WEST COUNTY WASTEWATER DISTRICT
Richmond, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended
June 30, 2017 and June 30, 2016

Prepared by:
Business Services Department

WEST COUNTY WASTEWATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

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INTRODUCTORY SECTION

January 24, 2018
To the Honorable Board of Directors and
Citizens of the West County Wastewater District:

State statures require an annual audit by an independent certified public accountant. This report is published to fulfill that requirement for the year ended June 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Cost of internal control should not exceed anticipated benefits; therefore, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Pun Group, Certified Public Accountants, have issued an unmodified opinion on the West County Wastewater District's (District) financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements, complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE DISTRICT

The District (formerly the San Pablo Sanitary District) was organized on December 19, 1921 and reorganized under the Sanitary District Act of 1923. In 1978, the District changed its name to West Contra Costa Sanitary District and in 1992 changed again to West County Wastewater District. The District has existed for 96 years for the purpose of protecting and serving the public health of the community through the construction and maintenance of a sewer system. The District is an independent Special District and is not financially responsible for any other governmental entity nor is it a component unit of another governmental entity.

The District prepares a Two-Year Comprehensive Operating Budget and Capital Improvement Plan that is approved by the Board of Directors.

The District is located in the western section of the County of Contra Costa approximately 28 miles northeast of San Francisco and 12 miles north of Oakland.

The District's service area encompasses 16.9 square miles all within the County of Contra Costa. Roughly 6.8 square miles (or 40% of the total) lie within the boundaries of the City of Richmond, 2.5 square miles (or 15% of the total) lie within the City of San Pablo, 0.4 square miles (or 2% of the total) within the City of Pinole and the remaining 7.2 square miles (or 43% of the total) are in the unincorporated areas of the County of Contra. The District's service area is fairly hilly, typical of the California coastal region. The population of the District is approximately 102,000. The District contains approximately 38,000 parcels.

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. The District's daily functions are administered by a General Manager who serves at the pleasure of the Board of Directors.

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 market continues to improve with the median home price in San Pablo increasing to approximately $418,800. This had a positive impact on the District's property tax revenues.

The District's Board of Directors maintains sound fiscal policies and closely monitors expenses. The District's annual Environmental Quality (Sewer Use) Charge increased to $468 per single family residence for Fiscal Year 2017 and even with this increase, it remains one of the lowest among neighboring Bay Area sanitary sewer providers.

LONG TERM PLANNING

Environmental Quality (Sewer Use) Charges are the main source of revenue for the District. The District does not fund capital replacement costs through operating revenues. The District has established various reserves as follows: Rate Stabilization, Operating Insurance, Catastrophic Insurance, 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 annual Environmental Quality (Sewer Use) Charges, connection fees, and all property tax revenues are utilized to fund capital asset additions and replacements. The District completed a 20-year Comprehensive Master Plan in 2014 which identified $330.1 million of Capital Improvement Projects needed for aging infrastructures and improvements for treatment of water quality. The District has secured low interest loans from the State Water Resources Control Board to provide funding for some of the projects identified within the 20-year Comprehensive Master Plan.

RELEVENT FINANCIAL POLICIES

A utility or other enterprise government agency is a self-supporting operation of a commercial nature. 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 California State Water Resources Control Board State Revolving Fund to finance some of the identified projects. The impact of the Master Plan will be felt in District operations, capital program and rates for the next 30 years.

AWARDS & ACKNOWLEDGEMENTS

In recognition of its outstanding work, the District has received Platinum and Gold awards for the National Association of Clean Water Agencies (NACWA) for 14 consecutive years in recognition of compliance with its National Pollutant Discharge Elimination System (NPDES) permit.

The District received the American Public Works Association, Northern California Chapter 2016 Environment Project of the Year for the North Richmond Pump Station Stormwater Diversion Project *(an essential partner in the development and construction of an innovative project).*

The District was recognized in 2017 for exemplary water reuse by the Water Resources Utility of the Future Today (UOTF) recognition program of the partnership of water sector organizations- the National Association of Clean Water Agencies (NACWA), the Water Environment Federation (WEF), the Water Environment & Reuse Foundation (WE&RF), and the WateReuse Association, with input from the U.S. Environmental Protection Agency (EPA).

The District received the California Society of Municipal Finance Officers (CSMFO) award for outstanding budgetary reporting for its Fiscal year 2015 and 2016 operating budget. This was the first year that the District applied for and was recognized for its budgetary reporting. In order to receive an award, a government agency must publish an easily readable and efficiently organized budget.

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, 2016. This was the 19th 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.

This is the first year the District is submitting its Comprehensive Annual Report (CAFR) for the Government Finance Officers Association of the United States and Canada's (GFOA) *Certificate of Achievement for Excellence in Financial Reporting*. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

The District believes that the current CAFR continues to meet the award program requirements and plans to submit this report to the Government Finance Officers Association (GFOA) for consideration for their outstanding financial reporting CAFR award.

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, especially the District's Finance Supervisor, Dean Prater. Credit also must be given to the Board of Directors in the planning and implementation of the financial affairs of the District.

Respectfully submitted,

Lisa Malek-Zadeh
Interim General Manager


California Society of
Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting Award
Fiscal Year 2015-2016

Presented to the

West County Wastewater District

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

January 31, 2017

John Adams
CSMFO President

Craig Boyer, 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, 2016, and was the seventh year of receiving the award.

WEST COUNTY WASTEWATER DISTRICT
Mission Statement, Vision Statement, and Core Values

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.

Vision

The Vision Statement of the District creates and drives strategy and tactics identified in the District's Strategic Plan and is reviewed annual. It typically changes more frequently than the Mission Statement, to reflect the direction in which the Board of Directors wants to take the District over a five-year time horizon of the Strategic Plan. Through its Vision Statement, the District seeks to achieve the following:

- A sustainable fee and rate structure that adequately meets the District's needs.
- A continued commitment to fiscal responsibility.
- A continued preventative maintenance focus.
- Sufficient resources to support both compliance and work efficiency requirements.
- A strong and stable relationship with employees.
- A strong and enduring relationship with our General Manager.
- Supportive of regional partnerships.
- Supportive of emerging technologies to foster efficient services, and good customer care.
- A strong community outreach/communications program.

Core Values

The District's Core Values serve as a guidepost and framework for consistent decision making when the District is faced with options and alternatives. They are intended to be constant over the long term. The District uses the following Core Values for consistent decision making:

- To be cost efficient, practical and responsible.
- To support our commitment to maintenance of our plant and collection infrastructure.
- To support our dedication to be innovative, regional and industry leaders.
- To be responsive to our customers.
- To support employee safety, productivity, retention and motivation.
- To protect public health, the environment and support regulatory compliance.
- To promote ethical behavior in the conduct of District business.

