN NET POSITION & STATEMENT OF NET POSITION
Last Ten Fiscal Years

Change in Net Position	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues:					
Service Charges	\$ 8,518,032	\$ 8,021,917	\$ 7,685,540	\$ 7,957,806	\$ 8,261,560
Sewer Fees	121,265	122,555	83,568	232,849	240,417
Toll Zone Fees	9,513	20,278	120,140	106,004	100,385
Service Contracts	<u>154,732</u>	<u>168,319</u>	<u>319,789</u>	<u>338,560</u>	<u>205,185</u>
Total Operating Revenue	<u>8,803,542</u>	<u>8,333,069</u>	<u>8,209,037</u>	<u>8,635,219</u>	<u>8,807,547</u>
Operating Expenses:					
Sewage Collection	2,655,270	2,498,797	2,110,224	1,786,268	1,654,593
Sewage Treatment	5,131,650	5,126,766	4,646,701	4,553,581	4,060,713
Administration	2,062,106	1,840,392	2,061,453	1,689,761	1,600,431
Service Contracts	69,787	67,415	48,636	62,644	53,377
West County Agency	125,365	122,760	167,961	187,775	99,238
Depreciation	<u>2,747,202</u>	<u>2,694,193</u>	<u>2,605,453</u>	<u>2,514,978</u>	<u>2,435,560</u>
Total Operating Expenses	<u>12,791,380</u>	<u>12,350,323</u>	<u>11,640,428</u>	<u>10,795,007</u>	<u>9,903,912</u>
Net Operating Loss	<u>(3,987,838)</u>	<u>(4,017,254)</u>	<u>(3,431,391)</u>	<u>(2,159,788)</u>	<u>(1,096,365)</u>
Non-Operating Revenue (Expenses):					
Investment Income	457,834	930,153	1,229,769	878,460	510,182
Taxes	1,052,082	1,052,159	1,045,765	266,153	178,235
Rents and Leases	89,169	87,576	87,676	84,597	84,624
Other Non-Op. Rev/(Exp)	<u>303,302</u>	<u>304,315</u>	<u>210,888</u>	<u>328,205</u>	<u>(1,624,882)</u>
Total Non-Op. Rev/(Exp)	<u>1,902,387</u>	<u>2,374,203</u>	<u>2,574,098</u>	<u>1,557,415</u>	<u>(851,841)</u>
Loss/Gain Before Contribution	(2,085,451)	(1,643,051)	(857,293)	(602,373)	(1,948,206)
Capital Contributions	137,492	277,289	357,839	1,664,958	1,038,329
Contributed Sewer Lines	<u>107,000</u>	<u>1,458,000</u>	<u>-</u>	<u>1,692,700</u>	<u>1,202,300</u>
	244,492	1,735,289	357,839	3,357,658	2,240,629
Change in net position	(1,840,959)	92,238	(499,454)	2,755,285	292,423
Net Position, Beginning	<u>90,387,691</u>	<u>90,295,453</u>	<u>90,794,907</u>	<u>88,039,622</u>	<u>87,747,199</u>
Net Position, Ending	<u>\$88,546,732</u>	<u>\$90,387,691</u>	<u>\$90,295,453</u>	<u>\$90,794,907</u>	<u>\$88,039,622</u>
Statement of Net Position	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Invested in Capital Assets	\$ 67,628,792	\$ 68,067,208	\$ 67,083,656	\$ 65,830,554	\$ 62,939,898
Unrestricted	<u>20,917,940</u>	<u>22,320,483</u>	<u>23,211,797</u>	<u>24,964,353</u>	<u>25,099,724</u>
Total Net Position	<u>\$88,546,732</u>	<u>\$90,387,691</u>	<u>\$90,295,453</u>	<u>\$90,794,907</u>	<u>\$88,039,622</u>

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
REVENUES BY TYPE
Last Ten Fiscal Years



