

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2015

WEST COUNTY WASTEWATER DISTRICT
Richmond, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2015

Prepared by:
Business Services Department

WEST COUNTY WASTEWATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

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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, which enabled the District to maintain continuity and stability in policies and service. The District's daily functions are administered by a General Manager who serves at the pleasure of the Board of Directors. Mr. E. J. Shalaby, General Manager, has been employed by the District for 11 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 real estate economy is starting to recover from the financial downturn of 2009 and the home values are starting to increase. According to CoreLogic, home sales in San Pablo increased in September 2015 compared to September 2014 with an increase in the median home price to \$386,500, a change of 44.9%. This had a positive impact on the District's property tax revenues.

The District saw an 18% increase in permit activity for the fiscal year ended June 30, 2015. 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 offered grants up to \$1,500 for each lateral repair. The program will sunset in the 2015/16 fiscal year due to funding limitations.

The District's Board of Directors maintains sound fiscal policies and closely monitors expenses. The District's annual Environmental Quality (Sewer Use) Charge of \$381 per single family residence for Fiscal Year 2014/15 remains one of the lowest among neighboring Bay Area sanitary sewer providers and below the average annual charge.

LONG TERM PLANNING

Environmental Quality (Sewer Use) Charge revenues 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 Environmental Quality (Sewer Use) Charge revenues, interest revenues and all property tax revenues 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 \$150 million in projects. The District is working with the State Water Resources Control Board to borrow sufficient funds to cover the majority 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 adopted a 20-Year District-wide Master Plan to address its infrastructure needs and has determined that it is necessary to borrow from the State Revolving Fund to finance most 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 11 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 in 2012.

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, 2014. This was the 17th 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 Business 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,

Dean Prater

Dean Prater
Finance Supervisor

E. J. Shalaby

E.J. Shalaby
General Manager

**California Society of
Municipal Finance Officers**

Certificate of Award

***Outstanding Financial Reporting
Fiscal Year Ending June 30, 2014***

Presented to the

West County Wastewater District

For meeting the criteria established to achieve the Outstanding Financial Reporting Award.

February 8, 2015

Pamela Arends-King

***Pamela Arends-King
CSMFO President***

Michael Gomez

***Michael Gomez, Chair
Professional Standards and
Recognition Committee***



Dedicated Excellence in Municipal Financial Reporting

The West County Wastewater District received the California Society of Municipal Finance Officers (CSMFO) Outstanding Financial Reporting Award for Fiscal Year Ending June 30, 2014, and was the 17th 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

Michael Caine
Since 2007
President

Alfred M. Granzella
Since 1985
Secretary

Audrey L. Comeaux
Since 2014
Director

Leonard R. McNeil
Since 2014
Director

Burl Toler, Jr.
Since 2015
Director

Legal Counsel

Mr. Alfred A. Cabral
Pelletreau, Alderson and Cabral

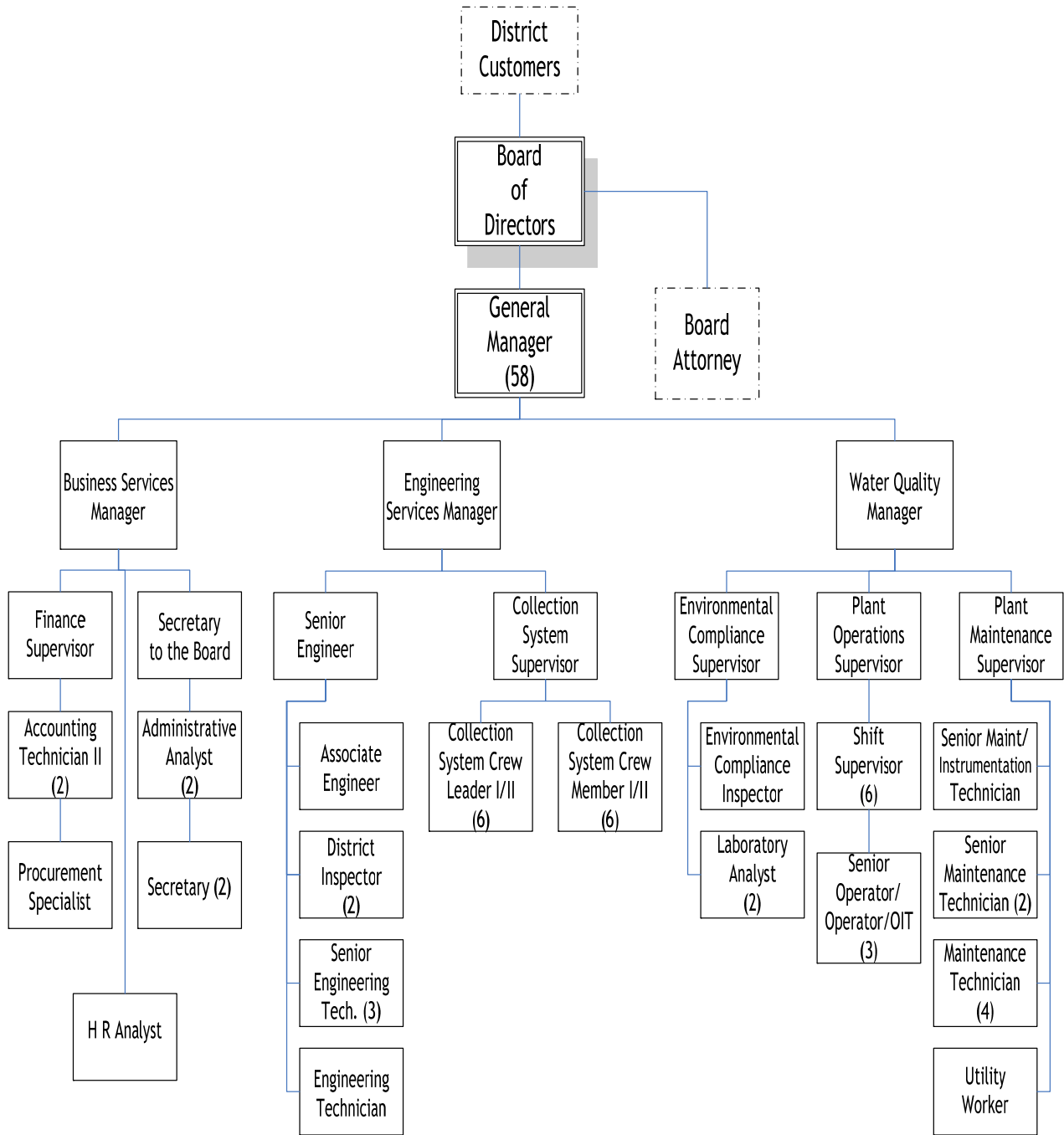
Management

E. J. Shalaby, General Manager
Ken R. Cook, Engineering Services Manager
Brian E. Hill, Water Quality Manager
Maria L. Sena, Acting Business Services Manager

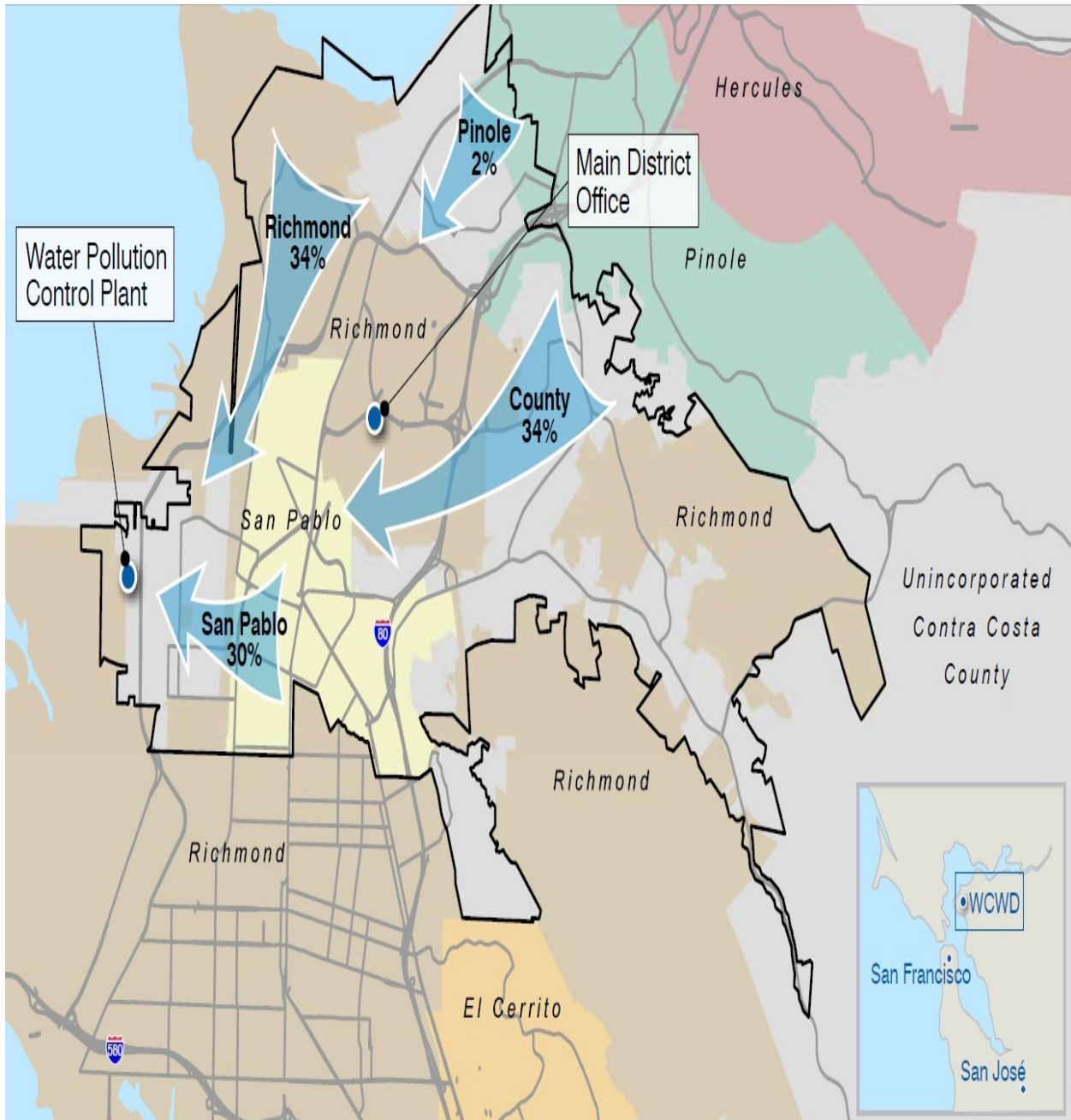
WEST COUNTY WASTEWATER DISTRICT

Organizational Chart

Fiscal Year 2014/15



WEST COUNTY WASTEWATER DISTRICT District Map



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the West County Wastewater District
Richmond, California