WEST COUNTY WASTEATER DISTRICT
Principal Officials and Management

BOARD OF DIRECTORS

Leonard R. McNeil
President

Audrey L. Comeaux
Vice President

David Alvarado
Director

Sherry Stanley
Director

Henry Wiener
Director

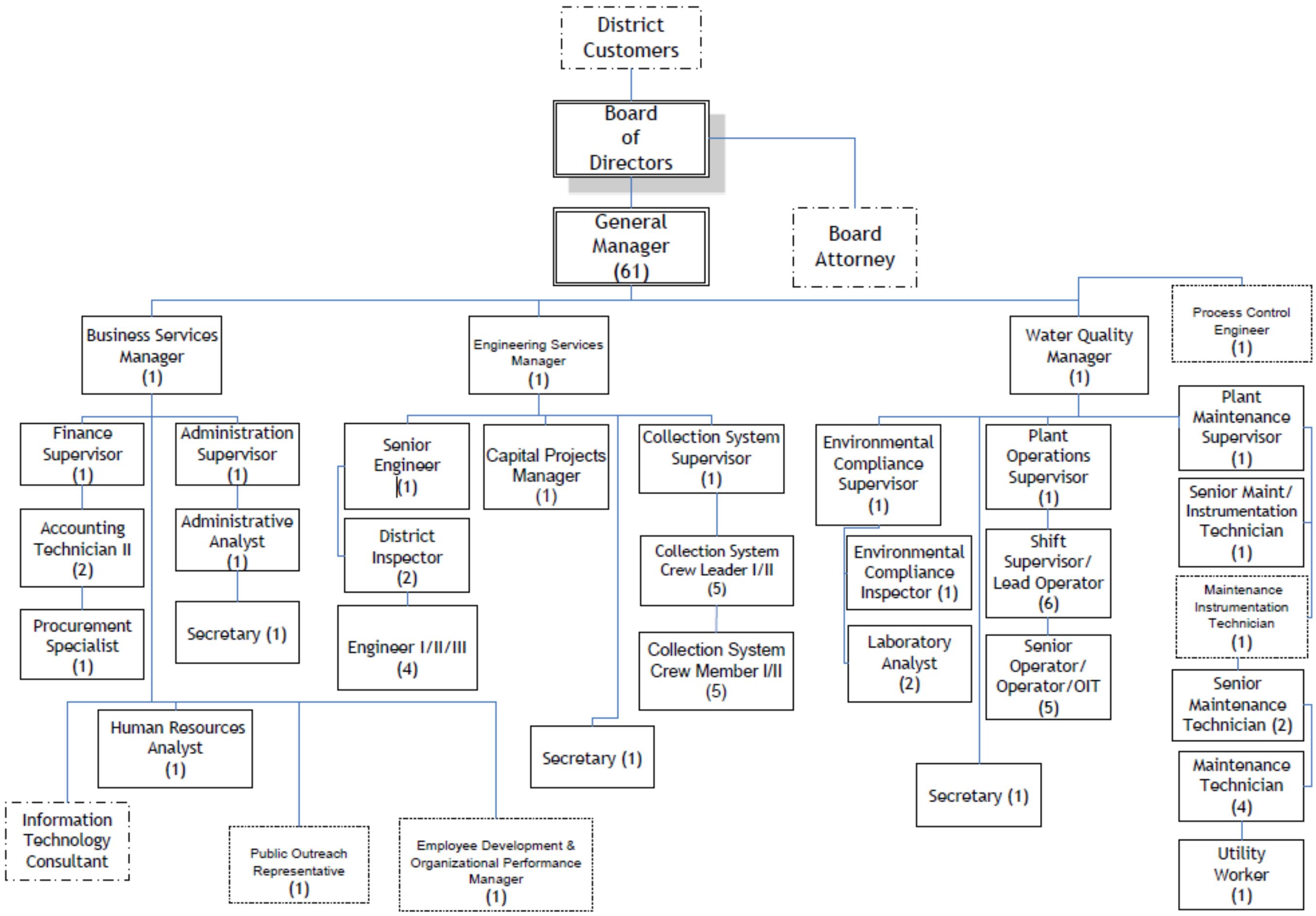
Legal Counsel

Mr. Alfred A. Cabral
Pelletreau, Alderson and Cabral

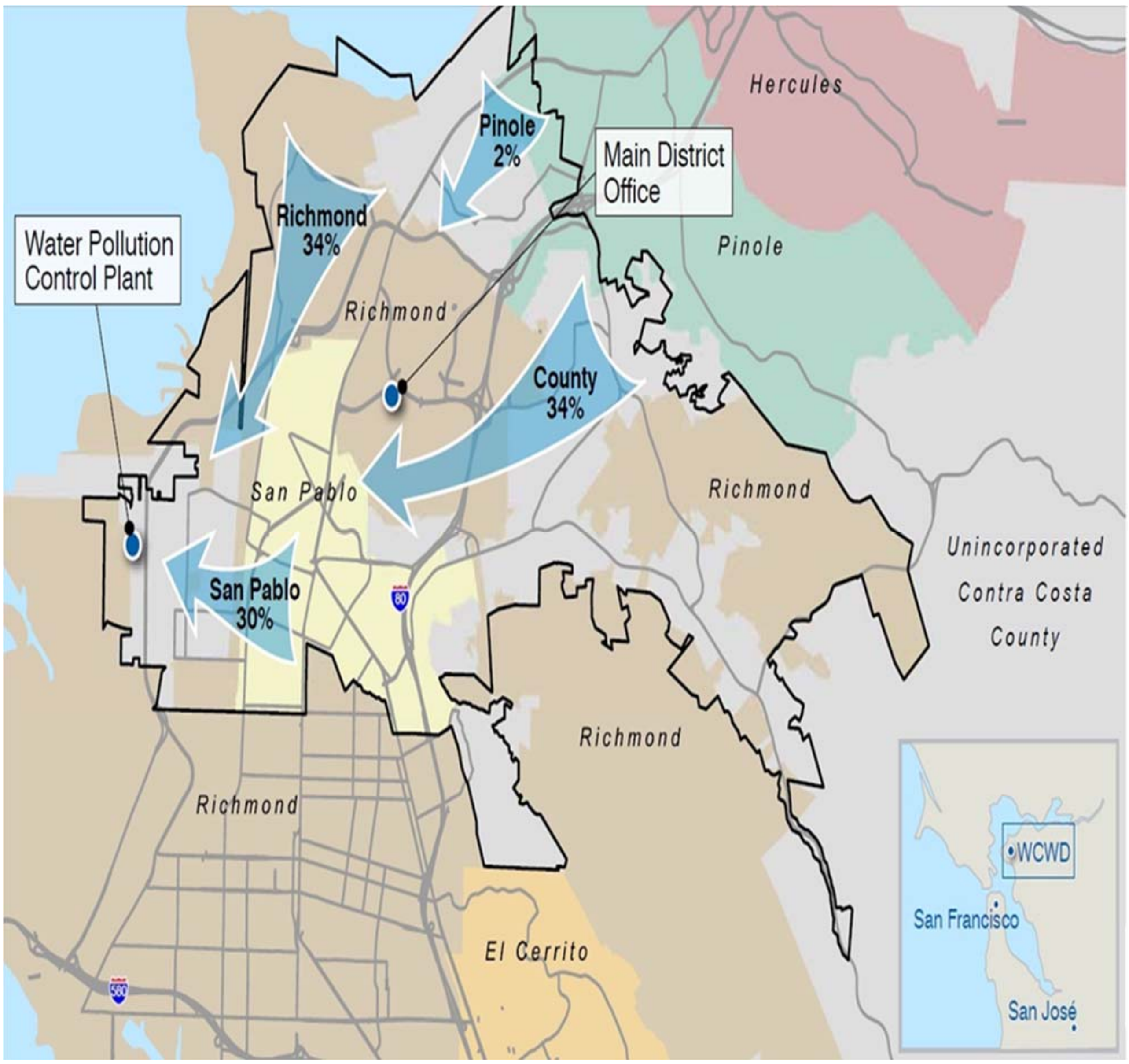
Management

Lisa Malek-Zadeh, Interim General Manager
Ken R. Cook, Engineering Services Manager

West County Wastewater District Organizational Chart



WEST COUNTY WASTEWATER DISTRICT
District Map



FINANCIAL SECTION

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 of the balance sheets as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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 20 and the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, the Schedule of District's Contributions to the Pension Plans, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 57 through 59, 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 audits were 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 January 24, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pun Group, LLP

Walnut Creek, California
January 24, 2018

Management's Discussion and Analysis ("MD&A") is designed to focus on the current and prior year's activities, resulting changes, and currently known facts. It should be read in conjunction with the District's basic 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 $93.3 million at June 30, 2017. Total net position was comprised of unrestricted net assets of $13.9 million and amounts invested in capital assets of $79.4 million. Net position increased by $11.8 million for fiscal year 2017 and $4.1 million for fiscal year 2016.

- The District's total operating revenues for fiscal year 2017 were $20.5 million and total operating expenses were $17.9 million, resulting in net operating income of $2.6 million. This compares to net operating income of $2.1 million for fiscal year 2016 and $560,000 for fiscal year 2015.

- The District's non-operating revenues for fiscal year 2017 were $1.4 million, primarily property taxes and redevelopment allocations. This compares to $1.5 million for fiscal year 2016 and $1.4 million for fiscal year 2015. Non-operating expenses for fiscal year 2017 were $109,000, primarily the valuation allowance on the ex-General Manger advance. This compares to no non-operating expense for fiscal year 2016 and $2.3 million for fiscal year 2015, primarily costs for the District-Wide Master Plan.

- Capital contributions were $7.9 million for fiscal year 2017, comprised of State capital construction grants ($6.9 million) and customer connection fees ($1.0 million). This compares to capital contributions of $0.5 million for fiscal year 2016 and $0.8 million for fiscal year 2015, consisting of customer connection fees.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

BASIC FINANCIAL STATEMENTS

The District consists exclusively of one Enterprise (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 District. Net Position is reported in three broad categories within the Balance Sheet:

- 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 Net Position: This component of Net Position consists of restricted assets; when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

Statements of Revenues, Expenses and Changes in Net Position: This statement is similar to an Income Statement and includes Operating Revenues and 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.

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

SUMMARY OF THE STATEMENT OF NET POSITION (BALANCE SHEETS)

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

TABLE 1
Balance Sheets

	2017	2016	2015	% Increase (Decrease) 2017 vs. 2016	% Increase (Decrease) 2016 vs. 2015
Assets:					
Current Assets	$ 27,185,179	$ 15,224,589	$ 21,989,914	78.56%	-30.77%
Capital Assets	105,000,168	82,570,051	67,561,592	27.16%	22.21%
Other Non-Current Assets	670,721	612,447	409,500	9.51%	49.56%
Total Assets	132,856,068	98,407,088	89,961,006	35.01%	9.39%
Deferred Outflows of Resources	3,189,791	1,103,034	927,725	189.18%	18.90%
Total Assets and Deferred Outflows of Resources	$136,045,859	$ 99,510,122	$ 90,888,731	36.72%	9.49%
Liabilities:					
Current Liabilities	$ 5,283,078	$ 5,177,218	$ 2,605,495	2.04%	98.70%
Non-Current Liabilities	36,483,938	11,501,875	8,300,503	217.20%	38.57%
Total Liabilities	41,767,016	16,679,093	10,905,998	150.42%	52.94%
Deferred Inflows of Resources	934,787	1,298,626	2,545,564	-28.02%	-48.98%
Net Position:					
Net Investment in Capital Assets	79,395,085	80,006,751	67,486,623	-0.76%	18.55%
Unrestricted	13,948,971	1,525,652	9,950,546	814.30%	-84.67%
Total Net Position	93,344,056	81,532,403	77,437,169	14.49%	5.29%
Total Liabilities, Deferred Inflows of Resources and Net Position	$136,045,859	$ 99,510,122	$ 90,888,731	36.72%	9.49%

Major Factors Affecting the Statement of Net Position

- 97% of current assets consist of cash and equivalents at June 30, 2017. Current assets increased by $12.0 million from fiscal year 2016 to 2017, primarily due to loan receipts in excess of capital spending. Current assets decreased by $6.8 million from fiscal year 2015 to 2016, primarily due to capital asset spending.

- See Table 3 for a discussion of Capital Asset changes and Table 4 for a discussion of loan activity.

- Deferred outflows of resources increased by $2.1 million from fiscal year 2016 to 2017 and by $0.2 million from fiscal year 2015 to 2016, as a result of GASB 68 Deferred Outflows. This is discussed in the Note 8 to Financial Statements.

- Current liabilities consist of accounts payable, payroll related liabilities, and the current portion of loans and interest payable. Current liabilities increased $0.1 million from fiscal year 2016 to 2017 and increased $2.6 million from fiscal year 2015 to 2016, primarily due to capital asset spending.

- Long-term liabilities increased from fiscal year 2016 to 2017 by $25.0 million, primarily due to debt borrowings ($22.3 million) and the increase in net pension liability ($2.7 million). Long-term liabilities increased from fiscal year 2015 to 2016 by $3.2 million, primarily due to debt borrowings.

- The District had outstanding debt of $25.6 million at June 30, 2017 and $2.6 million at June 30, 2016. See Table 4 for a discussion of loan activity.

- See Table 3 for a discussion of Net Position Invested in Capital Assets changes.

- Net Position unrestricted increased by $12.4 million from fiscal year 2016 to 2017, due to capital contributions of $7.9 million, the excess of revenue over expense of $3.9 million, and a decrease in net investment in capital assets of $0.6 million. Net Position unrestricted decreased by $8.4 million from fiscal year 2015 to 2016, due to capital asset spending, net of accumulated depreciation, and Change in Net Position for the year. Net Position Invested in Capital Assets Net of related Debt decreased from fiscal year 2016 to 2017 by $600,000 due to loan proceeds and depreciation in excess of capital spending. Net Position Invested in Capital Assets Net of related Debt increased from fiscal year 2015 to 2016 by $12.5 million due to capital spending in excess of loan proceeds and depreciation.

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

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

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

	2017	2016	2015	% Increase (Decrease) 2017 vs. 2016	% Increase (Decrease) 2016 vs. 2015
Revenues					
Operating revenues					
Sewer use charge	$ 19,780,211	$ 17,290,831	$ 15,595,681	14.40%	10.87%
Inspect/permit fees	300,183	248,888	396,800	20.61%	-37.28%
Contract services	221,643	300,737	329,339	-26.30%	-8.68%
Other revenue	170,067	221,698	139,538	-23.29%	58.88%
Subtotal- Operating revenues	20,472,104	18,062,154	16,461,358	13.34%	9.72%
Non-operating revenues					
Property taxes	1,057,151	977,876	900,157	8.11%	8.63%
Redevelopment allocation	160,943	141,994	215,512	13.34%	-34.11%
Rental income	90,941	353,536	258,827	-74.28%	36.59%
Investment earnings	61,556	70,451	43,743	-12.63%	61.06%
Subtotal- non-operating revenues	1,370,591	1,543,857	1,418,239	-11.22%	8.86%
Total revenue	21,842,695	19,606,011	17,879,597	11.41%	9.66%
Expenses					
Operating expenses	17,859,203	15,963,955	15,902,345	11.87%	0.39%
Non-operating expenses	109,312		2,323,820		-100.00%
Total expenses	17,968,515	15,963,955	18,226,165	12.56%	-12.41%
Increase (decrease) before capital contributions	3,874,180	3,642,056	(346,568)	6.37%	-1150.89%
Capital contributions:					
State capital grants	6,966,498				
Connection fees	970,975	453,178	780,493	114.26%	-41.94%
Change in net position	11,811,653	4,095,234	433,925	188.42%	843.77%
Net position, beginning	81,532,403	77,437,169	86,070,895	5.29%	-10.03%
Prior period adjustments			(9,067,651)		-100.00%
Net position, ending	$ 93,344,056	$ 81,532,403	$ 77,437,169	14.49%	5.29%

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

- Total operating revenues for fiscal year 2017 were $20.5 million and total operating expenses were $17.9 million, resulting in operating income of $2.6 million. This compares to fiscal year 2016 operating revenues of $18.1 million and total operating expenses of $16.0 million, resulting in operating income of $2.1 million. Sewer Use Charge (Environmental Quality Charge) revenue increased $2.5 million from fiscal year 2016 to 2017 and increased $1.7 million from fiscal year 2015 to 2016 primarily due to the 11% per year rate increase.