Source: West County Wastewater District Audited Financial Statements

OPERATING REVENUES

FYE June 30	Sewer Service Charges	Sewer Fees	Service Contracts	Other	Total Operating
2005	8,261,560	240,417	205,185	100,385	8,807,547
2006	7,957,806	232,849	338,560	106,004	8,635,219
2007	7,685,540	83,568	319,789	120,140	8,209,037
2008	8,021,917	122,555	168,319	20,278	8,333,069
2009	8,518,032	121,265	154,732	9,513	8,803,542
2010	9,845,595	116,436	134,890	61,878	10,158,799
2011	12,182,304	106,732	338,434	5,392	12,632,862
2012	12,239,921	99,781	322,998	38,707	12,701,407
2013	13,898,997	141,039	545,286	8,012	14,593,334
2014	14,107,559	80,326	316,961	5,960	14,510,806

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
REVENUES BY TYPE
Last Ten Fiscal Years

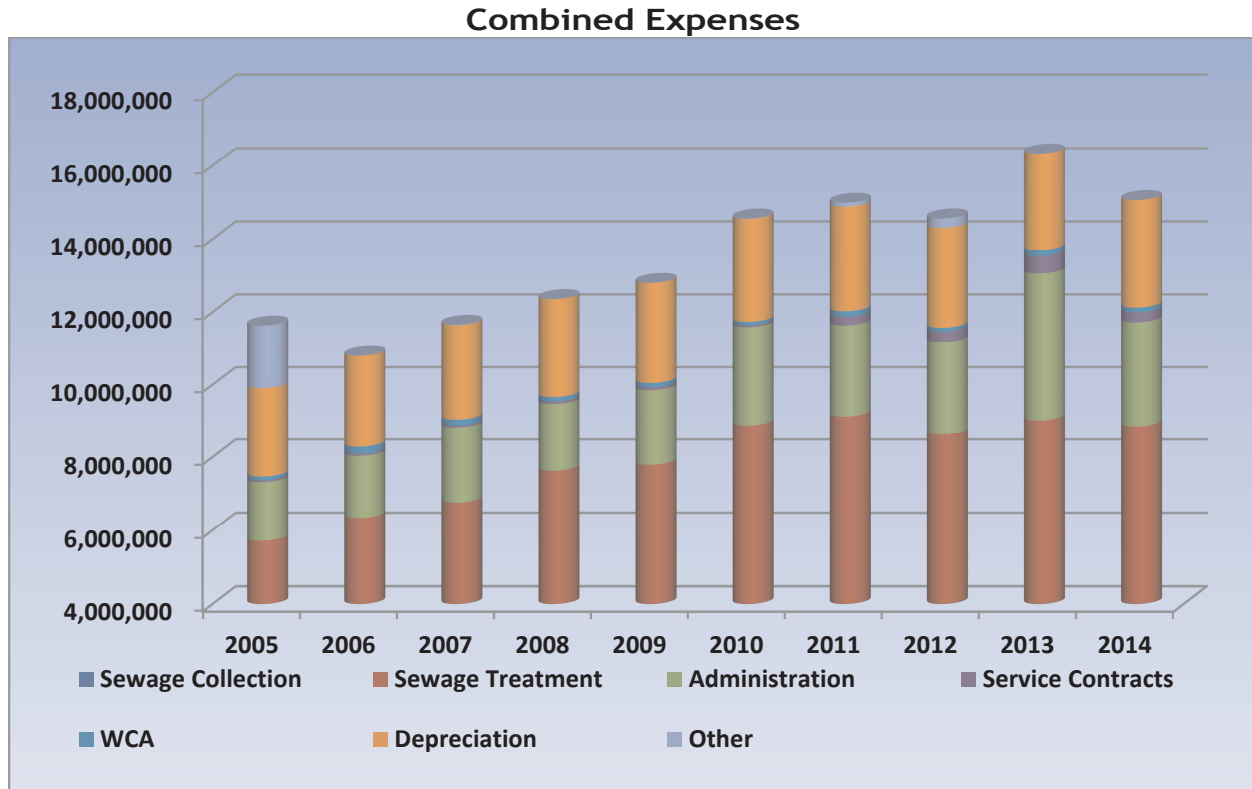
NON-OPERATING REVENUES

FYE June 30	Taxes	Investment Income	Rents & Leases	Other	Total Non-Operating
2005	178,235	510,182	84,624	-	773,041
2006	266,153	878,460	84,597	328,205	1,557,415
2007	1,045,765	1,229,769	87,676	224,266	2,587,476
2008	1,052,159	930,153	87,576	304,979	2,374,867
2009	1,052,082	457,834	86,169	303,302	1,902,387
2010	940,733	100,077	170,448	286,370	1,497,628
2011	834,524	64,645	246,948	-	1,146,117
2012	808,759	49,106	199,974	-	1,057,839
2013	773,092	30,257	155,448	196,082	1,154,879
2014	910,446	34,712	341,007	67,385	1,353,550

Source: West County Wastewater District Audited Financial Statements

*Note: Adopted provisions of GASB No. 33 effective July 1, 2002 and GASB No. 34 effective July 1, 2003. Taxes include reductions due to the shift in property taxes related to the San Pablo Redevelopment Allocation and ERAF.