Report on the Financial Statements

We have audited the accompanying financial statements of the West County Wastewater District (District), which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the West County Wastewater District
Richmond, California

Emphasis of Matter

Implementation of GASB Statements No. 68 and 71

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 8 to the basic financial statements. In addition, the Net Pension Liability is reported in the Balance Sheet in the amount of \$7,228,755 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2013 which was then rolled-forward by the actuaries to June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 19 and the Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pension Plans, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 49 through 51, respectively, 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 opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory and the statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Walnut Creek, California
November 30, 2015

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

FINANCIAL HIGHLIGHTS

- The District had a net position balance of \$77.4 million at June 30, 2015. Total net position was comprised of unrestricted assets of \$9.9 million and amounts invested in capital assets of \$67.5 million. Net position increased by \$433,925 for the fiscal year.
- The District's total operating revenues were \$16.4 million and total operating expenses were \$15.8 million, resulting in operating income of \$510,317 for the year. This compares to an operating loss of \$549,891 for the prior year.
- The District's non-operating revenues were \$1.5 million and non-operating expenses were \$2.3 million for the year. Non-operating expenses are primarily costs of the District-Wide Master Plan. This compares to non-operating income of \$1.4 million and no non-operating expenses for the prior year.
- Capital contributions were \$0.8 million for the fiscal year and were comprised of connection fees. This compares to capital contributions of \$0.2 million for the prior year.

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 financials of the District as a 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 information.

BASIC FINANCIAL STATEMENTS

The District consists exclusively of one Enterprise (Business) 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.

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

- Net Investment in Capital Assets: 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: 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: Consists of Net Position that does not meet the definition of Net Investment in Capital Assets or Restricted.

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

BASIC FINANCIAL STATEMENTS (CONTINUED)

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 this Statement is the "Change in Net Position", which is similar to Net Income or Loss.

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 BALANCE SHEET

The following table reflects the condensed Balance Sheet for the current and preceding years.

TABLE 1
Balance Sheets

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current Assets	\$ 21,989,914	\$ 18,684,248	\$ 3,305,666	17.69%
Other Non-Current Assets	409,500	409,500	-	0.00%
Capital Assets	67,561,592	70,302,862	(2,741,270)	-3.90%
Total Assets	89,961,006	89,396,610	564,396	0.63%
Deferred Outflows of Resources	927,725	-	927,725	100.00%
Total Assets and Deferred Outflows of Resources	\$ 90,888,731	\$ 89,396,610	\$ 1,492,121	1.67%
Liabilities:				
Current Liabilities	2,605,495	2,256,477	349,018	15.47%
Non-Current Liabilities	8,300,503	1,069,238	7,231,265	676.30%
Total Liabilities	10,905,998	3,325,715	7,580,283	691.77%
Deferred Inflows of Resources	2,545,564	-	2,545,564	100.00%
Net Position:				
Net Investment in Capital Assets	67,486,623	70,302,862	(2,816,239)	-4.01%
Unrestricted	9,950,546	15,768,033	(5,817,487)	-36.89%
Total Net Position	77,437,169	86,070,895	(8,633,726)	-40.90%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 90,888,731	\$ 89,396,610	\$ 1,492,121	1.67%

Major Factors Affecting the Balance Sheet:

- 97% of current assets consist of cash and equivalents at June 30, 2015.
- See Table 3 for a discussion of Capital Asset changes.

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

SUMMARY OF THE BALANCE SHEET (CONTINUED)

- Current liabilities consist of accounts payable and payroll related liabilities.
- Non-current liabilities increased by \$7.2 million, primarily due to recording GASB 68 Net Pension Liability. This is discussed in the Notes to Financial Statements.
- The District has loans payable of \$74,969 at June 30, 2015.
- Net Position Unrestricted decreased by \$5.8 million due to the GASB 68/71 Prior Period Adjustment, change in Capital Assets, net of accumulated depreciation, and Change in Net Position for the year.

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.

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

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
Operating revenues				
Service charges	\$ 15,650,703	\$ 14,107,559	\$ 1,543,144	10.94%
Sewer fees	341,778	80,326	261,452	325.49%
Toll zone fees	36,040	5,960	30,080	504.70%
Service contracts	329,339	316,961	12,378	3.91%
Subtotal- Operating revenues	16,357,860	14,510,806	1,847,054	12.73%
Non-operating revenues				
Investment income	43,743	34,712	9,031	26.02%
Taxes	1,115,669	790,139	325,530	41.20%
Rents and leases	258,827	341,007	(82,180)	-24.10%
Other non-operating revenues	48,696	187,692	(138,996)	-74.06%
Subtotal- non-operating revenues	1,466,935	1,353,550	113,385	8.38%
Total revenues	17,824,795	15,864,356	1,960,439	12.36%
Expenses				
Operating expenses	15,847,543	15,060,697	786,846	5.22%
Non-operating expenses	2,323,820	-	2,323,820	100.00%
Total expenses	18,171,363	15,060,697	3,110,666	20.65%
Increase (decrease) before capital contributions	(346,568)	803,659	(1,150,227)	-143.12%
Capital contributions	780,493	196,518	583,975	297.16%
Change in net position	433,925	1,000,177	(566,252)	-56.62%
Net position, beginning	86,070,895	85,070,718	1,000,177	1.18%
Prior period adjustments	(9,067,651)	-	(9,067,651)	100.00%
Net position, ending	\$ 77,437,169	\$ 86,070,895	\$ (8,633,726)	-10.03%

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

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

- The District's total operating revenues were \$16.4 million and total operating expenses were \$15.8 million, resulting in operating income of \$510,317 for the year. This compares to an operating loss of \$549,891 for the prior year. Service Charges increased \$1.5 million due primarily to a Sewer Use Charge rate increase of 9.8%. Sewer fees increased \$0.3 million due to increased sewer permits, trucked waste fees, and plan approval fees.
- Operating Expenses increased \$0.8 million, primarily due to increased salary, wages and benefits costs, energy costs, and depreciation expense.
- Non-operating revenues of \$1.5 million for the year increased 8.3% over the prior year. This increase was due to increased property tax revenue (including the San Pablo redevelopment allocation), somewhat offset by a decrease in rents and leases.
- Non-operating expenses were \$2.3 million for the year, comprised primarily of the cost of the District-Wide Master Plan. This compares to no non-operating expenses for the prior year.
- Capital contributions were \$0.8 million for the fiscal year and were comprised of connection fees. This compares to capital contributions of \$0.2 million for the prior year.
- The GASB 68/71 Prior Period Adjustment of \$(9.1) million is discussed in the Notes to Financial Statements.

SUMMARY OF CAPITAL ASSETS

Table 3 presents a summary of the District's capital assets as of June 30, 2015. More detailed information on capital asset activity is provided on Note 6 to the financial statements.

TABLE 3
Summary of Capital Assets

	2015	2014	Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 2,451,806	\$ 2,451,806	\$ -	0.00%
Sewerage facilities	117,020,239	113,625,586	3,394,653	2.99%
Equipment	6,708,971	6,583,749	125,222	1.90%
Vehicles	2,137,466	2,112,534	24,932	1.18%
Construction in progress	2,251,105	5,317,829	(3,066,724)	-57.67%
Subtotal	130,569,587	130,091,504	478,083	0.37%
Less accumulated depreciation	(63,007,995)	(59,788,642)	(3,219,353)	5.38%
Total capital assets, net	\$ 67,561,592	\$ 70,302,862	\$ (2,741,270)	-3.90%

WEST COUNTY WASTEWATER DISTRICT
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Capital Asset Highlights:

Capital Assets decreased \$2.7 million net, due to:

- Capital asset additions of \$2.8 million.
- Depreciation expense of \$3.2 million.
- Transfer to expense of \$2.3 million for the District-Wide Master Plan.

Debt Administration:

- In order to reduce the burden on rate payers in the near term, the District applied for low interest loans from the California State Water Resources Control Board (SRF). The SRF approved a 1.9% interest rate loan for \$17.8 million for Phase I of the project.
- The District has loans payable of \$74,969 at June 30, 2015 related to the SRF loan.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- While the District has the ability to raise the sewer service charge to meet its long-term needs, it does so conservatively to minimize the impact on rate payers. Effective July 1, 2014, the District increased its sewer service charge from \$347 to \$381 (+9.8%) per residence with an equivalent increase for commercial and industrial customers.
- The Board of Directors approved 11% annual rate increases for the next 5 fiscal years in order to fund \$330 million of maintenance and capital improvement costs identified by the 2012 20-Year District-Wide Master Plan.
- The District was approved by the SRF for additional funding of \$26.5 million for a recycled water program at an even lower interest rate (1.0%) on June 4, 2015. Repayment of these loans is dependent on future rate increases.
- The District continues to identify areas to reduce spending and achieve efficiencies through its Strategic Plan and biennial budget process.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Dean Prater, Finance Supervisor, at (510) 222-6700, or dprater@wcwd.org. Specific requests may be submitted to: Dean Prater, Finance Supervisor, West County Wastewater District, 2910 Hilltop Drive, Richmond, CA 94806-1974.