- Operating expenses increased $1.9 million from fiscal year 2016 to 2017, and $60,000 from fiscal year 2015 to 2016, primarily due to increased wages, benefits, and utility costs.
- Non-operating revenues decreased $174,000 from fiscal year 2016 to 2017 primarily due to decreased rental income as a result of renegotiating a ground lease. Non-operating revenues increased $125,000 from fiscal year 2015 to 2016 primarily due to increased rental income resulting from ground lease rent terms.
- The District's non-operating expenses of $109,000 for fiscal year 2017 were primarily the valuation allowance on the ex-General Manger advance. This compares to no non-operating expenses for fiscal year 2016 and $2.3 million for fiscal year 2015, primarily costs for the District-Wide Master Plan.
- Capital contributions were $7.9 million for fiscal year 2017, comprised of State capital construction grants ($6.9 million) and customer connection fees ($1.0 million). This compares to capital contributions of $0.5 million for fiscal year 2016 and $0.8 million for fiscal year 2015, consisting of customer connection fees.
- The fiscal year 2015 GASB 68 Prior Period Adjustment of $9.1 million is discussed in Note 8 to the Basic Financial Statements.

SUMMARY OF CAPITAL ASSETS

Table 3 presents a summary of the District's capital assets as of June 30, 2017, 2016, and 2015. More detailed information on capital asset activity is provided in Note 5 to the financial statements.

TABLE 3
Summary of Capital Assets

	2017	2016	2015	% Increase (Decrease) 2017 vs. 2016	% Increase (Decrease) 2016 vs. 2015
Land	$ 2,451,806	$ 2,451,806	$ 2,451,806	0.00%	0.00%
Construction in process	41,922,254	18,507,918	2,251,105	126.51%	722.17%
Sewerage facilities	121,670,317	118,346,926	117,020,239	2.81%	1.13%
Equipment	5,491,401	7,093,874	6,708,971	-22.59%	5.74%
Vehicles	2,631,732	2,283,740	2,137,466	15.24%	6.84%
Subtotal	174,167,510	148,684,264	130,569,587	17.14%	13.87%
Less accumulated depreciation	(69,167,342)	(66,114,213)	(63,007,995)	4.62%	4.93%
Total capital assets, net	$105,000,168	$ 82,570,051	$ 67,561,592	27.16%	22.21%

Capital Asset Highlights:

Capital Assets increased $22.4 million net, from fiscal year 2016 to 2017, due to capital asset additions of $25.5 million, less depreciation expense of $3.1 million. Capital Assets increased $15.0 million net, from fiscal year 2015 to 2016, due to capital asset additions of $18.1 million, less depreciation expense of $3.1 million. Additions for both years were primarily water pollution control plant upgrades and sewer pipe replacements.

SUMMARY OF DEBT OUTSTANDING

Table 4 presents a summary of the District's loans payable as of June 30, 2017, 2016, 2015. More detailed information on loan activity is provided on Note 9 to the basic financial statements.

TABLE 4
Debt Outstanding

	2017	2016	2015	% Increase (Decrease) 2017 vs. 2016	% Increase (Decrease) 2016 vs. 2015
Current portion	$ 741,900	$ 2,575		28711.65%	
Non-current portion	24,863,183	2,560,725	74,969	870.94%	3315.71%
Loans Payable	$ 25,605,083	$ 2,563,300	$ 74,969	898.91%	3319.15%

Debt Highlights:

Loans payable increased $23.0 million net from fiscal year 2016 to 2017 and increase $2.5 million net from fiscal year 2015 to 2016, due to State Water Control Resource loans used to fund capital asset additions. These loans will be repaid using the additional sewer use charge revenue resulting from rate increases.

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.
- The Board of Directors approved 11% annual sewer service charge rate increases for fiscal years beginning July 1, 2015 through June 30, 2020 in order to fund $330 million of maintenance and capital improvement costs identified by the 2012 20-Year District-Wide Master Plan.
- The District increased its sewer service charge per residence from $381 to $422 (+10.8%) effective July 1, 2015 and to $468 (+10.9%) effective July 1, 2016, with an equivalent increase for commercial and industrial customers.
- In order to reduce the burden on rate payers in the near term, the District applied for low interest loans and grants from the California State Water Resources Control Board (SRF). The SRF approved $9.4 million of grants and four loans totaling $44.3 million with interest rates or 1.0% or 1.9%. Repayment of these loans is dependent on future rate increases.
- The District is committed to expending resources needed to treat wastewater to meet the environmental quality required by our permit. 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 Lisa Malek-Zadeh, Business Services Manager, at (510) 222-6700, or lmalek-zadeh@wcwd.org. Specific requests may be submitted to: Lisa Malek-Zadeh, Business Services Manager, West County Wastewater District, 2910 Hilltop Drive, Richmond, CA 94806-1974.

BASIC FINANCIAL STATEMENTS

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West County Wastewater District
Balance Sheets
June 30, 2017 and 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016
Current assets:		
Cash and investments (Note 2)	$ 26,348,460	$ 14,692,196
Accrued interest receivable	43,960	23,000
Accounts receivable, net (Note 3)	556,715	259,137
Materials and supplies inventory	148,014	155,405
Prepaid items	88,030	94,851
Total current assets	27,185,179	15,224,589
Non-current assets:		
Note receivable (Note 4)	307,000	409,500
Net other post-employment benefits asset (Note 7)	363,721	202,948
Capital assets – not being depreciated (Note 5)	44,374,060	20,959,724
Capital assets – being depreciated, net (Note 5)	60,626,108	61,610,327
Total non-current assets	105,670,889	83,182,499
Total assets	132,856,068	98,407,088
Deferred outflows of resources:		
Deferred amounts related to net pension liability (Note 8)	3,189,791	1,103,034
Total deferred outflows of resources	3,189,791	1,103,034
Total assets and deferred outflows of resources	$ 136,045,859	$ 99,510,122
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,463,895	$ 3,848,093
Accrued salaries and benefits	129,875	431,875
Accrued interest payable	41,154	15,414
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	906,254	879,261
Loans payable (Note 9)	741,901	2,575
Total current liabilities	5,283,079	5,177,218
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	579,409	636,707
Loans payable (Note 9)	24,863,182	2,560,725
Net pension liability (Note 8)	11,041,346	8,304,443
Total non-current liabilities	36,483,937	11,501,875
Total liabilities	41,767,016	16,679,093
Deferred inflows of resources		
Deferred amounts related to net pension liability (Note 8)	934,787	1,298,626
Total deferred inflows of resources	934,787	1,298,626
Net position:		
Net investment in capital assets (Note 10)	79,395,085	80,006,751
Unrestricted	13,948,971	1,525,652
Total net position	93,344,056	81,532,403
Total liabilities, deferred inflows of resources and net position	$ 136,045,859	$ 99,510,122

See accompanying Notes to the Basic Financial Statements

West County Wastewater District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Sewer use charge	$ 19,780,211	$ 17,290,831
Inspection/permit fees	300,183	248,888
Contract services	221,643	300,737
Other revenue	170,067	221,698
Total operating revenues	20,472,104	18,062,154
Operating expenses:		
Sewage collection	3,783,288	3,815,139
Sewage treatment	6,784,087	5,976,699
Administration	3,899,443	2,631,540
Contract services	147,060	272,421
West County Agency	174,212	148,541
Total operating expenses before depreciation	14,788,090	12,844,340
Operating income before depreciation	5,684,014	5,217,814
Depreciation expense	(3,071,113)	(3,119,615)
Operating income	2,612,901	2,098,199
Non-operating revenues (expenses):		
Property taxes	1,057,151	977,876
Redevelopment allocation	160,943	141,994
Rental income	90,941	353,536
Investment earnings	61,556	70,451
Other revenue (expense), net	(109,312)	-
Total non-operating revenues (expenses), net	1,261,279	1,543,857
Net income before capital contributions	3,874,180	3,642,056
Capital contributions:		
State capital grants	6,966,498	-
Connection fees	970,975	453,178
Total capital contributions	7,937,473	453,178
Change in net position	11,811,653	4,095,234
Net position:		
Beginning of year	81,532,403	77,437,169
End of year	$ 93,344,056	$ 81,532,403

See accompanying Notes to the Basic Financial Statements

West County Wastewater District
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash receipts from customers and others	$ 20,258,655	$ 18,496,475
Cash paid to employees for salaries and wages	(6,764,638)	(5,686,572)
Cash paid to vendors and suppliers for materials and services	(8,600,209)	(5,491,172)
Net cash provided by operating activities	4,893,808	7,318,731
Cash flows from non-capital financing activities:		
Property taxes	1,057,151	977,876
Redevelopment allocation	160,943	141,994
Net cash provided by non-capital financing activities	1,218,094	1,119,870
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(25,475,490)	(18,112,839)
Proceeds from capital contributions	7,937,473	453,178
Principal paid	(83,013)	-
Proceeds from loan issuance	23,124,796	2,488,331
Net cash provided by (used in) capital and related financing activities	5,503,766	(15,171,330)
Cash flows from investing activities:		
Investment earnings	40,596	60,167
Net cash provided by investing activities	40,596	60,167
Net increase (decrease) in cash and cash investments	11,656,264	(6,672,562)
Cash and investments:		
Beginning of year	14,692,196	21,364,758
End of year	$ 26,348,460	$ 14,692,196

See accompanying Notes to the Basic Financial Statements

West County Wastewater District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 2,612,901	$ 2,098,199
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,071,113	3,119,615
Rental income	90,941	353,536
Other revenue (expense), net	(109,312)	-
Change in assets – (increase) decrease:		
Accounts receivable, net	(297,578)	80,785
Materials and supplies inventory	7,391	14,537
Prepaid items	6,821	7,725
Note receivable	102,500	-
Net other post-employment benefits asset	(160,773)	(202,948)
Change in deferred outflows of resources – (increase) decrease		
Deferred amounts related to net pension liability	(2,086,757)	(175,309)
Change in liabilities – increase (decrease):		
Accounts payable and accrued expenses	(384,198)	2,367,080
Accrued salaries and benefits	(302,000)	(155,702)
Compensated absences	(30,305)	(17,537)
Net pension liability	2,736,903	1,075,688
Change in deferred inflows of resources – increase (decrease)		
Deferred amounts related to net pension liability	(363,839)	(1,246,938)
Total adjustments	2,280,907	5,220,532
Net cash provided by operating activities	$ 4,893,808	$ 7,318,731

See accompanying Notes to the Basic Financial Statements

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 statues. 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 Statements 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 for a component that has substantively the same governing body as the District's governing body, and additionally (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

Basis of Presentation

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

The Financial Statements (i.e., the balance sheets, the statements of revenues, expenses and changes in net position, and statements 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.

In accordance with U.S. GAAP, the balance sheets report 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.

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 statements 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, property taxes and other 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.

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.

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

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.

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

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 acquisition 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 $15,235 and $179 has been included in construction in process for the years ended June 30, 2017 and 2016.

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.

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	June 30, 2017	June 30, 2016
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Measurement period	July 1, 2015 to June 30, 2016	July 1, 2014 to June 30, 2015

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.

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

Net Position

Net position represents the difference between all other elements in the balance sheets 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.

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.

Sewer Use Charge Revenue

Sewer use charges determined by the District are included on property tax bills of the County of Contra Costa (County). Sewer use 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 sewer use charge revenues.