WEST COUNTY WASTEWATER DISTRICT
EXPENSES BY FUNCTION
Last Ten Fiscal Years



Source: West County Wastewater District Audited Financial Statements

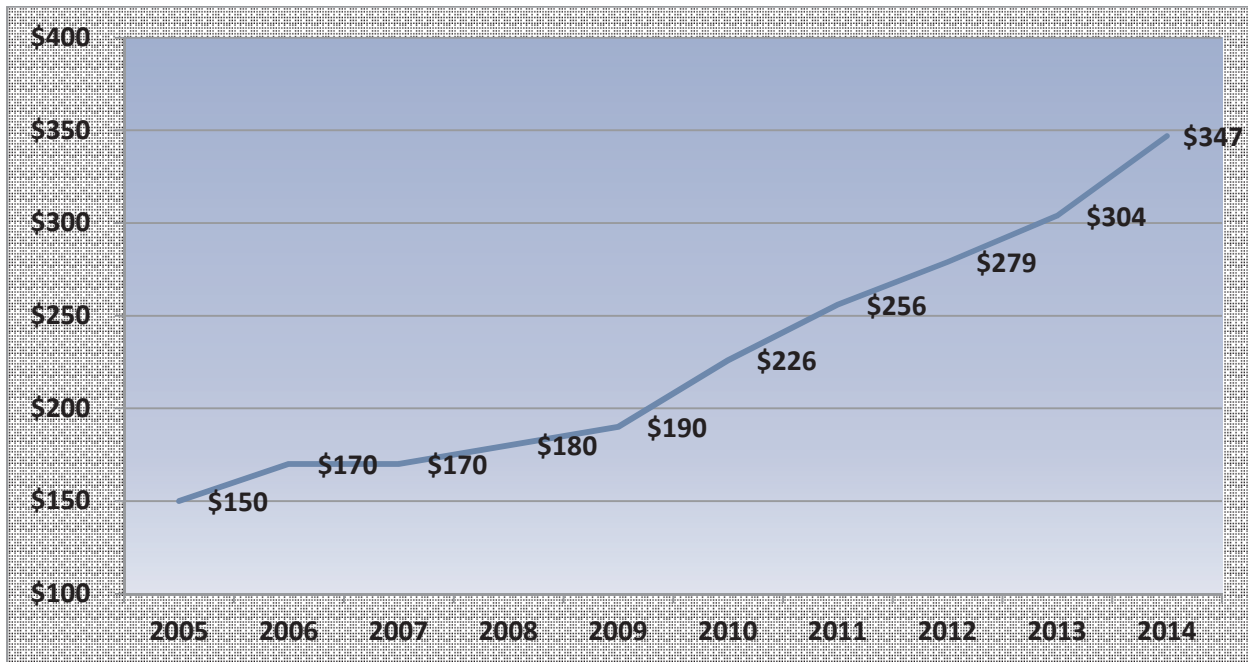
Combined Expenses

FYE June 30	Sewage Collection	Sewage Treatment	Admin.	Service Contract	West County Agency	Depreciation	Other	Total Operating
2005	1,654,593	4,060,713	1,600,431	53,377	99,238	2,435,560	1,725,918	11,629,830
2006	1,786,268	4,553,581	1,689,761	62,644	187,775	2,514,978	-	10,795,007
2007	2,110,224	4,646,701	2,061,453	48,636	167,961	2,605,453	13,378	11,653,806
2008	2,498,797	5,126,766	1,840,392	67,415	122,760	2,694,193	664	12,350,987
2009	2,655,270	5,131,650	2,062,106	69,787	125,365	2,747,202	-	12,791,380
2010	2,847,920	6,023,821	2,713,479	55,756	91,085	2,814,261	-	14,546,322
2011	3,176,367	5,940,831	2,515,705	239,973	148,273	2,856,717	108,804	14,986,670
2012	2,908,773	5,712,477	2,554,171	287,977	105,041	2,735,155	256,871	14,560,465
2013	3,372,341	6,798,874	2,935,722	474,623	172,391	2,921,783	-	16,675,734
2014	3,639,837	5,208,478	2,868,589	269,874	133,670	2,940,249	-	15,060,697