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BASIC FINANCIAL STATEMENTS

West County Wastewater District
Balance Sheet
June 30, 2015

ASSETS AND
DEFERRED OUTFLOWS OF RESOURCES

Current assets:

Cash and investments (note 2)	\$ 21,364,758
Accrued interest receivable	12,716
Accounts receivable, net (note 3)	339,922
Materials and supplies inventory	169,942
Prepaid items	102,576
Total current assets	21,989,914

Non-current assets:

Note receivable (note 4)	409,500
Capital assets – not being depreciated (note 5)	4,702,911
Capital assets – being depreciated, net (note 5)	62,858,681
Total non-current assets	67,971,092
Total assets	89,961,006

Deferred outflows of resources:

Employer contributions to pension plan made after the measurement date (note 8)	808,084
Changes in employer contributions and differences between proportionate share of pension expense (note 8)	8,119
Recognized portion of adjustment due to differences in proportions (note 8)	111,522
Total deferred outflows of resources	927,725
Total assets and deferred outflows of resources	\$ 90,888,731

LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	\$ 1,650,543
Accrued salaries and benefits	418,047
Accrued interest payable	179
Long-term liabilities – due within one year:	
Compensated absences (note 6)	536,726
Total current liabilities	2,605,495

Non-current liabilities:

Long-term liabilities – due in more than one year:	
Compensated absences (note 6)	996,779
Loans payable (note 9)	74,969
Aggregate net pension liability (note 8)	7,228,755
Total non-current liabilities	8,300,503
Total liabilities	10,905,998

Deferred inflows of resources

Recognized net differences between projected and actual earnings on pension plan investments (note 8)	2,429,197
Changes in employer contributions and differences between proportionate share of pension expense (note 8)	116,367
Total deferred inflows of resources	2,545,564

Net position:

Net investment in capital assets (note 10)	67,486,623
Unrestricted	9,950,546
Total net position	77,437,169
Total liabilities, deferred inflows of resources and net position	\$ 90,888,731

West County Wastewater District
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2015

Operating revenues:	
Service charges	\$ 15,650,703
Sewer fees	341,778
Toll zone fees	36,040
Service contracts	329,339
Total operating revenues	16,357,860
Operating expenses:	
Sewage collection	3,768,123
Sewage treatment	5,704,464
Administration – general	2,740,638
Service contracts	303,888
West County Agency	107,463
Total operating expenses before depreciation	12,624,576
Operating income before depreciation	3,733,284
Depreciation expense	(3,222,967)
Operating income	510,317
Non-operating revenues (expenses):	
Property taxes – ad valorem	900,157
San Pablo redevelopment allocation	215,512
Rental income	258,827
Investment earnings	43,743
Master plan	(2,323,820)
Other revenue, net	48,696
Total non-operating revenues (expenses), net	(856,885)
Net (loss) before capital contributions	(346,568)
Capital contributions:	
Connection fees	780,493
Total capital contributions	780,493
Change in net position	433,925
Net position:	
Beginning of year, as previously stated	86,070,895
Prior period adjustment (note 11)	(9,067,651)
End of year	\$ 77,437,169

West County Wastewater District
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash receipts from customers and others	\$ 16,331,565
Cash paid to employees for salaries and benefits	(8,533,570)
Cash paid to vendors and suppliers for materials and services	(4,066,647)
	<u>3,731,348</u>
Net cash provided by operating activities	
Cash flows from non-capital financing activities:	
Property taxes – ad valorem	900,157
San Pablo redevelopment allocation	215,512
Rental income	258,827
Master plan	(2,323,820)
Other revenue, net	48,696
	<u>(900,628)</u>
Net cash (used in) non-capital financing activities	
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(481,697)
Proceeds from connection fees	780,493
Proceeds from loans payable issuance	74,969
	<u>373,765</u>
Net cash provided by capital and related financing activities	
Cash flows from investing activities:	
Investment earnings	40,525
	<u>40,525</u>
Net cash provided by investing activities	
Net increase in cash and cash equivalents	
	3,245,010
Cash and cash equivalents:	
Beginning of year	18,119,748
End of year	\$ 21,364,758
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 510,317
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,222,967
Change in assets – (increase) decrease:	
Accounts receivable, net	(26,295)
Materials and supplies inventory	(34,446)
Prepaid items	3,482
Change in deferred outflows of resources – (increase) decrease	
	39,631
Change in liabilities – increase (decrease):	
Accounts payable and accrued expenses	270,505
Accrued salaries and benefits	63,422
Compensated absences	107,855
Net other post-employment benefits obligation	(165,402)
Aggregate net pension liability	(2,648,325)
Change in deferred inflows of resources – increase (decrease)	
	<u>2,387,637</u>
Total adjustments	
	3,221,031
Net cash provided by operating activities	
	\$ 3,731,348

See accompanying Notes to the Basic Financial Statements

West County Wastewater District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The West County Wastewater District (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 governmental entity and is not financially responsible for any other governmental unit or agency.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization’s governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units as of year-end.

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by GASB, commonly referred to as accounting principles generally accepted in the United States of America (U.S. GAAP). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Accounting Changes

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement became effective for periods beginning after June 15, 2014. See Note 11 for prior period adjustment as a result of implementation.

GASB has issued Statement 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 became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement establishes standards 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 became effective for periods beginning after June 15, 2014. See Note 11 for prior period adjustment as a result of implementation.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

Investments

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

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Receivables and Allowance for Doubtful Accounts

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management's assessment of the collectability of existing accounts.

Materials and Supplies Inventory

Inventories consist of expendable supplies and are valued at cost using first-in first-out basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Sewage collection and treatment facilities	30-70 years
Equipment	4-10 years
Vehicles	3-15 years

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed. Capitalized interest of \$179 has been included in construction in process for the fiscal year ended June 30, 2015.

Compensated Absences

The District has a policy whereby an employee can accumulate unused sick leave, compensatory time and vacation leave. Immediately, prior to retirement, employees with a satisfactory record of service who otherwise qualify for retirement may be granted time off from their job duties, 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 therefore the District has accrued for 90% of accumulated sick leave balances, in addition to the full accrual of accumulated compensatory time and vacation leave.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

Net position represents the difference between all other elements in the balance sheet and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Service Charge Revenue

Service charges determined by the District are included on property tax bills of the County of Contra Costa (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 or collected to the District. Late payment fees and interest are collected by the County and not remitted to the District.

The County remits service charge revenue to the District in three installments each fiscal year as follows: 55% in December, 40% in April and 5% in June.

Property Taxes

Property taxes are levied on July 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Contra Costa, California (County) bills and collects property taxes and remits them to the District according to a payment schedule established by the County.

The County is permitted by State law to levy properties at 1% of full market value (at time of purchase) and can increase the property tax rate at no more than 2% per year. The District receives a share of this basic tax levy proportionate to what it received during the years 1976-1978. Property taxes are recognized in the fiscal year for which the taxes have been levied. The County remits property tax revenues to the District on the same schedule as service charge revenues.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2015 consisted of the following:

Description	Balance
Cash on hand	\$ 500
Deposits held with financial institutions	1,830,295
Investments	19,533,963
Total	\$ 21,364,758

Authorized Deposits and Investments

The District is legally empowered by statute and resolution to invest in certificates-of-deposit and the California State Investment Pool – Local Agency Investment Fund (LAIF). The District’s investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

Investment in State Investment Pool

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

The District's investments with LAIF at June 30, 2015, included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: 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: generally mortgage-backed securities that 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 (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2015, the District had \$19,553,963 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured.

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

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

Type of Investments	Credit Rating	Fair Value	Maturity 12 Months or Less
Local Agency Investment Fund (LAIF)	Not Rated	\$ 19,533,963	\$ 19,533,963
Total investments		\$ 19,533,963	\$ 19,533,963

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk

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

Note 3 – Accounts Receivable

Accounts receivable as of June 30, 2015 consisted of the following:

Description	Balance
Service charges	\$ 61,968
Pretreatment inspections	63,423
Contracts	78,545
EBMUD project	84,221
EBMUD	50,794
State mandated costs for reimbursement	124,978
Other	971
Total accounts receivable	464,900
Allowance for doubtful accounts	(124,978)
Total accounts receivable, net	\$ 339,922

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 4 – Note Receivable

The District and the General Manager amended their employment agreement effective December 20, 2005, which included an executed note receivable of not more than 50% of the cost of a residence, to a maximum of \$500,000, for the General Manager to reside within the District’s boundaries. Title to the residence shall be taken in the name of the General Manager and, upon close of escrow of a sale of the residence, the District shall first be reimbursed its initial advance and the General Manager shall be reimbursed his initial down payment. The net sale proceeds shall be allocated to the District and the General Manager using the ratio of purchase cost. The total amount advanced by the District as of June 30, 2015, was \$409,500.

Note 5 – Capital Assets

Summary changes in capital asset balances for the year ended June 30, 2015 were as follows:

Description	Balance July 1, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Non-depreciable assets:				
Land	\$ 2,451,806	\$ -	\$ -	\$ 2,451,806
Construction-in-process	5,317,829	2,710,687	(5,777,411)	2,251,105
Total non-depreciable assets	7,769,635	2,710,687	(5,777,411)	4,702,911
Depreciable assets:				
Sewage collection and treatment facilities	113,625,586	-	3,394,653	117,020,239
Equipment	6,583,749	69,898	55,324	6,708,971
Vehicles	2,112,534	24,932	-	2,137,466
Total depreciable assets	122,321,869	94,830	3,449,977	125,866,676
Accumulated depreciation:				
Sewage collection and treatment facilities	(54,751,112)	(2,869,785)	-	(57,620,897)
Equipment	(3,432,306)	(231,358)	3,614	(3,660,050)
Vehicles	(1,605,224)	(121,824)	-	(1,727,048)
Total accumulated depreciation	(59,788,642)	(3,222,967)	3,614	(63,007,995)
Total depreciable assets, net	62,533,227	(3,128,137)	3,453,591	62,858,681
Total capital assets, net	\$ 70,302,862	\$ (417,450)	\$ (2,323,820)	\$ 67,561,592

Note 6 – Compensated Absences

Summary changes to compensated absences balances for the year ended June 30, 2015, were as follows:

Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
\$ 1,425,650	\$ 464,267	\$ (356,412)	\$ 1,533,505	\$ 536,726

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Net Other Post-Employment Benefits Obligation

Plan Description

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. 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 CalPERS, 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. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

As required by GASB Statement No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

Annual OPEB Cost and Net OPEB Obligation

Summary changes in net other post-employment benefits balance for the year ended June 30, 2015 was as follows:

Description	Balance
Annual OPEB cost:	
Annual required contribution (ARC) including interest	\$ 1,007,000
Total annual OPEB cost	1,007,000
Contributions made:	
Contributions made to irrevocable trust	(907,889)
Retiree health care benefits paid by District	(264,513)
Total contributions made	(1,172,402)
Total change in net OPEB obligation	(165,402)
Net OPEB obligation:	
Beginning of year	165,402
End of year	\$ -

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 7 – Net Other Post-Employment Benefits Obligation (Continued)

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/asset for the fiscal year ended June 30, 2015 and the two preceding years are shown in the following table.