Note 2 – Cash and Investments

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

Description	June 30, 2017	June 30, 2016
Cash on hand	$ 500	$ 500
Deposits held with financial institutions	2,713,348	2,097,672
Investments	23,634,612	12,594,024
Total	$ 26,348,460	$ 14,692,196

Demand Deposits

At June 30, 2017 and 2016, the carrying amount of the District's demand deposits was $2,713,348 and $2,097,672, respectively, and the financial institution balance was $2,903,351 and $4,228,131, respectively. The $190,003 and $2,130,459 respective net difference as of June 30, 2017 and 2016 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2017 and 2016, none of the District's deposits and investments was exposed to disclosable custodial credit risk.

Note 2 – Cash and Investments (Continued)

Investments

The District's investments as of June 30, 2017 were as follows:

Type of Investments	Measurement Input	Credit Rating	June 30, 2017 Fair Value	Maturity 12 Months or Less
Local Agency Investment Fund (LAIF)	Uncategorized	N/A	$ 23,634,612	$ 23,634,612
Total investments			$ 23,634,612	$ 23,634,612

The District's investments as of June 30, 2016 were as follows:

Type of Investments	Measurement Input	Credit Rating	June 30, 2016 Fair Value	Maturity 12 Months or Less
Local Agency Investment Fund (LAIF)	Uncategorized	N/A	$ 12,594,024	$ 12,594,024
Total investments			$ 12,594,024	$ 12,594,024

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.

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, 2017 and 2016 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.

The District had $23,634,612 and $12,594,024 invested in LAIF, which had invested 2.89% and 2.81% of the pooled investment funds as of June 30, 2017 and June 30, 2016, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998940671 and 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2017 and 2016, respectively.

Note 2 – Cash and Investments (Continued)

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

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. As of June 30, 2017 and 2016, the District's investment in the LAIF was not rated as noted in the table above.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater 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. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF or non-negotiable certificates-of-deposit.

Note 3 – Accounts Receivable

Accounts receivable as of June 30 consisted of the following:

Description	June 30, 2017	June 30, 2016
Permits and trucked waste	$ 30,822	$ 10,745
Pretreatment inspections	35,326	19,739
Service contracts	39,358	24,247
EBMUD	442,444	144,744
Other	20,902	68,110
Total accounts receivable	568,852	267,585
Allowance for doubtful accounts	(12,137)	(8,448)
Total accounts receivable, net	$ 556,715	$ 259,137

Note 4 – Note Receivable

The District and the General Manager amended their employment agreement effective December 31, 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, 2016 was $409,500. In 2017, the General Manager's contract was terminated. The District reduced the note receivable by $102,500 to $307,000 based on the market-value of the pending sale of the residence.

Note 5 – Capital Assets

Summary changes in capital asset balances for the year ended June 30, 2017 were as follows:

Description	Balance July 1, 2016	Additions	Deletions/ Transfers	Balance June 30, 2017
Non-depreciable assets:				
Land	$ 2,451,806	$ -	$ -	$ 2,451,806
Construction-in-process	18,507,918	25,447,139	(2,032,803)	41,922,254
Total non-depreciable assets	20,959,724	25,447,139	(2,032,803)	44,374,060
Depreciable assets:				
Sewage collection and treatment facilities	118,346,926	1,570,729	1,753,351	121,671,006
Equipment	7,093,874	168,173	(1,771,331)	5,490,716
Vehicles	2,283,740	347,992	-	2,631,732
Total depreciable assets	127,724,540	2,086,894	(17,980)	129,793,454
Accumulated depreciation:				
Sewage collection and treatment facilities	(60,370,478)	(2,763,788)	(9,850)	(63,144,116)
Equipment	(3,912,037)	(192,859)	27,830	(4,077,066)
Vehicles	(1,831,698)	(114,466)	-	(1,946,164)
Total accumulated depreciation	(66,114,213)	(3,071,113)	17,980	(69,167,346)
Total depreciable assets, net	61,610,327	(984,219)	-	60,626,108
Total capital assets, net	$ 82,570,051	$ 24,462,920	$ (2,032,803)	$ 105,000,168

Note 5 – Capital Assets (Continued)

Summary changes in capital asset balances for the year ended June 30, 2016 were as follows:

Description	Balance July 1, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable assets:				
Land	$ 2,451,806	$ -	$ -	$ 2,451,806
Construction-in-process	2,251,105	17,902,727	(1,645,914)	18,507,918
Total non-depreciable assets	4,702,911	17,902,727	(1,645,914)	20,959,724
Depreciable assets:				
Sewage collection and treatment facilities	117,020,239	1,326,687	-	118,346,926
Equipment	6,708,971	384,903	-	7,093,874
Vehicles	2,137,466	159,671	(13,397)	2,283,740
Total depreciable assets	125,866,676	1,871,261	(13,397)	127,724,540
Accumulated depreciation:				
Sewage collection and treatment facilities	(57,620,897)	(2,749,581)	-	(60,370,478)
Equipment	(3,660,050)	(251,987)	-	(3,912,037)
Vehicles	(1,727,048)	(118,047)	13,397	(1,831,698)
Total accumulated depreciation	(63,007,995)	(3,119,615)	13,397	(66,114,213)
Total depreciable assets, net	62,858,681	(1,248,354)	-	61,610,327
Total capital assets, net	$ 67,561,592	$ 16,654,373	$ (1,645,914)	$ 82,570,051

Note 6 – Compensated Absences

Summary changes to compensated absences balances for the year ended June 30, 2017 was as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current Portion	Non-current Portion
$ 1,515,968	$ 894,435	$ (924,740)	$ 1,485,663	$ 906,254	$ 579,409

Summary changes to compensated absences balances for the year ended June 30, 2016 was as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Current Portion	Non-current Portion
$ 1,533,505	$ 877,526	$ (895,063)	$ 1,515,968	$ 879,261	$ 636,707

Note 7 – Net Other Post-Employment Benefits Asset

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, per month, 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

The District has requested an actuary to 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/(Asset)

Summary changes in net other post-employment benefits balances for the years ended June 30 were as follows:

Description	June 30, 2017	June 30, 2016
Annual OPEB cost:		
Annual required contribution (ARC)	$ 915,000	$ 1,036,000
Total annual OPEB cost	915,000	1,036,000
Contributions made:		
Contributions made	(1,075,773)	(1,238,948)
Total contributions made	(1,075,773)	(1,238,948)
Total change in net OPEB obligation/(asset)	(160,773)	(202,948)
Net OPEB obligation/(asset):		
Beginning of year	(202,948)	-
End of year	$ (363,721)	$ (202,948)

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 years ended June 30, 2017 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, 2017	$ 915,000	$ 1,075,773	117.57%	$ (363,721)
June 30, 2016	1,036,000	1,238,948	119.59%	(202,948)
June 30, 2015	1,007,000	1,172,402	116.43%	-

The most recent valuation (dated June 30, 2016) includes an Actuarial Accrued Liability of $9,806,000. Plan assets amounted to $5,219,000. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2016 was $5,264,000. The ratio of the funded actuarial accrued liability to annual covered payroll was 87.14%.

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, 2016
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	6.25%
Projected salary increase	3.5% of covered payroll
Inflation - discount rate	3.00%
Health care trend rate	Based on premiums declining 0.5% annually

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

Changes in the net pension liability and the related deferred outflows and inflows of resources for the year ended June 30, 2017 were as follows:

Type of Account	Balance as of July 1, 2016	Additions	Deletions	Balance as of June 30, 2017
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 978,212	$ 1,145,214	$ (978,212)	$ 1,145,214
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	71,692	361,346	(137,491)	295,547
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	-	1,722,071	-	1,722,071
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	53,130	-	(26,171)	26,959
Total deferred outflows of resources	$ 1,103,034	$ 3,228,631	$ (1,141,874)	$ 3,189,791
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 8,304,443	$ 3,715,115	$ (978,212)	$ 11,041,346
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 251,991	$ -	$ (251,991)	$ -
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	411,098	367,300	(259,898)	518,500
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	132,869	-	(47,453)	85,416
Changes in assumptions:				
CalPERS – Miscellaneous Plan	502,668	-	(171,797)	330,871
Total deferred inflows of resources	$ 1,298,626	$ 367,300	$ (731,139)	$ 934,787

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Changes in the net pension liability and the related deferred outflows and inflows of resources for the year ended June 30, 2016 were as follows:

Type of Account	Balance as of July 1, 2015	Additions	Deletions	Balance as of June 30, 2016
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 808,084	$ 978,212	$ (808,084)	$ 978,212
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	8,119	-	(8,119)	-
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	111,522	-	(39,830)	71,692
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	72,106	(18,976)	53,130
Total deferred outflows of resources	$ 927,725	$ 1,050,318	$ (875,009)	$ 1,103,034
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 7,228,755	$ 1,883,772	$ (808,084)	$ 8,304,443
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 2,429,197	$ 6,240	$ (2,183,446)	$ 251,991
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	116,367	455,358	(160,627)	411,098
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	180,322	(47,453)	132,869
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	682,192	(179,524)	502,668
Total deferred inflows of resources	$ 2,545,564	$ 1,324,112	$ (2,571,050)	$ 1,298,626

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans

The Plans Description Schedule

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 or service	5-years or 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 – FY 2016	12.657%	6.555%
Required employer contribution rates – FY 2015	16.786%	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, 2014 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.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Members Covered by Benefit Terms

At June 30, 2016 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans Classic Tier 1	Miscellaneous Plans PEPRA Tier 2	Total
Active members	47	8	55
Transferred and terminated members	24	3	27
Retired members and beneficiaries	60	-	60
Total plan members	131	11	142

At June 30, 2015 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans Classic Tier 1	Miscellaneous Plans PEPRA Tier 2	Total
Active members	48	6	54
Transferred and terminated members	22	1	23
Retired members and beneficiaries	58	-	58
Total plan members	128	7	135

Benefits 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 a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Participant members are eligible for non-industrial disability retirement if they become disabled and 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% 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 3%.

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 ending June 30, 2016 and 2015 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2017 were as follows:

	Miscellaneous Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 1,084,720	$ 60,494	$ 1,145,214
Contributions – members	402,090	60,178	462,268
Total contributions	$ 1,486,810	$ 120,672	$ 1,607,482

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Contributions (Continued)

Contributions for the year ended June 30, 2016 were as follows:

	Miscellaneous Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 938,447	$ 39,765	$ 978,212
Contributions – members	373,907	39,848	413,755
Total contributions	$ 1,312,354	$ 79,613	$ 1,391,967

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 periods ending June 30, 2016 and 2015 (Measurement Dates), the total pension liability was determined by rolling forward the June 30, 2015 and 2015 total pension liabilities. The June 30, 2016 and 2015 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	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all
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, 2016 and 2015 Valuations 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 7.65 percent. 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.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Discount Rate (Continued)

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.*

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.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	100.00%		

[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+.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2016 Valuation Date as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate -1% 6.65%**	**Current Discount Rate 7.65%**	**Discount Rate +1% 8.65%**
CalPERS – Miscellaneous Plan	$ 17,392,292	$ 11,041,346	$ 5,792,604

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 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2015 Valuation Date as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate -1% 6.65%**	**Current Discount Rate 7.65%**	**Discount Rate +1% 8.65%**
CalPERS – Miscellaneous Plan	$ 14,441,629	$ 8,304,443	$ 3,237,483

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.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (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 for the Miscellaneous Plan for the fiscal year ended June 30, 2017:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2015 (Measurement Date)	$ 45,064,509	$ 36,760,066	$ 8,304,443
Balance as of June 30, 2016 (Measurement Date)	$ 47,172,929	$ 36,131,583	$ 11,041,346
Change in Plan Net Pension Liability	$ 2,108,420	$ (628,483)	$ 2,736,903

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2016:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2014 (Measurement Date)	$ 42,594,116	$ 35,365,361	$ 7,228,755
Balance as of June 30, 2015 (Measurement Date)	$ 45,064,509	$ 36,760,066	$ 8,304,443
Change in Plan Net Pension Liability	$ 2,470,393	$ 1,394,705	$ 1,075,688

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (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 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, 2015 and 2014). 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, 2016 and 2015). 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, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016 fiscal year and the 2015 fiscal year).