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
MAJOR REVENUE BASE & RATES: HISTORICAL & CURRENT FEES
Last Ten Fiscal Years

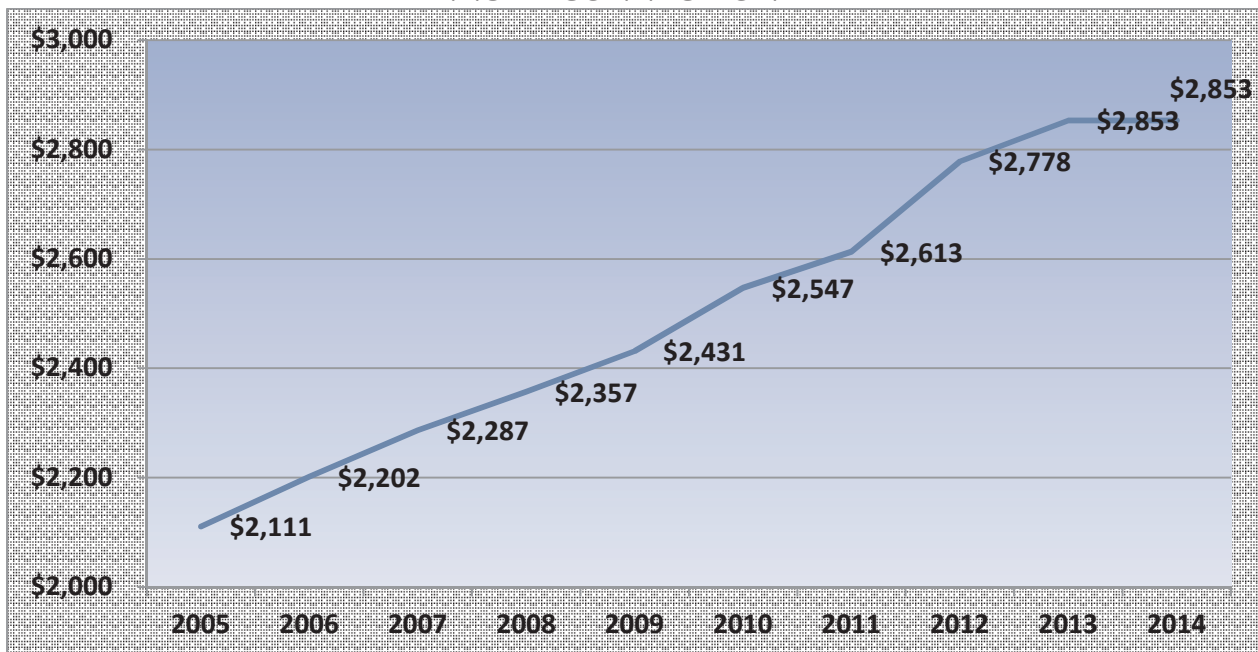
ANNUAL SEWER SERVICE CHARGE



Source: West County Wastewater District Audited Financial Statements

Note: All residential accounts pay a flat sewer service charge per household. The charges for commercial users consist of an annual rate based upon measured volume of water usage.

ANNUAL CONNECTION FEE



Source: West County Wastewater District Audited Financial Statements

Note: New customers who are connected to the wastewater system are charged a connection fee.