Three-Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable (Asset)
June 30, 2015	\$ 1,007,000	\$ 1,172,402	116.43%	\$ -
June 30, 2014	981,000	939,395	95.76%	165,402
June 30, 2013	787,000	662,606	84.19%	123,797

The most recent valuation (dated June 30, 2013) includes an Actuarial Accrued Liability of \$9,614,000. Plan assets amounted to \$2,495,000. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was \$4,121,000. The ratio of the funded actuarial accrued liability to annual covered payroll was 172.75%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of increasing payroll
Remaining amortization period	26 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	6.50%
Projected salary increase	3.5% of covered payroll
Inflation - discount rate	3.00%
Health care trend rate	Based on premiums declining 0.5% annually

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans

<u>Type of Account</u>	<u>Balance as of July 1, 2014 (As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2015</u>
Deferred Outflows of Resources:				
Employer contributions to pension plan made after the measurement date:				
CalPERS – Miscellaneous Classic Plan	\$ 956,323	\$ 787,431	\$ (956,323)	\$ 787,431
CalPERS – Miscellaneous PEPRA Plan	14	20,653	(14)	20,653
Sub-total	<u>956,337</u>	<u>808,084</u>	<u>(956,337)</u>	<u>808,084</u>
Changes in employer contributions and differences between proportionate share of pension expense:				
CalPERS – Miscellaneous PEPRA Plan	11,019	-	(2,900)	8,119
Recognized portion of adjustment due to differences in proportions:				
CalPERS – Miscellaneous Classic Plan	-	147,393	(38,788)	108,605
CalPERS – Miscellaneous PEPRA Plan	-	3,959	(1,042)	2,917
Sub-total	<u>-</u>	<u>151,352</u>	<u>(39,830)</u>	<u>111,522</u>
Total deferred outflows of resources	<u>\$ 967,356</u>	<u>\$ 959,436</u>	<u>\$ (999,067)</u>	<u>\$ 927,725</u>
Net Pension Liability:				
CalPERS – Miscellaneous Classic Plan	\$ 9,876,935	\$ -	\$ (2,648,286)	\$ 7,228,649
CalPERS – Miscellaneous PEPRA Plan	145	-	(39)	106
Total net pension liability	<u>\$ 9,877,080</u>	<u>\$ -</u>	<u>\$ (2,648,325)</u>	<u>\$ 7,228,755</u>
Deferred Inflows of Resources:				
Recognized net differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Classic Plan	\$ -	\$ 3,036,451	\$ (607,290)	\$ 2,429,161
CalPERS – Miscellaneous PEPRA Plan	-	45	(9)	36
Sub-total	<u>-</u>	<u>3,036,496</u>	<u>(607,299)</u>	<u>2,429,197</u>
Changes in employer contributions and differences between proportionate share of pension expense:				
CalPERS – Miscellaneous Classic Plan	157,927	-	(41,560)	116,367
Total deferred inflows of resources	<u>\$ 157,927</u>	<u>\$ 3,036,496</u>	<u>\$ (648,859)</u>	<u>\$ 2,545,564</u>

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

General Information about the Pension Plans

The Plans

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 60	2.0 @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required member contribution rates	8.000%	6.237%
Required employer contribution rates	15.724%	6.237%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Employees Covered by Benefit Terms

At June 30, 2013, the following employees were covered by the benefit terms:

Plan Members	Miscellaneous Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	50	1	51
Transferred and terminated members	23	-	23
Retired members and beneficiaries	54	-	54
Total plan members	127	1	128

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

General Information about the Pension Plans (Continued)

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous members are calculated as 2.0% to 3.0% of the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as 1% to 2.5% of the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and they have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2014 (the measurement date), the active member contribution rate for the Miscellaneous Plan and PEPRA Miscellaneous Plan is 8.0% and 6.237% of annual pay, respectively, and the average employer's contribution rate is 15.724% and 6.237% of annual payroll, respectively.

<u>Contribution Type</u>	<u>Miscellaneous Plans</u>		<u>Total</u>
	<u>Classic</u>	<u>PEPRA</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	
Contributions – employer	\$ 798,396	\$ 11,033	\$ 809,429
Contributions – members	380,178	11,122	391,300
Total contributions	\$ 1,178,574	\$ 22,155	\$ 1,200,729

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. CalPERS' Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

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

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

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

The following presents the District’s proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>Discount Rate + 1% 8.50%</u>
CalPERS – Miscellaneous Classic Plan	\$ 12,879,218	\$ 7,228,649	\$ 2,539,214
CalPERS – Miscellaneous PEPR Plan	\$ 189	\$ 106	\$ 37
Total – All Plans	<u>\$ 12,879,407</u>	<u>\$ 7,228,755</u>	<u>\$ 2,539,251</u>

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Classic Plan:			
Balance as of June 30, 2013 (Valuation Date)	\$ 40,201,137	\$ 30,324,202	\$ 9,876,935
Balance as of June 30, 2014 (Measurement Date)	\$ 42,593,492	\$ 35,364,843	\$ 7,228,649
Change in Plan Net Pension Liability	\$ 2,392,355	\$ 5,040,641	\$ (2,648,286)
CalPERS – Miscellaneous PEPRA Plan:			
Balance as of June 30, 2013 (Valuation Date)	\$ 589	\$ 444	\$ 145
Balance as of June 30, 2014 (Measurement Date)	\$ 624	\$ 518	\$ 106
Change in Plan Net Pension Liability	\$ 35	\$ 74	\$ (39)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability was as follows:

<u>Calculation Dates</u>	<u>Miscellaneous Plans</u>	
	<u>Classic</u>	<u>PEPRA</u>
	<u>Tier 1</u>	<u>Tier 2</u>
	<u>Percentage</u>	<u>Percentage</u>
Balance as of June 30, 2013 (Valuation Date)	0.30143%	0.00000%
Balance as of June 30, 2014 (Measurement Date)	0.29248%	0.00000%
Change in Plan Net Pension Liability Percentage	-0.00895%	0.00000%

For the year ended June 30, 2015, the District recognized pension expense in the amounts of \$587,033 and \$(6) for Classic and PEPRA plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions to pension plan made after the measurement date	\$ 808,084	\$ -
Changes in employer contributions and differences between proportionate share of pension expense	8,119	-
Recognized portion of adjustment due to differences in proportions	111,522	-
Recognized net differences between projected and actual earnings on pension plan investments	-	(2,429,197)
Changes in employer contributions and differences between proportionate share of pension expense	-	(116,367)
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 927,725</u>	<u>\$ (2,545,564)</u>
Less:		
Deferred Outflows/(Inflows) of Resources that will be recognized in the following fiscal year:		
Employer contributions to pension plan made after the measurement date	\$ (808,084)	\$ -
Total Deferred Outflows/(Inflows) of Resources amounts to be amortized in future periods	<u>\$ 119,641</u>	<u>\$ (2,545,564)</u>

The District will recognize \$808,084 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ending June 30, 2016, as noted above.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 8 – Pension Plans (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 42,730	\$ (648,859)
2017	42,730	(648,859)
2018	34,181	(640,546)
2019	-	(607,300)
2020	-	-
Thereafter	-	-
Total	\$ 119,641	\$ (2,545,564)

Note 9 – Loans Payable

SRF Loan Payable – Wastewater Facility and Collection System Rehabilitation Project Phase I, Segment 1

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$4,093,086 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2015, eligible costs for reimbursement were \$54,050 and accrued as a long-term debt liability on the financial statements.

SRF Loan Payable - Wastewater Facility and Collection System Rehabilitation Project Phase I, Segment 2

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$2,881,758 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2015, eligible costs for reimbursement were \$20,919 and accrued as a long-term debt liability on the financial statements.

SRF Loan Payable - Wastewater Facility and Collection System Rehabilitation Project Phase I, Segment 3

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$10,829,156 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2015, no eligible costs for reimbursement were accrued as a long-term debt liability on the financial statements.

SRF Loan Payable – Recycled Water Reliability Upgrades

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$26,457,093 with an interest rate of 1.00% per annum for capital projects. As of June 30, 2015, no eligible costs for reimbursement were accrued as a long-term debt liability on the financial statements.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 10 – Net Investment in Capital Assets

Net investment in capital assets consisted of the following as of June 30, 2015:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 4,702,911
Capital assets, net – being depreciated	62,858,681
Loans payable	(74,969)
Total net investment in capital assets	\$ 67,486,623

Note 11 – Prior Period Adjustment

Description	Balance
Beginning net position as of July 1, 2014 – as previously reported	\$ 86,070,895
Net pension liability – GASB Nos. 68/71 implementation	(9,877,080)
Deferred outflows of resources – GASB Nos. 68/71 implementation	967,356
Deferred inflows of resources – GASB Nos. 68/71 implementation	(157,927)
Total prior period adjustment for GASB Nos. 68/71	(9,067,651)
Beginning net position as of July 1, 2014 – as restated	\$ 77,003,244

With the implementation of GASB Statements No. 68 and 71 in fiscal year 2015, the District was required to record a prior period adjustment of \$(9,067,651) to establish the net pension liability as of June 30, 2014 of \$(9,877,080) net of the deferred outflows of resources of \$967,356 and the deferred inflows of resources of \$(157,927) as prescribed by GASB Statements No. 68 and 71 accounting standards. (See Note 8 for further information on the net pension liability.)