(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).

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (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 for the June 30, 2016 measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2016	Change Increase/ (Decrease)
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.317839%	0.302699%	0.015140%
Percentage of Plan (PERF C) Net Pension Liability	0.127600%	0.120987%	0.006613%

The District's proportionate share of the net pension liability for the June 30, 2015 measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2015	Change Increase/ (Decrease)
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.302699%	0.292486%	0.010213%
Percentage of Plan (PERF C) Net Pension Liability	0.120987%	0.116172%	0.004815%

For the years ended June 30, 2017 and 2016, the District recognized pension expense in the amounts of $1,431,520 and $1,454,984 respectively, for the CalPERS Miscellaneous Plan.

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.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (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 expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2015 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) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 1,145,214	$ -
Difference between actual and proportionate share of employer contributions	-	518,500
Adjustment due to differences in proportions	295,547	85,416
Differences between expected and actual experience	26,959	-
Differences between projected and actual earnings on pension plan investments	1,722,071	-
Changes in assumptions	-	330,871
Total Deferred Outflows/(Inflows) of Resources	$ 3,189,791	$ 934,787

The District will recognize $1,145,214 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 ended June 30, 2018, as noted above.

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:

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows of Resources
2018	$ (87,357)
2019	(21,528)
2020	772,643
2021	446,032
Total	$ 1,109,790

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 978,212	$ -
Difference between actual and proportionate share of employer contributions	-	411,098
Adjustment due to differences in proportions	71,692	132,869
Differences between expected and actual experience	53,130	-
Differences between projected and actual earnings on pension plan investments	-	251,991
Changes in assumptions	-	502,668
Total Deferred Outflows/(Inflows) of Resources	$ 1,103,034	$ 1,298,626

The District will recognize $978,212 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 ended June 30, 2017, as noted above.

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/(Inflows of Resources
2017	$ (520,168)
2018	(520,403)
2019	(455,342)
2020	322,109
Total	$ (1,173,804)

Note 9 – Loans Payable

Summary changes in long-term debt balances for the years ended June 30, 2017 were as follows:

Description	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amount Due Within One Year	Amount Due In More Than One Year
Loans payable:						
SRF Loan – Phase I, Segment 1	$ 61,959	$ 1,441,655	$ (83,013)	$ 1,420,601	$ 62,784	$ 1,357,817
SRF Loan – Phase I, Segment 2	267,134	2,376	-	269,510	-	269,510
SRF Loan – Phase I, Segment 3	474,567	8,486,934	-	8,961,501	-	8,961,501
SRF Loan – Recycled Water Upgrades	1,759,640	13,193,831	-	14,953,471	679,117	14,274,354
Total loans payable	$ 2,563,300	$ 23,124,796	$ (83,013)	$ 25,605,083	$ 741,901	$ 24,863,182

Summary changes in long-term debt balances for the years ended June 30, 2016 were as follows:

Description	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due Within One Year	Amount Due In More Than One Year
Loans payable:						
SRF Loan – Phase I, Segment 1	$ 54,050	$ 7,909	$ -	$ 61,959	$ 2,575	$ 59,384
SRF Loan – Phase I, Segment 2	20,919	246,215	-	267,134	-	267,134
SRF Loan – Phase I, Segment 3	-	474,567	-	474,567	-	474,567
SRF Loan – Recycled Water Upgrades	-	1,759,640	-	1,759,640	-	1,759,640
Total loans payable	$ 74,969	$ 2,488,331	$ -	$ 2,563,300	$ 2,575	$ 2,560,725

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

In 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 $1,654,505 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2017, eligible costs for reimbursement were $1,420,601 and accrued as a long-term debt liability on the financial statements. Principal and interest payments are due and payable on June 30th each year as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 62,784	$ 26,991	$ 89,775
2019	63,976	25,799	89,775
2020	65,192	24,583	89,775
2021	66,431	23,344	89,775
2022	67,693	22,082	89,775
2023-2027	358,253	90,622	448,875
2028-2032	393,605	55,270	448,875
2033-2036	342,667	16,433	359,100
Total	$ 1,420,601	$ 285,124	$ 1,705,725

Note 9 – Loans Payable (Continued)

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

In 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, 2017, eligible costs for reimbursement were $269,510 and accrued as a long-term debt liability on the financial statements.

Fiscal Year	Principal	Interest	Total
2018	$ -	$ -	$ -
2019	11,203	5,121	16,324
2020	11,416	4,908	16,324
2021	11,633	4,691	16,324
2022	11,854	4,470	16,324
2023-2027	62,733	18,887	81,620
2028-2032	68,925	12,695	81,620
2033-2037	75,727	5,893	81,620
2038	16,019	305	16,324
Total	$ 269,510	$ 56,970	$ 326,480

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 $14,593,521 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2017, eligible costs for reimbursement were $8,961,501 and accrued as a long-term debt liability on the financial statements.

Fiscal Year	Principal	Interest	Total
2018	$ -	$ -	$ -
2019	372,513	170,268	542,781
2020	379,591	163,190	542,781
2021	386,803	155,978	542,781
2022	394,152	148,629	542,781
2023-2027	2,085,980	627,925	2,713,905
2028-2032	2,291,824	422,083	2,713,907
2033-2037	2,517,978	195,927	2,713,905
2038	532,660	10,121	542,781
Total	$ 8,961,501	$ 1,894,121	$ 10,855,622

Note 9 – Loans Payable (Continued)

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 $30,457,093 with an interest rate of 1.00% per annum for capital projects. As of June 30, 2017, eligible costs for reimbursement were $14,953,471 and accrued as a long-term debt liability on the financial statements.

Fiscal Year	Principal	Interest	Total
2018	$ 679,117	$ 149,534	$ 828,651
2019	685,908	142,743	828,651
2020	692,767	135,884	828,651
2021	699,694	128,957	828,651
2022	706,691	121,960	828,651
2023-2027	3,640,885	502,370	4,143,255
2028-2032	3,826,606	316,649	4,143,255
2033-2037	4,021,803	121,452	4,143,255
Total	$ 14,953,471	$ 1,619,549	$ 16,573,020

Note 10 – Net Investment in Capital Assets

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

Description	June 30, 2017	June 30, 2016
Net investment in capital assets:		
Capital assets – not being depreciated	$ 44,374,060	$ 20,959,724
Capital assets, net – being depreciated	60,626,108	61,610,327
Loans payable – current	(741,901)	(2,575)
Loans payable – non-current	(24,863,182)	(2,560,725)
Total net investment in capital assets	$ 79,395,085	$ 80,006,751

Note 11 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in IRC No. 457 Deferred Compensation Programs. The purpose of these Programs are 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. 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.

Note 11 – Deferred Compensation Savings Plan (Continued)

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.

Note 12 – 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.

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 13 – 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 sets the contributions required from each of the member agencies and exercises the other powers specified in the joint exercise of powers agreement. Expenses consist of pipeline and outfall operations and maintenance costs. 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, 2017 and 2016, the Agency has an unrestricted net position (deficit) of ($2,780) and $43,964. 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 audits 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.

REQUIRED SUPPLEMENTARY INFORMATION

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West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	**June 30, 2016[1]**	**June 30, 2015[1]**	**June 30, 2014[1]**
District's Proportion of the Net Pension Liability	0.127600%	0.120987%	0.116172%
District's Proportionate Share of the Net Pension Liability	$ 11,041,346	$ 8,304,443	$ 7,228,755
District's Covered-Employee Payroll	$ 5,722,480	$ 5,320,757	$ 4,275,865
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	192.95%	156.08%	169.06%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.06%	78.40%	83.03%

[1] Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2016-17**[1]	**2015-16**[1]	**2014-15**[1]	**2013-14**[1]
Actuarially Determined Contribution[2]	$ 1,145,214	$ 978,212	$ 808,084	$ 809,429
Contribution in Relation to the Actuarially Determined Contribution[2]	(1,145,214)	(978,212)	(808,084)	(809,429)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District''s Covered-Employee Payroll	$ 5,941,774	$ 5,722,480	$ 5,320,757	$ 4,275,865
Contributions as a Percentage of Covered-Employee Payroll	19.27%	17.09%	15.19%	18.93%

[1] Historical information is presented 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.

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).

West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Years Ended June 30, 2017 and 2016

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, 2016	$ 5,219,000	$ 9,806,000	$ 4,587,000	53.22%	$ 5,264,000	87.14%
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 years that an actuarial study has been prepared since the effective date of GASB Statement 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)

TABLE OF CONTENTS

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

FINANCIAL TRENDS

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

Change in Net Position	2017	2016	2015	2014	2013
Operating Revenues:					
Sewer use charge	$ 19,780,211	$ 17,290,831	$ 15,650,703	$ 14,038,949	$ 13,854,746
Inspection/permit fees	300,183	248,888	316,476	192,139	189,166
Contract services	221,643	300,737	329,339	316,961	551,075
Other revenue	170,067	221,698	25,302	24,182	194,429
Total operating revenue	20,472,104	18,062,154	16,321,820	14,572,231	14,789,416
			-		
Operating Expenses:					
Sewage collection	3,783,288	3,815,139	3,768,123	3,639,837	3,372,341
Sewage treatment	6,784,087	5,976,699	5,704,464	5,208,478	6,798,874
Administration	3,899,443	2,631,540	2,740,638	2,868,589	2,935,722
Contract services	147,060	272,421	303,888	269,874	474,623
West County Agency	174,212	148,541	107,463	133,670	172,391
Depreciation	3,071,113	3,119,615	3,222,967	2,940,249	2,921,783
Total operating expenses	17,859,203	15,963,955	15,847,543	15,060,697	16,675,734
Operating Income (Loss)	2,612,901	2,098,199	474,277	(488,466)	(1,886,318)
Non-Operating Revenue (Expenses):					
Property taxes	1,057,151	977,876	900,157	790,139	749,228
Redevelopment allocation	160,943	141,994	215,512	120,307	23,864
Rental income	90,941	353,536	258,827	341,007	155,448
Investment earnings	61,556	70,451	43,743	34,712	30,257
Other revenue (expense), net	(109,312)		(2,275,124)		
Total non-operating revenues (expenses)	1,261,279	1,543,857	(856,885)	1,286,165	958,797
Net income before capital contributions	3,874,180	3,642,056	(382,608)	797,699	(927,521)
State capital grants	6,966,498				
Connection fees	970,975	453,178	816,533	202,478	167,916
Contributed sewer lines					
Total capital contributions	7,937,473	453,178	816,533	202,478	167,916
CHANGE IN NET POSITION	11,811,653	4,095,234	433,925	1,000,177	(759,605)
Beginning of year	81,532,403	77,437,169	86,070,895	85,070,718	85,830,323
Prior period adjustments			(9,067,651)		
Net Position - End of year	**$ 93,344,056**	**$ 81,532,403**	**$ 77,437,169**	**$ 86,070,895**	**$ 85,070,718**
Balance Sheet					
Invested in Capital Assets	$ 79,395,085	$ 80,006,751	$ 67,486,623	$ 70,302,862	$ 69,404,267
Unrestricted	13,948,971	1,525,652	9,950,546	15,768,033	15,666,451
Total Net Position	**$ 93,344,056**	**$ 81,532,403**	**$ 77,437,169**	**$ 86,070,895**	**$ 85,070,718**