WEST COUNTY WASTEWATER DISTRICT
PRINCIPAL REVENUE SOURCES
Last Ten Fiscal Years

Customer	Type of Business	FYE 6/30/14			FYE 6/30/05		
		Sewer Use Charge	Rank	% of SUC	Sewer Use Charge	Rank	% of SUC
East Bay MUD	Industrial	646,992	1	5%	1,292,912	1	15.6%
Guardian & KW Hilltop LLC	Apartments	305,424	2	2%	171,530	2	2.1%
Chevron USA, Inc.	Industrial	167,189	3	1%			
Richmond Essex LP	Apartments	130,896	4	1%	73,610	4	0.9%
Steadfast Hilltop Commons	Apartments	98,172	5	<1%	55,080	6	0.7%
Casino San Pablo of Lytton	Commercial	94,843	6	<1%			
Pacific Mobile IV LP	Mobile Home	75,750	7	<1%			
Prime Richmond Housing Pt	Apartments	72,720	8	<1%			
Richmond Assoc. LLC	Commercial	68,064	9	<1%	54,706	7	0.7%
CCC Jr. College District	School	66,356	10				
West CCC Hospital District	Commercial						
Prime Richmond Housing	Apartments				40,970	8	0.5%
Berlex Laboratories, Inc.	Light Industry				70,161	5	0.8%
Quality Carriers, Inc.	Light Industry				91,512	3	1.1%
Richmond Tides Owner	Apartments				34,170	10	0.4%
West County Justice Center	Commercial				36,050	9	0.4%
		1,726,406		12%	627,789		23%

Source: West County Wastewater District Audited Financial Statements
The District implemented GASB Statement 34 for the fiscal year ending June 30, 2005.
Information is not available for the fiscal year ending June 30, 2003.

Customer Type	FYE 6/30/14		FYE 6/30/05	
	Sewer Revenue	% of Total	Sewer Revenue	% of Total
Residential	\$ 11,181,414	80%	\$ 5,477,995	66%
Commercial	1,614,972	12%	1,313,313	16%
Industrial	1,213,883	8%	1,470,252	18%
Total	\$ 14,010,269	100%	\$ 8,261,560	67%

Source: West County Wastewater District Audited Financial Statements
The District implemented GASB Statement 34 for the fiscal year ending June 30, 2005.

WEST COUNTY WASTEWATER DISTRICT
PROPERTY TAX INFORMATION
Last Ten Fiscal Years

Assessed & Estimated Valuation of Taxable Property

FYE June 30	County Secured	County Unsecured	Total	% Change
2005	6,341,432,133	174,329,418	6,515,761,551	12.0%
2006	7,274,354,935	186,162,224	7,460,517,159	14.5%
2007	7,935,845,839	184,637,848	8,120,483,687	8.8%
2008	7,796,654,291	194,438,391	7,991,092,682	-1.6%
2009	7,814,586,596	194,885,599	8,009,472,195	0.2%
2010	6,923,619,975	204,168,534	7,127,788,509	-10.8%
2011	6,555,576,933	195,169,554	6,750,746,487	-15.5%
2012	6,135,176,625	232,644,475	6,369,698,299	-5.6%
2013	5,967,088,206	179,265,098	6,146,353,304	-3.5%
2014	6,747,353,358	184,879,011	6,932,232,369	12.7%

Source: Contra Costa County Auditor-Controller

Property Tax & Sewer Service Charges Collected

FYE June 30	Property Tax Collected	Sewer Service Charges Levied
2005	178,235	8,261,560
2006	266,153	7,957,806
2007	1,045,765	7,685,540
2008	1,052,159	8,021,917
2009	1,052,095	8,518,032
2010	940,733	9,845,595
2011	725,719	12,182,304
2012	808,759	12,239,921
2013	749,228	13,898,997
2014	995,634	14,010,269

Source: West County Wastewater District Audited Financial Statements

Note: In FY05, FY06 and FY10, Proposition 1A shifted a portion of the District property tax revenues to the State. In FY11, a settlement by Contra Costa County with Chevron reduced the property tax revenue.

WEST COUNTY WASTEWATER DISTRICT
DEBT CAPACITY
Last Ten Years

The District has no current legal debt limit and there is no maximum allowable amount of debt that the District may borrow.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Last Ten Years