Note 12 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District’s general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the balance sheet.

West County Wastewater District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2015

Note 13 – Risk Management

The District participates in a joint venture under a joint power agreement (JPA) with the California Sanitation Risk Management Authority (CSRMA). The relationship between the District and CSRMA is such that CSRMA is not a component unit of the District for financial reporting purposes. CSRMA arranges for and provides workers' compensation, property, liability, errors, and omissions insurance for its member governmental entities. A board consisting of representatives from its member entities governs the CSRMA. The board controls the operations of the CSRMA including selection of management and approval of operating budgets, independent of any influence by the member agency beyond their representation on the board. Each member agency pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the CSRMA. CSRMA has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between CSRMA and the District are included in these statements. Audited financial statements are available from the respective entity. The District has appointed one board member to the governing board of CSRMA.

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

Note 14 – Commitments and Contingencies

West County Agency – A Joint Venture

The West County Agency (Agency) operates under a joint exercise of powers agreement between the District, the City 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 the District's assets, and the Agency does not hold any significant assets or liabilities at this time. As of June 30, 2015, the Agency has an unrestricted net position of \$33,472. For more detail, the financial statements of the Agency are available at the District's office.

Grant Awards

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

Litigation

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

San Francisco Baykeeper and West County Toxins Coalition Settlement

As part of this settlement agreement, the District is required to spend a total of \$5.0 million in capital improvements on its 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Plan

	June 30, 2014¹
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.11617%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 7,228,649
Plan's Covered-Employee Payroll	\$ 4,222,198
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	171.21%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 956,323

California Public Employees' Retirement System (CalPERS) Miscellaneous PEPRA Plan

	June 30, 2014¹
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.00000%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 106
Plan's Covered-Employee Payroll	\$ 53,667
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	0.20%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.01%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 14

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

**West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of Contributions – Pension Plans
For the Year Ended June 30, 2015**

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Plan

	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 787,431	\$ 798,396
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(787,431)</u>	<u>(798,396)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ^{3,4}	<u>\$ 4,348,864</u>	<u>\$ 4,222,198</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>18.11%</u>	<u>18.91%</u>

California Public Employees' Retirement System (CalPERS) Miscellaneous PEPRA Plan

	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 20,653	\$ 11,033
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(20,653)</u>	<u>(11,033)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll ^{3,4}	<u>\$ 55,277</u>	<u>\$ 53,667</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>37.36%</u>	<u>20.56%</u>

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year (\$242,876 for Classic Plan and \$42,640 for PEPRA Plan) was assumed to increase by the 3.00 percent payroll growth assumption

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
June 30, 2013	\$ 2,495,000	\$ 9,614,000	\$ 7,119,000	25.95%	\$ 4,121,000	172.75%
January 1, 2011	\$ 601,100	\$ 6,962,700	\$ 6,361,600	8.63%	\$ 4,521,400	140.70%
January 1, 2008	\$ -	\$ 6,747,000	\$ 6,747,000	0.00%	\$ 3,900,000	173.00%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB No. 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan.

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STATISTICAL INFORMATION

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WEST COUNTY WASTEWATER DISTRICT
STATISTICAL SECTION (Unaudited)

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Sources: Unless otherwise noted, the source of the information is the comprehensive annual financial reports for the each year.

WEST COUNTY WASTEWATER DISTRICT STATISTICAL SECTION - INTRODUCTION

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 AND BALANCE SHEET NET POSITION
Last Ten Fiscal Years

Change in Net Position	2015	2014	2013	2012	2011
Operating Revenues:					
Service charges	\$ 15,650,703	\$ 14,107,559	\$ 13,898,997	\$ 12,239,921	\$ 12,182,304
Sewer fees	341,778	80,326	141,039	99,781	106,732
Toll zone fees	36,040	5,960	8,012	38,707	5,392
Service contracts	329,339	316,961	545,286	322,998	338,434
Total operating revenue	<u>16,357,860</u>	<u>14,510,806</u>	<u>14,593,334</u>	<u>12,701,407</u>	<u>12,632,862</u>
Operating Expenses:					
Sewage collection	3,768,123	3,639,837	3,372,341	2,908,773	3,176,367
Sewage treatment	5,704,464	5,208,478	6,798,874	5,712,477	5,940,831
Administration - general	2,740,638	2,868,589	2,935,722	2,554,171	2,515,705
Service contracts	303,888	269,874	474,623	287,977	239,973
West County Agency	107,463	133,670	172,391	105,041	148,273
Depreciation	3,222,967	2,940,249	2,921,783	2,735,155	2,856,717
Total operating expenses	<u>15,847,543</u>	<u>15,060,697</u>	<u>16,675,734</u>	<u>14,303,594</u>	<u>14,877,866</u>
Operating Income (Loss)	<u>510,317</u>	<u>(549,891)</u>	<u>(2,082,400)</u>	<u>(1,602,187)</u>	<u>(2,245,004)</u>
Non-Operating Revenue (Expenses):					
Taxes	1,115,669	910,446	773,092	808,759	834,524
Interest income	43,743	34,712	30,257	49,106	64,645
Rents and leases	258,827	341,007	155,448	199,974	246,948
Other non-operating revenues (expenses)	(2,275,124)	67,385	196,082	(256,871)	(108,804)
Total non-operating revenues (expenses)	<u>(856,885)</u>	<u>1,353,550</u>	<u>1,154,879</u>	<u>800,968</u>	<u>1,037,313</u>
Increase (decrease) before contributions	(346,568)	803,659	(927,521)	(801,219)	(1,207,691)
Capital contributions	780,493	196,518	167,916	153,929	1,068,927
Contributed sewer lines	-	-	-	-	-
Subtotal	<u>780,493</u>	<u>196,518</u>	<u>167,916</u>	<u>153,929</u>	<u>1,068,927</u>
CHANGE IN NET POSITION	433,925	1,000,177	(759,605)	(647,290)	(138,764)
Net Position:					
Beginning of year	86,070,895	85,070,718	85,830,323	86,477,613	86,616,377
Prior period adjustments	(9,067,651)	-	-	-	-
End of year	<u>\$ 77,437,169</u>	<u>\$ 86,070,895</u>	<u>\$ 85,070,718</u>	<u>\$ 85,830,323</u>	<u>\$ 86,477,613</u>
Balance Sheet					
	2015	2014	2013	2012	2011
Net Investment in Capital Assets	\$ 67,486,623	\$ 70,302,862	\$ 69,404,267	\$ 69,725,812	\$ 69,663,380
Unrestricted	6,650,546	15,768,033	15,666,451	16,104,511	16,814,233
Total Net Position	<u>\$ 74,137,169</u>	<u>\$ 86,070,895</u>	<u>\$ 85,070,718</u>	<u>\$ 85,830,323</u>	<u>\$ 86,477,613</u>

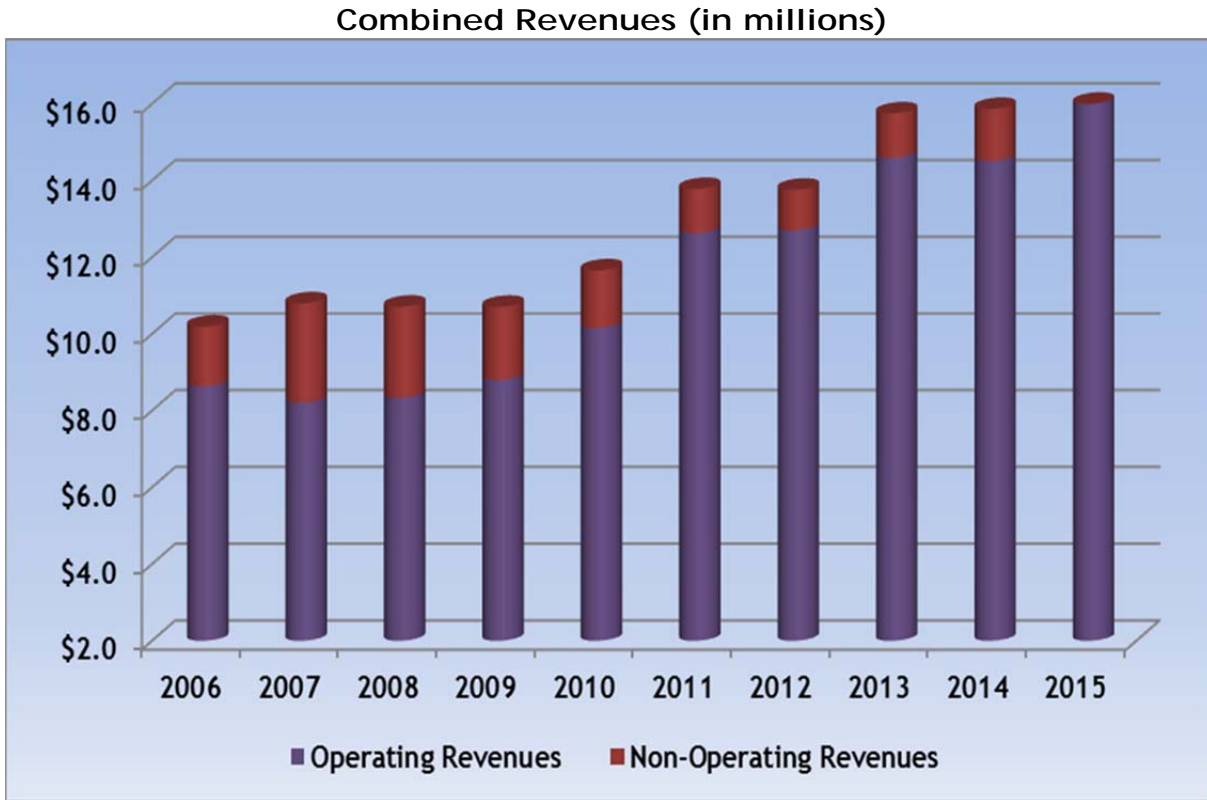
Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
CHANGES IN NET POSITION AND BALANCE SHEET NET POSITION
Last Ten Fiscal Years (Continued)