Source: West County Wastewater District Audited Financial Statements

Continued on page 68

FINANCIAL TRENDS (CONTINUED)

WEST COUNTY WASTEWATER DISTRICT
CHANGES IN NET POSITION AND STATEMENT OF NET POSITION
Last Ten Fiscal Years (continued)

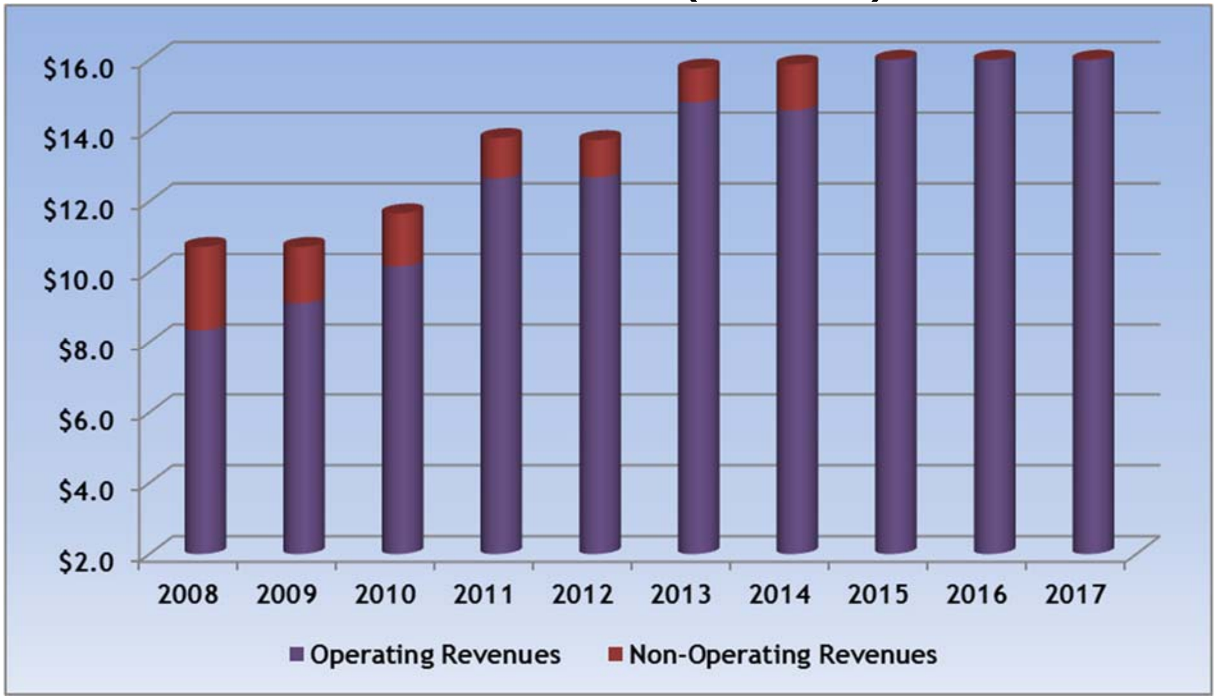
Change in Net Position	2012	2011	2010	2009	2008
Operating Revenues:					
Sewer use charge	$ 12,239,921	$ 12,182,304	$ 9,762,875	8,518,032	8,021,917
Inspection/permit fees	45,645	46,062	143,275	168,958	140,516
Contract services	332,037	339,517	134,890	154,732	168,319
Other revenue	45,097	64,979	117,759	265,122	2,317
Total operating revenue	12,662,700	12,632,862	10,158,799	9,106,844	8,333,069
Operating Expenses:					
Sewage collection	2,908,773	3,176,367	2,847,920	2,655,270	2,498,797
Sewage treatment	5,712,477	5,940,831	6,023,821	5,131,650	5,126,766
Administration	2,554,171	2,515,705	2,713,479	2,062,106	1,840,392
Contract services	287,977	239,973	55,756	69,787	67,415
West County Agency	105,041	148,273	91,085	125,365	122,760
Depreciation	2,735,155	2,856,717	2,814,261	2,747,202	2,694,193
Total operating expenses	14,303,594	14,877,866	14,546,322	12,791,380	12,350,323
Operating Income (Loss)	(1,640,894)	(2,245,004)	(4,387,523)	(3,684,536)	(4,017,254)
Non-Operating Revenue (Expenses):					
Property taxes	737,902	834,524	100,077	457,834	930,153
Redevelopment allocation	70,857				
Rental income	199,974	246,948	170,448	1,052,082	1,052,159
Investment earnings	49,106	64,645	940,733	89,169	87,576
Other revenue (expense), net	(256,871)	(108,804)	286,370		304,315
Total non-operating revenues (expenses)	800,968	1,037,313	1,497,628	1,599,085	2,374,203
Net income before capital contributions	(839,926)	(1,207,691)	(2,889,895)	(2,085,451)	(1,643,051)
State capital grants					
Connection fees	192,636	1,068,927	417,696	137,492	277,289
Contributed sewer lines			541,844	107,000	1,458,000
Total capital contributions	192,636	1,068,927	959,540	244,492	1,735,289
CHANGE IN NET POSITION	(647,290)	(138,764)	(1,930,355)	(1,840,959)	92,238
Beginning of year	86,477,613	86,616,377	88,546,732	90,387,691	90,295,453
Prior period adjustments					
Net Position - End of year	**$ 85,830,323**	**$ 86,477,613**	**$ 86,616,377**	**$ 88,546,732**	**$ 90,387,691**
Balance Sheet					
Invested in Capital Assets	$ 69,725,812	$ 69,663,380	$ 68,847,559	$ 67,628,792	$68,067,208
Unrestricted	16,104,511	16,814,233	17,768,818	20,917,940	22,320,483
Total Net Position	**$ 85,830,323**	**$ 86,477,613**	**$ 86,616,377**	**$ 88,546,732**	**$ 90,387,691**

Source: West County Wastewater District Audited Financial Statements

Continued from page 67

WEST COUNTY WASTEWATER DISTRICT
REVENUES BY TYPE
Last Ten Fiscal Years

Combined Revenues (in millions)



Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
REVENUES BY TYPE
Last Ten Fiscal Years

OPERATING REVENUES

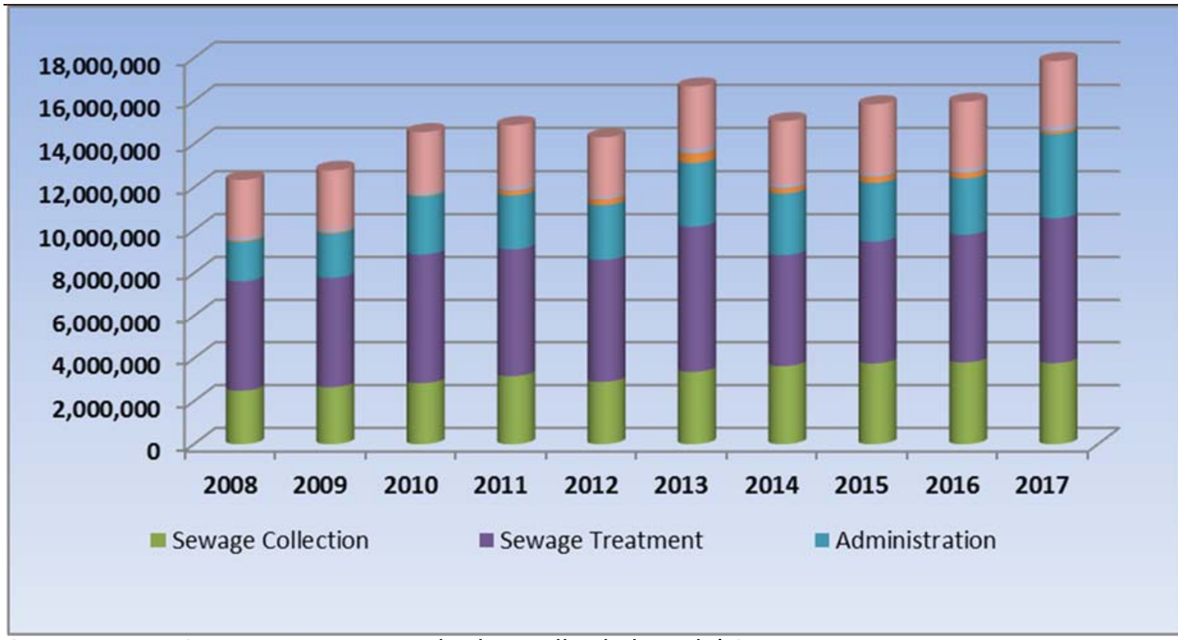
FYE June 30	Sewer Use Charge	Inspection/ Permit fees	Contract Services	Other Revenue	Total Operating
2008	8,021,917	140,516	168,319	2,317	8,333,069
2009	8,518,032	168,958	154,732	265,122	9,106,844
2010	9,762,875	143,275	134,890	117,759	10,158,799
2011	12,182,304	46,062	339,517	64,979	12,632,862
2012	12,239,921	45,645	332,037	45,097	12,662,700
2013	13,854,746	189,166	551,075	194,429	14,789,416
2014	14,038,949	192,139	316,961	24,182	14,572,231
2015	15,650,703	316,476	329,339	25,302	16,321,820
2016	17,290,831	248,888	300,737	221,698	18,062,154
2017	19,780,211	300,183	221,643	170,067	20,472,104

Source: West County Wastewater District Audited Financial Statements

NON-OPERATING REVENUES

FYE June 30	Property Taxes	Investment Earnings	Rental Income	Other	Total Non-Operating
2008	930,153	87,576	1,052,159	304,315	2,374,203
2009	457,834	89,169	1,052,082		1,599,085
2010	100,077	940,733	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		958,797
2014	910,446	34,712	341,007		1,286,165
2015	1,115,669	43,743	258,827		1,418,239
2016	1,119,870	70,451	353,536		1,543,857
2017	1,218,094	61,556	90,941		1,370,591

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



Source: West County Wastewater District Audited Financial Statements

OPERATING EXPENSES

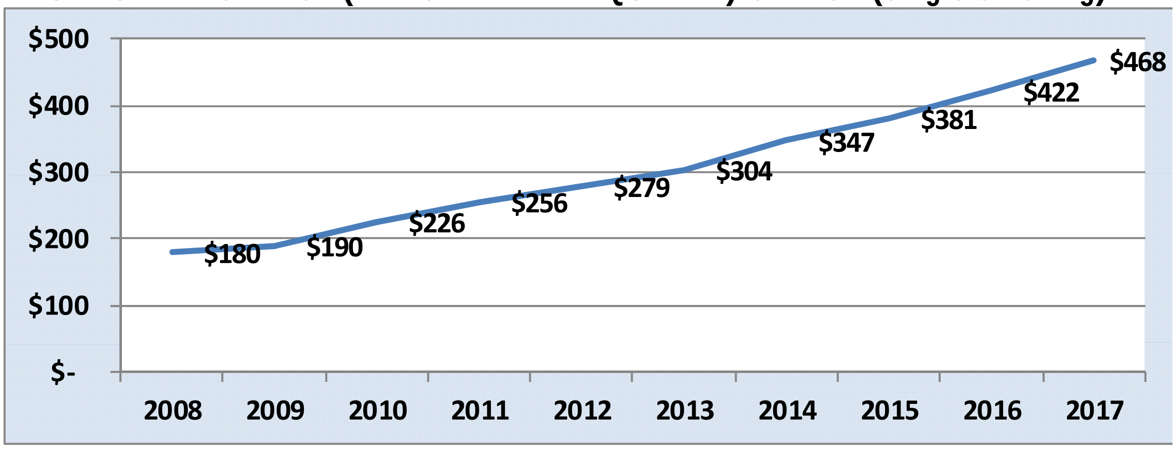
FYE June 30	Sewage Collection	Sewage Treatment	Administration	Service Contracts	WCA	Depreciation	Total
2008	2,498,797	5,126,766	1,840,392	67,415	122,760	2,694,193	12,350,323
2009	2,655,270	5,131,650	2,062,106	69,787	125,365	2,747,202	12,791,380
2010	2,847,920	6,023,821	2,713,479	55,756	91,085	2,814,261	14,546,322
2011	3,176,367	5,940,831	2,515,705	239,973	148,273	2,856,717	14,877,866
2012	2,908,773	5,712,477	2,554,171	287,977	105,041	2,735,155	14,303,594
2013	3,372,341	6,798,874	2,935,722	474,623	172,391	2,921,783	16,675,734
2014	3,639,837	5,208,478	2,868,589	269,874	133,670	2,940,249	15,060,697
2015	3,768,123	5,704,464	2,740,638	303,888	107,463	3,222,967	15,847,543
2016	3,815,139	5,976,699	2,631,540	272,421	148,541	3,119,615	15,963,955
2017	3,783,288	6,784,087	3,899,443	147,060	174,212	3,071,113	17,859,203