District Population, Income & Unemployment

Fiscal Year	District Population	Total Personal Income (A)	Per Capita Personal Income (B)	Unemployment Rate (B)	Contra Costa County Population	District Population as % of County
2005	119,092	6,141,098,072	51,566	5.1%	1,016,372	11.7%
2006	121,228	6,696,755,948	55,241	4.4%	1,025,436	11.8%
2007	122,405	7,084,923,805	57,881	4.7%	1,035,097	11.8%
2008	124,398	7,199,409,852	57,874	6.1%	1,048,185	11.9%
2009	125,236	7,101,276,754	56,703	10.5%	1,061,325	11.8%
2010	125,096	6,938,449,640	55,465	11.2%	1,073,055	11.7%
2011	96,597	5,492,228,784	56,857	11.0%	1,056,064	9.1%
2012	97,296	5,740,526,109	59,001	9.4%	1,065,117	9.1%
2013	97,998	6,077,955,966	62,022	7.3%	1,074,702	9.1%
2014	98,724	6,059,722,098	61,835	6.4%	1,086,553	9.1%

Source: * Population: State of California, Department of Finance, Demographic Research Unit, including adjustments, as of January 2014, based upon the approximate percentage of total population served in each of the following areas: through Fiscal Year 2010 - San Pablo 100%, Pinole 18%, Richmond 28% and unincorporated Contra Costa County 35%; effective Fiscal Year 2011 - San Pablo 100%, Pinole 8%, Richmond 31% and unincorporated Contra Costa County 21%.

* Total Personal Income: State of California, Department of Finance, Demographic Research Unit, including adjustments, as of January 2014

* Unemployment Rate: State of California, Employment Development Department, as of June 2014

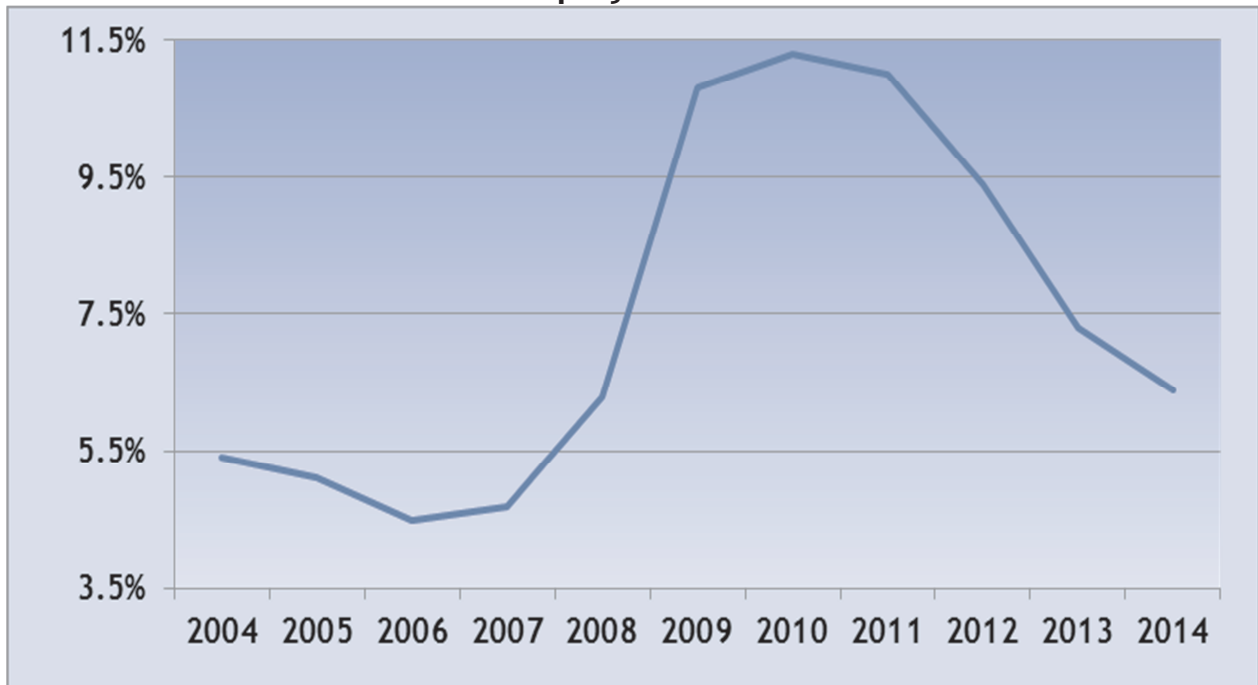
Notes: (A) Data calculated by multiplying District population by Per Capita Personal Income
 (B) Data presented for Contra Costs County - data not available at the District level.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Last Ten Years