Change in Net Position	2010	2009	2008	2007	2006
<u>Operating Revenues:</u>					
Service charges	\$ 9,845,595	8,518,032	8,021,917	7,685,540	7,957,806
Sewer fees	116,436	121,265	122,555	83,568	232,849
Toll zone fees	61,878	9,513	20,278	120,140	106,004
Service contracts	134,890	154,732	168,319	319,789	338,560
Total operating revenue	<u>10,158,799</u>	<u>8,803,542</u>	<u>8,333,069</u>	<u>8,209,037</u>	<u>8,635,219</u>
<u>Operating Expenses:</u>					
Sewage collection	2,847,920	2,655,270	2,498,797	2,110,224	1,786,268
Sewage treatment	6,023,821	5,131,650	5,126,766	4,646,701	4,553,581
Administration - general	2,713,479	2,062,106	1,840,392	2,061,453	1,689,761
Service contracts	55,756	69,787	67,415	48,636	62,644
West County Agency	91,085	125,365	122,760	167,961	187,775
Depreciation	2,814,261	2,747,202	2,694,193	2,605,453	2,514,978
Total operating expenses	<u>14,546,322</u>	<u>12,791,380</u>	<u>12,350,323</u>	<u>11,640,428</u>	<u>10,795,007</u>
Operating Income (Loss)	<u>(4,387,523)</u>	<u>(3,987,838)</u>	<u>(4,017,254)</u>	<u>(3,431,391)</u>	<u>(2,159,788)</u>
<u>Non-Operating Revenue (Expenses):</u>					
Taxes	100,077	457,834	930,153	1,229,769	878,460
Interest income	940,733	1,052,082	1,052,159	1,045,765	266,153
Rents and leases	170,448	89,169	87,576	87,676	84,597
Other non-operating revenues (expenses)	286,370	303,302	304,315	210,888	328,205
Total non-operating revenues (expenses)	<u>1,497,628</u>	<u>1,902,387</u>	<u>2,374,203</u>	<u>2,574,098</u>	<u>1,557,415</u>
Increase (decrease) before contribution	(2,889,895)	(2,085,451)	(1,643,051)	(857,293)	(602,373)
Capital contributions	417,696	137,492	277,289	357,839	1,664,958
Contributed sewer lines	541,844	107,000	1,458,000		1,692,700
Subtotal	<u>959,540</u>	<u>244,492</u>	<u>1,735,289</u>	<u>357,839</u>	<u>3,357,658</u>
CHANGE IN NET POSITION	(1,930,355)	(1,840,959)	92,238	(499,454)	2,755,285
<u>Net Position:</u>					
Beginning of year	88,546,732	90,387,691	90,295,453	90,794,907	88,039,622
Prior period adjustments	-	-	-	-	-
Net Position - Ending	<u>\$ 86,616,377</u>	<u>\$ 88,546,732</u>	<u>\$ 90,387,691</u>	<u>\$ 90,295,453</u>	<u>\$ 90,794,907</u>
<u>Balance Sheet</u>					
Net Investment in Capital Assets	\$ 68,847,559	\$ 67,628,792	\$68,067,208	\$67,083,656	\$65,830,554
Unrestricted	<u>17,782,818</u>	<u>20,917,940</u>	<u>22,320,483</u>	<u>23,211,797</u>	<u>24,964,353</u>
Total Net Position	<u>\$ 86,630,377</u>	<u>\$ 88,546,732</u>	<u>\$ 90,387,691</u>	<u>\$ 90,295,453</u>	<u>\$ 90,794,907</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
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
2015	15,650,703	341,778	329,339	36,040	16,357,860

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
REVENUES BY TYPE
Last Ten Fiscal Years

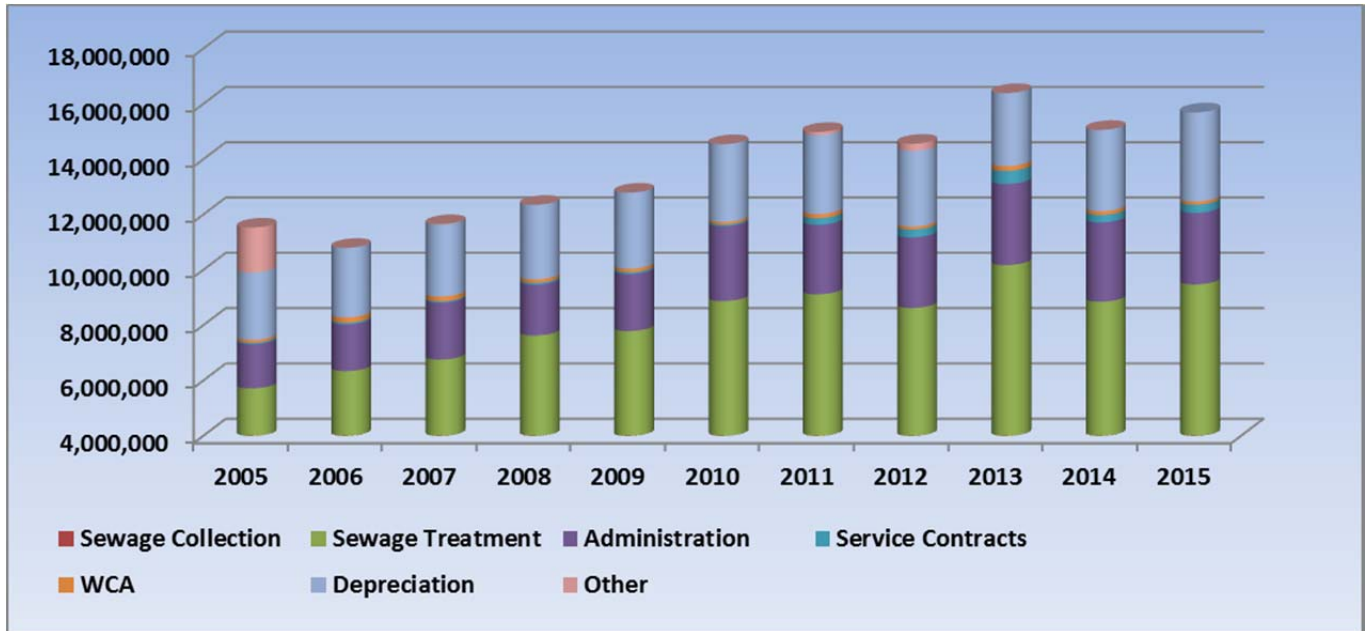
NON-OPERATING REVENUES

FYE June 30	Taxes	Investment Income	Rents & Leases	Other	Total Non- Operating
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	89,169	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
2015	1,115,669	43,743	258,827	48,696	1,466,935

Source: West County Wastewater District Audited Financial Statements

Taxes include reductions due to the shift in property taxes related to the San Pablo
Redevelopment Allocation and ERAF.

WEST COUNTY WASTEWATER DISTRICT
OPERATING EXPENSES BY FUNCTION
 Last Ten Fiscal Years



Source: West County Wastewater District Audited Financial Statements

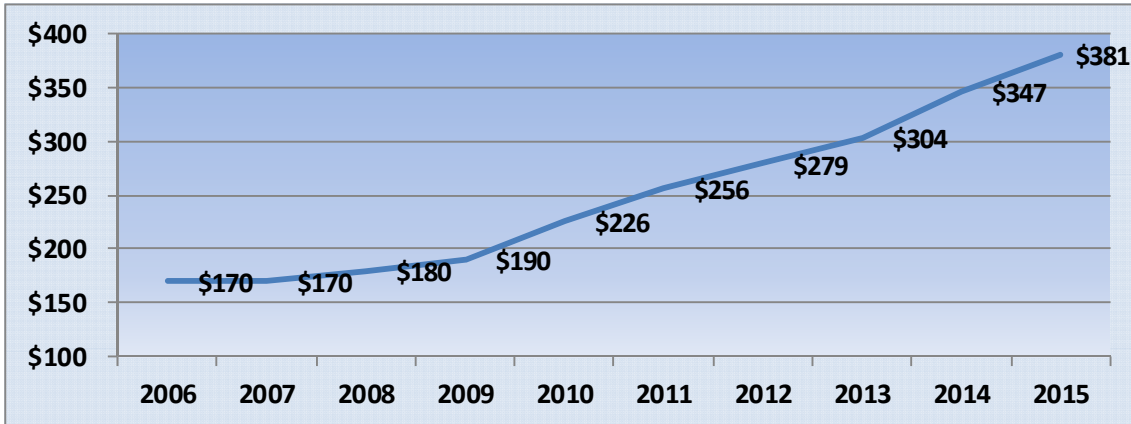
OPERATING EXPENSES

FYE June 30	Sewage Collection	Sewage Treatment	Administration	Service Contracts	WCA	Depreciation	Other	Total
2005	1,654,593	4,060,713	1,600,431	53,377	99,238	2,435,560	1,624,882	11,528,794
2006	1,786,269	4,553,581	1,689,761	62,644	187,775	2,514,978	-	10,795,008
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	5,126,765	1,840,392	67,415	122,760	2,694,193	664	12,350,986
2009	2,655,269	5,131,650	2,062,106	69,787	125,365	2,747,202	667	12,792,046
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	2,856,507	108,804	14,986,460
2012	2,908,773	5,712,477	2,554,171	287,977	105,041	2,735,155	256,871	14,560,465
2013	3,372,837	6,798,957	2,935,722	474,623	172,391	2,637,734	-	16,334,950
2014	3,639,837	5,208,478	2,868,589	269,874	133,670	2,940,249	-	15,060,697
2015	3,768,123	5,704,464	2,740,638	303,888	107,463	3,222,967	-	15,847,543