Source: West County Wastewater District Audited Financial Statements

REVENUE CAPACITY

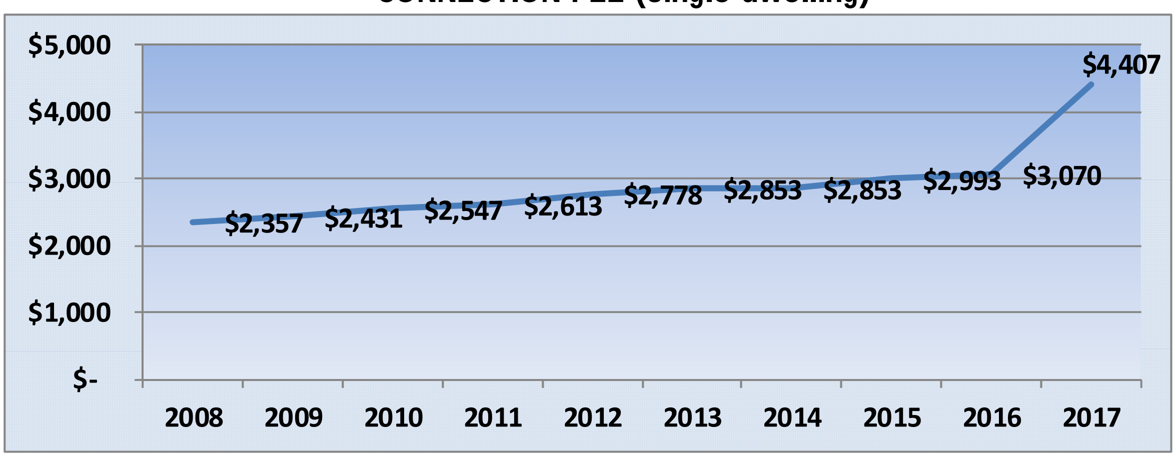
WEST COUNTY WASTEWATER DISTRICT
MAJOR REVENUE BASE AND RATES
Last Ten Fiscal Years

ANNUAL SEWER SERVICE (ENVIORNMENTAL QUALITY) CHARGE (Single dwelling)



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 FEE (Single dwelling)



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

		FYE 6/30/17			FYE 6/30/07		
Customer	Type of Business	Sewer Use Charge	Rank	% of SUC	Sewer Use Charge	Rank	% of SUC
East Bay MUD	Industrial	1,790,704	1	9.1%	635,344	1	8.3%
Guardian & KW Hilltop LLC	Multi-family residential	412,272	2	2.1%			
Chevron Refinery	Industrial	284,021	3	1.4%			
Richmond Essex LP	Multi-family residential	176,688	4	0.9%	73,610	4	1.0%
Menlo Westridge Afford Partners	Multi-family residential	163,600	5	0.8%			
FF Hills LP	Multi-family residential	139,878	6	0.7%			
Steadfast Hilltop Commons LP	Multi-family residential	132,516	7	0.7%	55,080	6	0.7%
Contra Costa County	Public Agency	124,275	8				0.0%
Pacific Mobile IV LP	Mobile Home Park	102,250	9	0.5%			
US REIF Sierra Ridge CA LP	Multi-family residential	98,160	10	0.5%			
Hilltop Bayview	Multi-family residential				171,530	2	2.2%
Berlex Laboratories, Inc.	Light Industry				74,783	3	1.0%
West Contra Costa Hospital	Hospital				53,395	6	0.7%
Hilltop Mall	Commercial/Restaurants				52,808	7	0.7%
Quality Carriers, Inc.	Light Industry				43,196	8	0.6%
The Summit at Hilltop- Prime Richmond Housing	Multi-family residential				40,970	9	0.5%
Richmond Tides Owner	Multi-family residential				34,170	10	0.4%
Total		3,424,364		16.7%	1,234,886		16.1%

Source: West County Wastewater District Audited Financial Statements

	FYE 6/30/17		FYE 6/30/07	
Sewer Use Charge Customer Type	**Sewer Revenue**	**% of Total**	**Sewer Revenue**	**% of Total**
Residential	$ 15,176,741	77%	$ 5,639,461	73%
Commercial	2,546,284	13%	1,259,825	16%
Industrial	2,057,186	10%	786,254	10%
Total	$ 19,780,211	100%	$ 7,685,540	100%

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
PROPERTY TAX INFORMATION
Last Ten Fiscal Years

Assessed Valuation of Taxable Property within the District

FYE June 30	County Secured	County Unsecured	Total	% Change
2008	7,796,654,291	194,438,391	7,991,092,682	
2009	7,814,586,596	194,885,599	8,009,472,195	0.2%
2010	6,190,398,465	192,496,264	6,382,894,729	-20.3%
2011	6,555,576,933	195,169,554	6,750,746,487	5.8%
2012	6,135,176,625	232,644,475	6,367,821,100	-5.7%
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	7,355,374,837	204,228,652	7,559,603,489	9.1%
2016	7,907,856,769	199,944,749	8,107,801,518	7.3%
2017	8,484,774,635	197,601,420	8,682,376,055	7.1%

Source: Contra Costa County Auditor-Controller "Certificate of Assessed Valuations"

Property Tax and Sewer Service Charge Fees Collected

FYE June 30	Property Tax	Sewer Service Charges
2008	930,153	8,021,917
2009	457,834	8,518,032
2010	100,077	9,762,875
2011	834,524	12,182,304
2012	808,759	12,239,921
2013	773,092	13,854,746
2014	910,446	14,038,949
2015	1,115,669	15,650,703
2016	1,119,870	17,290,831
2017	1,218,094	19,780,211

Source: West County Wastewater District Audited Financial Statements
Note: In FY 2010, Proposition 1A shifted a portion of the District property tax revenues to the State. In FY 2011, a settlement by Contra Costa County with Chevron reduced property tax revenue.

WEST COUNTY WASTEWATER DISTRICT
SCHEDULE OF CAPACITY CHARGES

	FY 2017	FY 2016
Beginning Balance July 1	-	677,564
Capacity charge fee revenue received during the year:		
Connection fees	175,260	82,111
Flow zone fees	50,206	33,237
	45,729	544
Toll zone 22	551	
Capacity charge revenue for the FY	271,745	115,893
Interest earned on investments		2,039
Capacity construction project cost incurred during the year:		
Market Street sewer replacement Project 14CS204 (1)	(146,216)	(795,495)
Church Lane to Road 20 sewer replacement Project 14CS214 (2)	(125,529)	
Ending Balance	-	-

(1) Total cost of Project 14CS204 was $941,711 as of 6/30/16.
(2) Total cost of Project 14CS214 was $239,318 as of 6/30/17.

WEST COUNTY WASTEWATER DISTRICT
DEBT CAPACITY AND LOAN REPAYMENT SCHEDULE
Ten Fiscal Years

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.

During fiscal year 2015, the District applied for and was granted approval for four California State Water Resources Control Board (SRF) loans to finance capital improvement projects:

	Repayment Dates				
Loan Agreement #	Start	End	Interest Rate	Loan Available	Loan Amount
7876-110	5/6/2017	5/6/2036	1.90%	1,654,505	1,420,601
7876-120	4/11/2019	4/11/2038	1.90%	2,881,758	269,510
7876-130	8/30/2018	8/30/2037	1.90%	14,593,521	8,961,502
8043-110 (1)	6/3/2018	6/3/2037	1.00%	30,457,093	14,953,471
Total as of 6/30/17				49,586,877	25,605,083

Repayment Schedule (2):	Principal	Interest	Total
FYE 6/30/18	741,900	176,526	918,426
FYE 6/30/19	1,133,600	343,931	1,477,531
FYE 6/30/20	1,148,965	328,566	1,477,531
FYE 6/30/21	1,164,561	312,971	1,477,531
FYE 6/30/22	1,180,390	297,141	1,477,531
FYE 6/30/23	1,196,457	281,044	1,477,501
FYE 6/30/24	1,212,766	264,765	1,477,531
FYE 6/30/25	1,229,321	248,211	1,477,531
FYE 6/30/26	1,246,125	231,407	1,477,531
FYE 6/30/27	1,263,183	214,349	1,477,531
Thereafter	14,087,816	1,156,828	15,244,643
Total	25,605,083	3,855,738	29,460,821

(1) Loan Available amount is before grants awarded under Proposition 1 of $5,356,330 and Proposition 13 of $4,000,000. As of June 30, 2017, grant proceed of $6,966,498 were received.

(2) This is a tentative payment schedule. The final payment schedule will be provided by the SRF after all disbursements are paid and project construction is complete.