Population Served

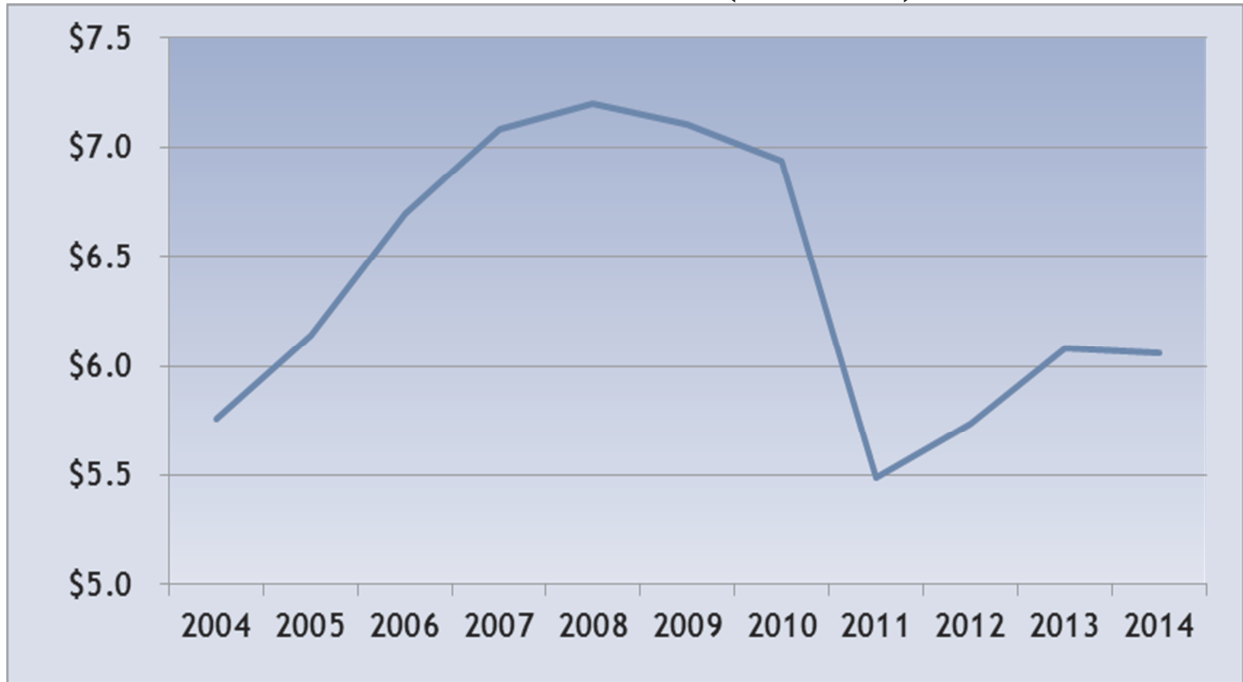


Unemployment Rate



WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Last Ten Years

Total Personal Income (in billions)



Per Capita Personal Income



WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Current and Nine Years Ago

Employer	FYE 6/30/14			FYE 6/30/05		
	Number of Employees	Rank	% of Total District Employment	Number of Employees	Rank	% of Total District Employment
Chevron Refinery	2,191	1	1.8%	2,461	1	
West Contra Costa USD	1,900	2	1.6%			
Social Security Admin.	1,259	3	1.0%			
U. S. Postal Service	1,047	4	0.8%			
Doctors Medical Center	994	5	0.8%	831	2	
Contra Costa County	844	6	0.7%			
City of Richmond	776	7	0.6%	768	3	
Contra Costa College	768	8	0.6%	270	8	
Permanente Medical Grp	694	9	0.6%	732	4	
Casino San Pablo	489	10	0.4%	473	5	
Macy's Hilltop				261	9	
CA Autism Foundation				250	10	
Berlex, Inc.				413	6	
Costco				325	7	
	10,962		8.9%	6,784		
All Others	123,252		91.1%	Unavailable		

Source: Comprehensive Annual Financial Reports for Fiscal Year Ending June 30, 2014 for City of Richmond, City of San Pablo and City of Pinole. Information is not available for the fiscal year ending June 30, 2014.