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
MAJOR REVENUE BASE AND RATES
 Last Ten Fiscal Years

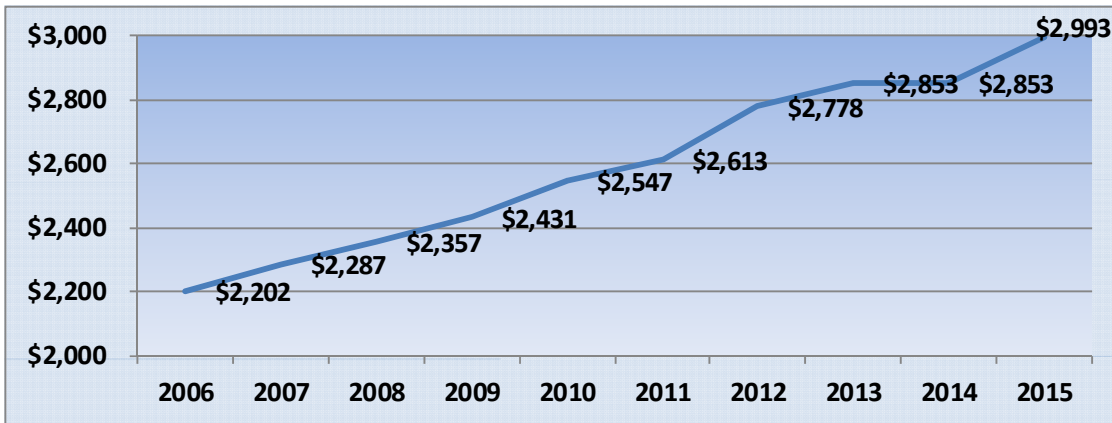
ANNUAL SEWER SERVICE CHARGES



Source: West County Wastewater District Audited Financial Statements

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

CONNECTION FEES



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
 Current and Ten Years Ago

Customer	Type of Business	FYE 6/30/15			FYE 6/30/05		
		Sewer Use Charge	Rank	% of SUC	Sewer Use Charge	Rank	% of SUC
East Bay MUD	Industrial	945,031	1	6.0%	1,292,912	1	15.6%
Guardian & KW Hilltop LLC	Apartments	335,664	2	2.1%	171,530	2	2.1%
Richmond Essex LP	Apartments	143,856	3	0.9%	73,610	4	0.9%
RHA Properties	Apartments	133,200	4	0.9%			
FF Hills LP	Apartments	113,886	5	0.7%			
Steadfast Hilltop Commons LP	Apartments	107,892	6	0.7%	55,080	6	0.7%
CCC Junior College District	College	87,924	7	0.6%			
Pacific Mobile IV LP	Mobile Home Park	83,250	8	0.5%			
Prime Richmond Housing Partners	Apartments	79,920	9	0.5%			
US Bank Natl Assn TRE	Shopping Center/SFR	73,186	10	0.5%			
Quality Carriers, Inc.	Light Industry				91,512	3	1.1%
Berlex Laboratories, Inc.	Light Industry				70,161	5	0.8%
Richmond Assoc. LLC	Commercial			0.0%	54,706	7	0.7%
Prime Richmond Housing	Apartments				40,970	8	0.5%
West County Justice Center	Public Agency				36,050	9	0.4%
Richmond Tides Owner	Apartments				34,170	10	0.4%
		2,103,809		13.4%	627,789		23.2%

Source: West County Wastewater District Audited Financial Statements

Sewer Use Charge Customer Type	FYE 6/30/15		FYE 6/30/05	
	Sewer Revenue	% of Total	Sewer Revenue	% of Total
Residential	\$ 12,331,345	78.8%	\$ 5,477,995	66.3%
Commercial	2,069,205	13.2%	1,313,313	15.9%
Industrial	1,250,153	8.0%	1,470,252	17.8%
Total	\$ 15,650,703	100.0%	\$ 8,261,560	100.0%

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
PROPERTY TAX INFORMATION
 Last Ten Fiscal Years

Assessed Valuation of Taxable Property

FYE June 30	County Secured	County Unsecured	Total	% Change
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	12.8%
2015	7,353,634,711	204,228,652	7,557,863,363	9.0%

Source: Contra Costa County Auditor-Controller

Property Tax and Sewer Service Charge Fees Collected

FYE June 30	Property Tax Collected	Sewer Service Charges Levied
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	910,446	14,107,559
2015	1,115,669	15,650,703

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
Ten Fiscal Years

During the fiscal year, the District applied for and was granted approval for four California State Water Resources Control Board (SRF) loans to finance capital improvement projects:

<u>Loan</u>	<u>Repayment Dates</u>		<u>Interest</u>	<u>Loan</u>	<u>Annual</u>
<u>Agreement #</u>	<u>Start</u>	<u>End</u>	<u>Rate</u>	<u>Amount</u>	<u>Repayment</u>
13-840-550	10/31/2016	10/31/2035	1.90%	4,093,086	247,100
13-841-550	6/30/2017	6/30/2036	1.90%	2,881,758	174,416
13-842-550	6/30/2018	6/30/2037	1.90%	10,829,156	655,854
14-837-550	5/21/2018	5/21/2037	1.00%	26,457,093	1,488,139
Total				44,261,093	2,565,508

The District incurs the costs of the projects and submits claims for reimbursement to the SRF. At June 30, 2015, \$74,969 of project cost was reimbursed by the SRF.

The loan proceeds will be used to fund projects recommended in the first 5 years of the November 2014 District-Wide Master Plan:

1. Rehabilitate aging sewer collection system pipes
2. Rehabilitate 6 lift station wet wells in the sewer collection system
3. Rehabilitate the Water Pollution Control Plant electrical infrastructure, including switchgear and 7 motor control centers
4. Perform seismic retrofits of process building and roughing filter process
5. Rehabilitate and replace components, including chlorine contact tank, effluent flow meter, and the effluent chlorine analyzers
6. Ammonia removal improvement
7. Construct a new aeration basin and demolish the roughing filter to convert existing secondary treatment process into a conventional activated sludge process
8. Secondary sedimentation optimization, including modifications to the baffle inlets of sedimentation basins No. 3 and 4 to increase efficiency and capacity of the secondary treatment process
9. Alkalinity feed system, including storage tanks for sodium hydroxide, feed pumps, and necessary containment control, and automation
10. Total nitrogen removal improvement, including constructing a new mixed liquor return pump station to return nitrate-rich mixed liquor at the end of the aeration basins to the un-aerated selector zone in the facilities denitrification basins

To pay for these loans, the District passed resolutions to increase sewer use fees by 11% each year for the next five years. District rates will remain below the average for Bay Area special districts.

Debt capacity

The District's ability to borrow is dependent upon the capacity to increase sewer usage fees to pay for the proposed debt. The District is committed to balancing the costs of operations, maintenance, and environmental compliance with the goal of minimizing the burden on ratepayers. 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
 Ten Fiscal Years

District Population, Income & Unemployment

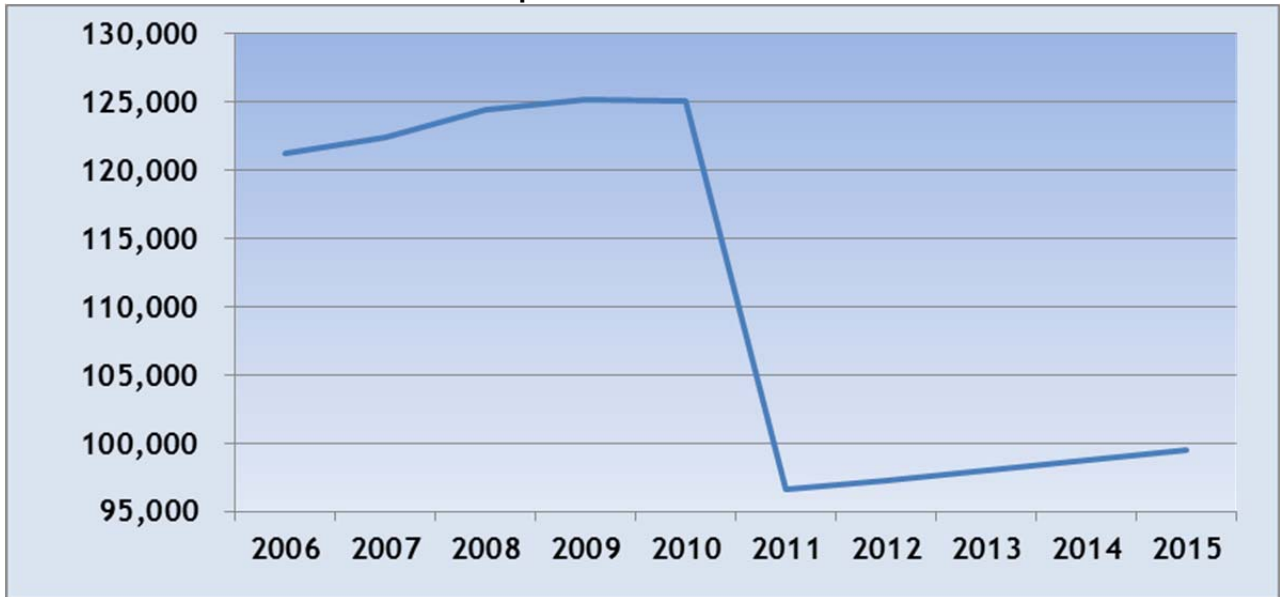
Fiscal Year	District Population	Total Personal Income (A)	Per Capita Personal Income (B)	Unemployment Rate (B)	Contra Costa County Population	District Population as % of County
2006	121,228	6,696,755,948	55,241	4.4%	1,025,436	11.8%
2007	122,405	7,084,923,805	57,881	4.7%	1,035,097	11.8%
2008	124,398	7,199,409,852	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	7.7%	1,074,702	9.1%
2014	98,724	6,104,627,626	61,835	6.1%	1,086,553	9.1%
2015	99,511	6,388,349,816	64,198	4.9%	1,102,871	9.0%