The District incurs the costs of the projects and submits claims for reimbursement to the SRF. To pay for these loans, the District passed resolutions to increase sewer use fees by 11% each year for the five years 7/1/15 through 6/30/20. District rates will remain below the average for Bay Area special districts.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC AND ECONOMIC INFORMATION
Ten Fiscal Years

District Population, Income and Unemployment

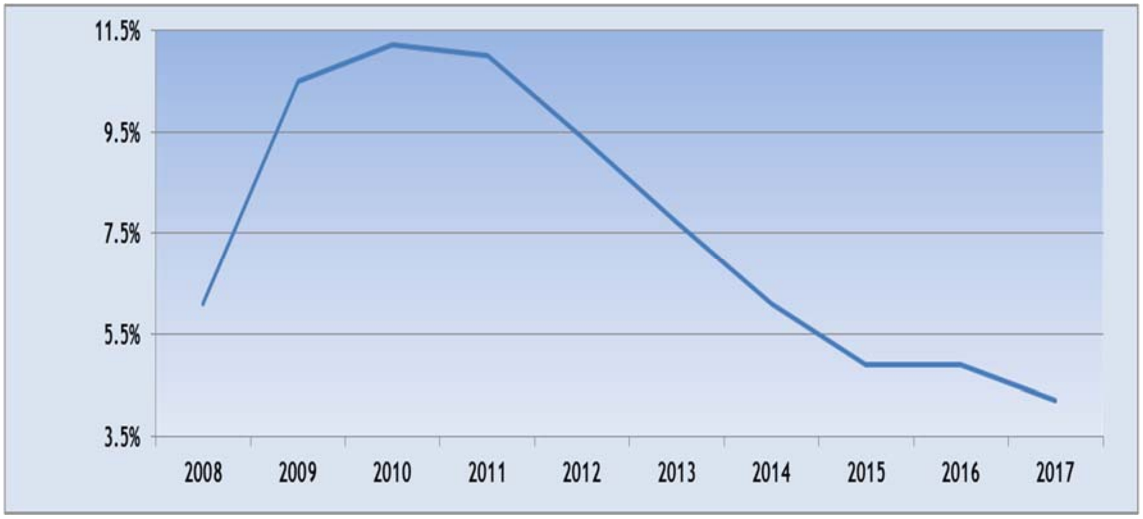
Fiscal Year	District Population	Total Personal Income (A)	Per Capita Personal Income	Average County Unemployment Rate (B)	Contra Costa County Population	District Population as % of County
2008	124,398	7,199,409,852	57,874	6.1%	1,048,185	11.9%
2009	125,236	7,101,276,754	56,703	10.5%	1,061,325	11.8%
2010	125,096	6,938,449,640	55,465	11.2%	1,049,025	11.9%
2011	96,597	5,492,228,784	56,857	11.0%	1,059,495	9.1%
2012	97,296	5,740,526,109	59,001	9.4%	1,069,977	9.1%
2013	97,998	6,077,955,966	62,022	7.7%	1,083,340	9.0%
2014	98,724	6,104,627,626	61,835	6.1%	1,097,172	9.0%
2015	99,511	6,388,349,816	64,198	4.9%	1,111,143	9.0%
2016	102,481	6,932,319,943	67,645	4.9%	1,123,429	9.1%
2017	103,650	7,270,101,341	70,141	4.2%	1,139,513	9.1%

Sources:
* Population: State of California, Department of Finance, Demographic Research Unit, including adjustments, as of January 2017, 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 2017
* Unemployment Rate: State of California, Employment Development Department, as of June 2017

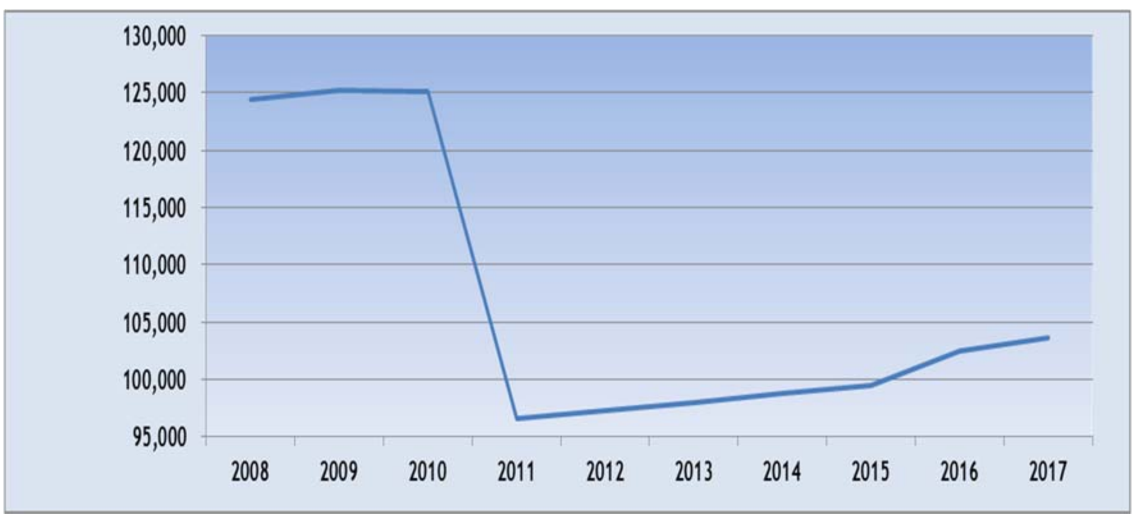
Notes:
(A) Data calculated by multiplying District population by Per Capita Personal Income
(B) Data presented for Contra Costa County – data not available at the District level.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC AND ECONOMIC INFORMATION
Ten Fiscal Years

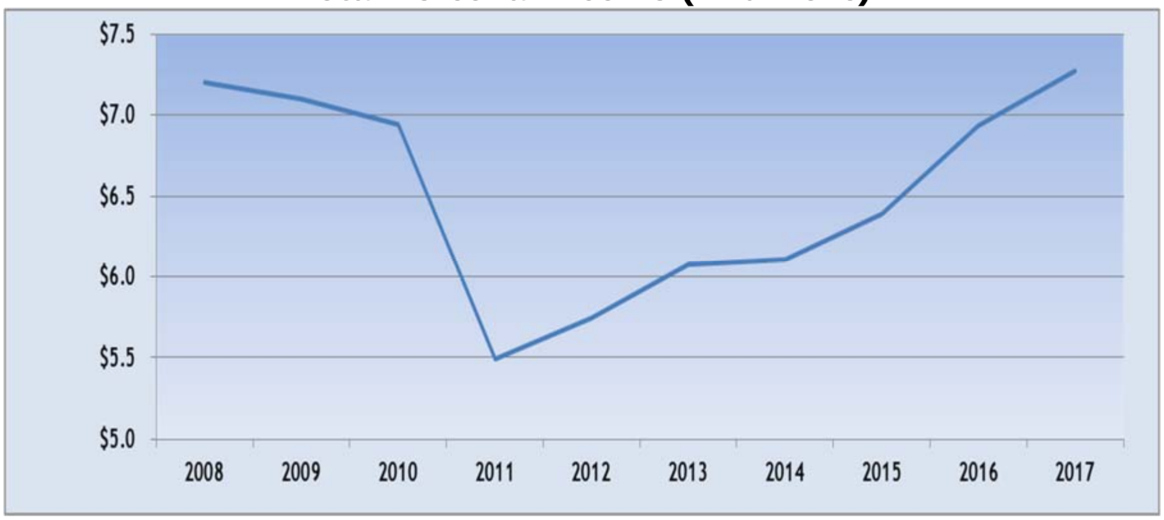
Population Served



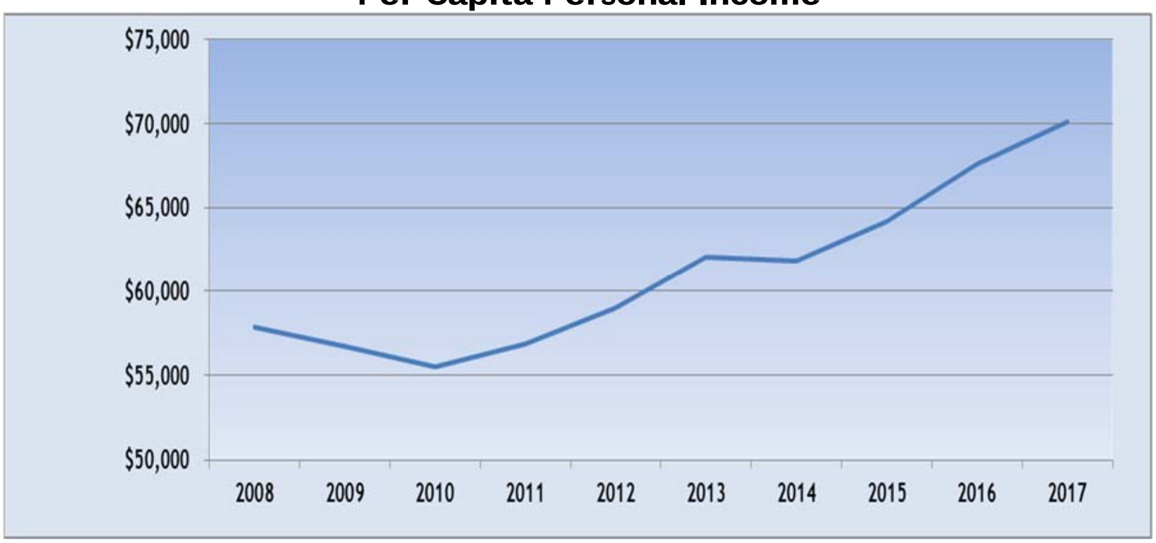
Unemployment Rate



Total Personal Income (in billions)



Per Capita Personal Income



WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC AND ECONOMIC INFORMATION
PRINCIPAL EMPLOYERS
Current and Ten Years Ago

	FY 2016			FY 2007		
Employer	**Number of Employees**	**Rank**	**% of Total District Employment**	**Number of Employees**	**Rank**	**% of Total District Employment**
Chevron Refinery	3,456	1	3.0%	2,461	1	2.1%
West Contra Costa Unified School District	1,962	2	1.7%			
Social Security Administration	1,259	3	1.1%			
Blue Apron, Inc.	1,200	4	1.0%			
U. S. Postal Service	1,047	5	0.9%			
Contra Costa County	844	6	0.7%			
City of Richmond	842	7	0.7%			
Permanente Medical Group	732	8	0.6%	786	3	0.7%
Kaiser Foundation Hospitals and Health Center	629	9	0.5%			
Contra Costa College	585	10	0.5%	521	4	0.5%
Doctors Medical Center				935	2	0.8%
Casino San Pablo				520	5	0.5%
Walmart Store 3455				350	6	0.3%
Berlex, Inc.						0.0%
Costco Wholesale #482				278	7	0.2%
California Autism Foundation, Inc.				250	8	0.2%
Macy's Hilltop				242	9	0.2%
The Home Depot #643				209	10	0.2%
Subtotal	12,556		10.7%	6,552		5.7%
All Others	104,324		89.3%	108,163		94.3%
Total workforce	116,880		100.0%	114,715		100.0%

Source: Comprehensive Annual Financial Reports for Fiscal Year Ending June 30, 2016 for City of Richmond, City of San Pablo and City of Pinole. Data is not available for the fiscal year ending June 30, 2017.

Note: Does not include data for the portion of unincorporated Contra Costa County that is included in the District.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC & ECONOMIC INFORMATION
FULL TIME EQUIVALENT EMPLOYEES
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business Services										
Administration	8	9	9	9	11	11	11	8	8	8
Finance								4	4	4
Subtotal- Business Services	8	9	9	9	11	11	11	12	12	12
Engineering Services										
Engineering	6	6	6	6	6	8	9	9	9	9
Collection Systems	12	12	12	12	12	12	12	12	13	13
Subtotal- Engineering Services	18	18	18	18	18	20	21	21	22	22
Water Pollution Control Plant										
Enviornmental Compliance	5	5	5	5	5	5	5	4	4	4
Operations	13	12	12	12	12	11	11	11	11	13
Maintenance	10	10	10	10	9	9	9	9	9	9
Subtotal- WPCP	28	27	27	27	26	25	25	24	24	26
Total District	54	54	54	54	55	56	57	57	58	60

Source: West County Wastewater District Budget

WEST COUNTY WASTEWATER DISTRICT
OPERATING INFORMATION
Ten Fiscal Years

Engineering Permits Completed

Fiscal Year	Repairs	Single Family	Multi-Family	Commercial	Industrial	Misc.	Total
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
2016	413	15	-	2	-	2	432
2017	353	21	1	3	-	6	384

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
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
2016	1,861	158.3	131	14	45
2017	1,588	154.0	131	11	16

WEST COUNTY WASTEWATER DISTRICT
OPERATING INFORMATION
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)
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
2016	2,820	9.3	13.0	5,710	38,973
2017	3,675	12.0	15.0	5,840	47,533

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*
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
2016	250.0	5.5	17	12.5	**5.9
2017	249.0	6.0	17	12.5	6.9

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.

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2017.

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*.

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www.pungroup.com

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.

The Pun Group, LLP

Walnut Creek, California
December 31, 2017