Note: Does not include data for the portion of unincorporated Contra Costa County that is included in the District. Total work force figures not available for FYE 6/30/05. The District implemented GASB Statement 34 for the fiscal year ending June 30, 2005.

**Full-Time Equivalent Employees:
Last Ten Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Administration	8.0	8.0	8.0	8.0	9.0	9.0	9.0	11.0	10.0	11.0
Engineering	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0	9.0
Collection Systems	10.0	10.0	10.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Treatment Plant										
Environmental										
Compliance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Operations	13.0	13.0	13.0	13.0	12.0	12.0	12.0	12.0	11.0	11.0
Maintenance	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>
Treatment Plant Total	28.0	28.0	28.0	28.0	28.0	28.0	28.0	27.0	27.0	27.0
District Total	52.0	52.0	52.0	54.0	54.0	54.0	54.0	55.0	55.0	57.0

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
OPERATIONS STATISTICS
Last Ten Fiscal Years

Engineering Permits Completed

Fiscal Year	Repairs	Single Family	Multi-Family	Commercial	Industrial	Misc.	Total
2004	122	469	393	28	3	18	1,033
2005	181	249	4	49	-	60	543
2006	150	387	130	10	-	26	703
2007	132	190	-	-	1	5	328
2008	215	116	136	-	-	6	473
2009	534	27	-	13	-	-	574
2010	429	17	-	2	-	1	449
2011	186	-	-	1	-	-	187
2012	357	5	1	1	-	1	365
2013	328	2	-	3	1	1	335
2014	360	4	-	1	-	14	379

Collection System Activity

Fiscal Year	Pipeline Cleaning (1,000 Feet)	Video Inspections (1,000 Feet)	Number of Service Calls	Number of Main Stoppages	Number of Repairs
2004	1,274	132.0	339	32	17
2005	1,301	51.8	316	31	21
2006	1,333	160.3	306	35	1
2007	1,698	163.1	226	13	64
2008	2,129	240.6	150	12	113
2009	2,223	227.4	157	19	78
2010	2,176	232.4	116	14	54
2011	2,410	271.7	141	11	59
2012	2,077	295.9	122	13	72
2013	2,101	326.4	136	11	121
2014	2,030	372.4	163	15	99

WEST COUNTY WASTEWATER DISTRICT
OPERATIONS STATISTICS
Last Ten Fiscal Years

Treatment Plant Activity

Fiscal Year	Effluent Flow (Million Gallons)	Effluent BOD (mg/L)	Effluent TSS (mg/L)	Electricity Used (MWh)	Gas Produced (k ft3)
2004	3,229	8.4	6.0	3,904	41,094
2005	3,502	6.9	7.8	4,758	43,870
2006	4,078	6.0	7.4	5,769	44,582
2007	3,058	6.5	8.0	5,280	52,765
2008	3,020	6.5	11.0	5,779	40,265
2009	2,793	7.9	11.2	4,831	33,793
2010	2,957	7.5	10.2	4,919	37,342
2011	3,258	6.6	8.5	5,218	42,798
2012	3,001	7.6	11.7	5,143	45,044
2013	2,898	6.1	8.0	5,156	45,532
2014	3,124	8.7	13.9	5,042	39,388

Facility Capacity Data

Fiscal Year	Sewer Gravity Pipeline Miles	Sewer Force Mains Miles	Pump Stations	Treatment Plant Permitted Capacity (ADWF) MGD*	Treatment Plant Amount in Use (ADWF) MGD*
2005	240.8	10.6	18	12.5	7.6
2006	242.3	11.0	18	12.5	7.9
2007	246.1	11.0	18	12.5	7.4
2008	246.1	10.9	18	12.5	**6.7
2009	246.1	10.9	18	12.5	**6.7
2010	246.1	10.9	18	12.5	**6.7
2011	248.9	10.3	18	12.5	7.1
2012	248.9	***5.5	17	12.5	7.7
2013	248.9	5.5	17	12.5	**6.8
2014	248.9	5.5	17	12.5	6.5

Note: * ADWF=Average Dry Weather Flow; MGD=Millions of Gallons per Day
 ** Decrease due to drought conditions and water conservation imposed by East Bay Municipal Utility District.
 *** The decrease in miles for force mains is due to a change in the interpretation of the definition of force main. The variance accounts for the removal of the outfall from the force main calculation.