- Sources: *
- * Population: State of California, Department of Finance, Demographic Research Unit, including adjustments, as of January 2015, 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 2015
 - * Unemployment Rate: State of California, Employment Development Department, as of June 2015

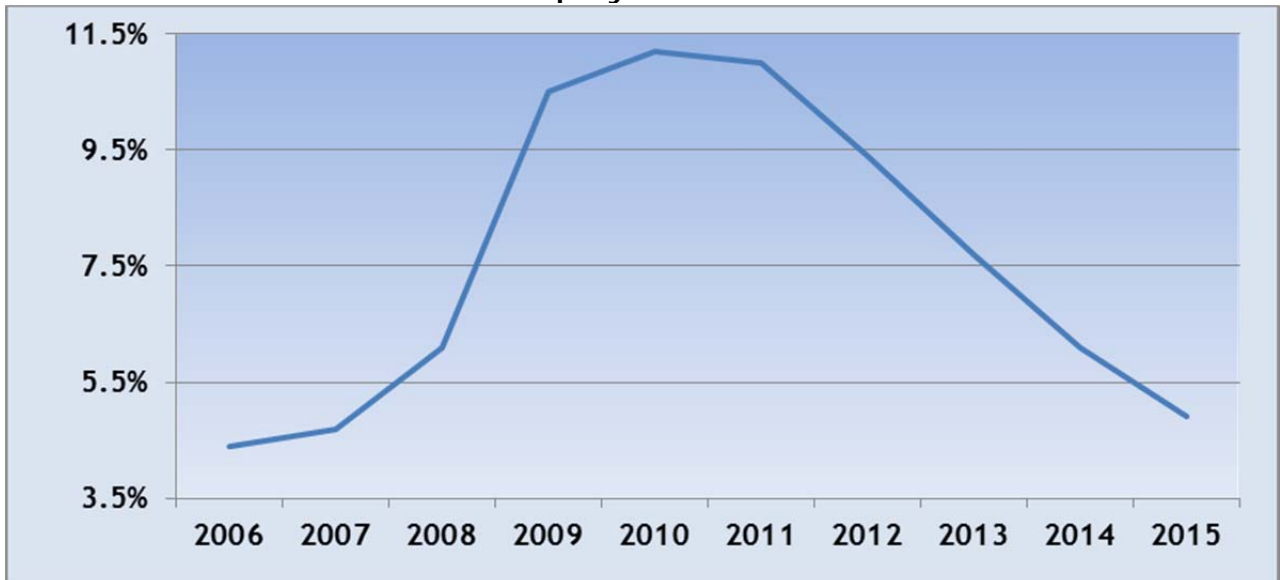
- Notes: (A) Data calculated by multiplying District population by Per Capita Personal Income
 (B) Data presented for Contra Costa County - data not available at the District level.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Ten Fiscal Years

Population Served

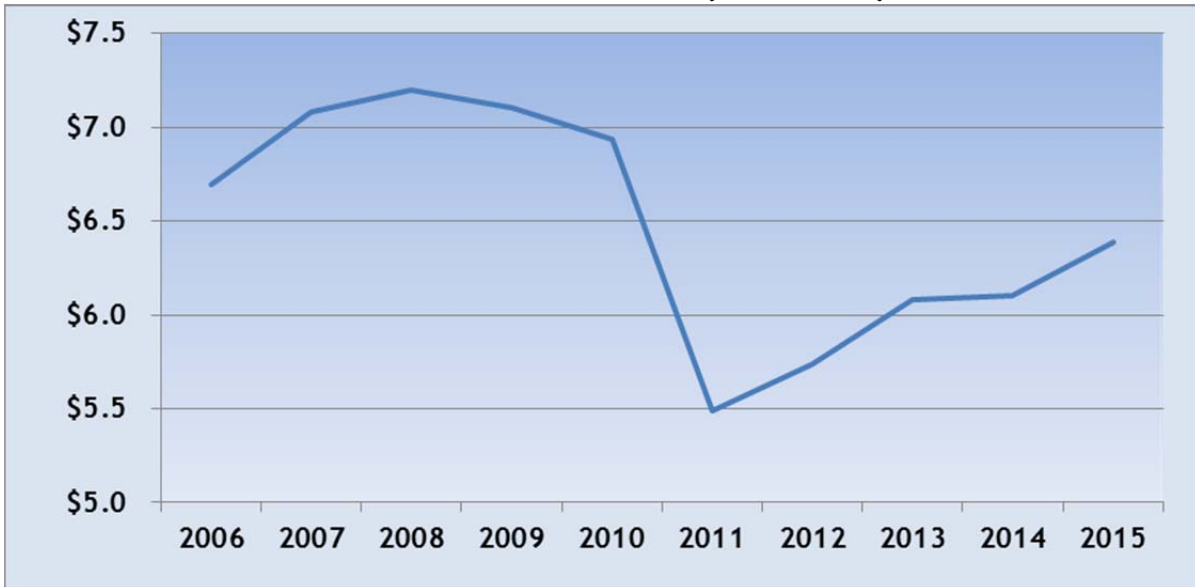


Unemployment Rate

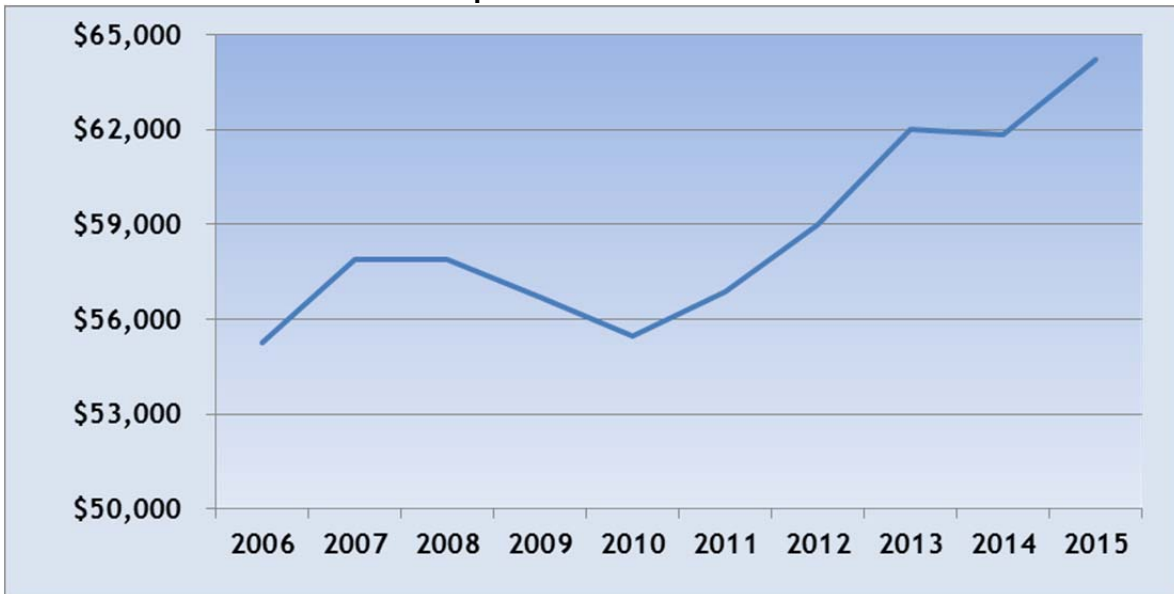


WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Ten Fiscal Years

Total Personal Income (in billions)



Per Capita Personal Income



WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Current and Ten 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	2,317	1	1.9%	2,461	1	
West Contra Costa USD	1,900	2	1.5%			
Social Security Administration	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	803	7	0.6%	768	3	
Contra Costa College	768	8	0.6%	270	8	
Permanente Medical Group	686	9	0.6%	732	4	
Kaiser Foundation Hospitals	506	10	0.4%			
Casino San Pablo				473	5	
Berlex, Inc.				413	6	
Costco				325	7	
Macy's Hilltop				261	9	
CA Autism Foundation				250	10	
Total	11,124		8.9%	6,784		
All Others	113,446		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. Data is not available for the fiscal year ending June 30, 2015.

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.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC DATA
Last Ten Fiscal Years

Full-Time Equivalent Employees - Budgeted

	<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>	<u>2015</u>
Business Services										
Administration	8.0	8.0	8.0	9.0	9.0	9.0	11.0	11.0	11.0	8.0
Finance										4.0
Subtotal- Business Services	8.0	8.0	8.0	9.0	9.0	9.0	11.0	11.0	11.0	12.0
Engineering Services										
Engineering	6.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0	9.0	9.0
Collection Systems	10.0	10.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Subtotal- Engineering Services	16.0	16.0	18.0	18.0	18.0	18.0	18.0	20.0	21.0	21.0
Water Pollution Control Plant										
Environmental Compliance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Operations	13.0	13.0	13.0	12.0	12.0	12.0	12.0	11.0	11.0	11.0
Maintenance	10.0	10.0	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0
Subtotal- WPCP	28.0	28.0	28.0	27.0	27.0	27.0	26.0	25.0	25.0	24.0
Total District	52.0	52.0	54.0	54.0	54.0	54.0	55.0	56.0	57.0	57.0

Source: West County Wastewater District Budget

WEST COUNTY WASTEWATER DISTRICT
OPERATIONS STATISTICS
 Last Ten Fiscal Years

Engineering Permits Completed

Fiscal Year	Repairs	Single Family	Multi-Family	Commercial	Industrial	Misc.	Total
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	378	5	-	1	-	6	390
2015	445	15	-	2	-	2	464

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
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
2015	2,175	345.5	154	15	101

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)
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
2015	2,763	7.3	9.8	5,446	41,332

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*
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
2015	248.9	5.5	17	12.5	6.3

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.

REPORT ON INTERNAL CONTROL

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

Independent Auditors' Report

To the Board of Directors
of the West County Wastewater District
Richmond, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of the West County Wastewater District (District) as of June 30, 2015 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Board of Directors
of the West County Wastewater District
Richmond, California

Purpose of this Report

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

A handwritten signature in black ink that reads "The Perini Group, LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 30, 2015