



**WEST COUNTY WASTEWATER DISTRICT  
Richmond, CA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2018**

**Prepared by:  
Business Services Department**



**WEST COUNTY WASTEWATER DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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## **INTRODUCTORY SECTION**

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November 16, 2018

To the Honorable Board of Directors and  
Citizens of the West County Wastewater District:

State statutes require an annual audit by an independent certified public accountant. This report is published to fulfill that requirement for the year ended June 30, 2018.

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.

Cropper Accountancy Corporation, Certified Public Accountants, have issued an unmodified opinion on the West County Wastewater District's (District) financial statements for the year ended June 30, 2018. 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 97 years for the purpose of protecting and serving the public health of the community and the environment by safely and responsibly collecting and treating wastewater for reuse. 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 Budget 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 Costa. 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, disposal, and reuse. 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, and the Richmond Municipal Sewer District for the purpose of constructing and maintaining effluent and sludge disposal facilities.

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

#### LOCAL ECONOMY

The real estate economy continues to improve with the median home sale price in San Pablo increasing to approximately \$448,900. 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 \$519 per single family residence for Fiscal Year 2018 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) Charge revenues are the main source of revenue for the District. The District partially funds capital replacement costs through operating revenues. The District has established various reserves including: Insurance Fund Reserve, State Revolving Fund Reserve and Operating and Capital Fund Reserves. The District's Board of Directors reviews reserve levels annually as part of the budget process to determine whether the levels established provide for the financial security required of a fiscally responsible local government.

In addition to the Environmental Quality (Sewer Use) Charges, additional sources of revenue includes, but are not limited to: fees for new connections; permits and inspections; land leases; contract services; property taxes; and interest, any of which may be used to fund capital asset additions and replacements. The District has secured low interest loans and grants from the State Water Resources Control Board to provide funding for certain identified capital projects.

#### RELEVANT FINANCIAL POLICIES

A utility or other enterprise government agency is a self-supporting operation of a

commercial nature and the appropriate level of revenues and expenses is largely determined by the demand for service. Depending upon the timing and level of demand for service, the expenses will vary. Accordingly, the District's budgetary controls are established at the levels of total estimated expenses.

### MAJOR INITIATIVES

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

The District adopted a 20-year District-Wide Master Plan to address its infrastructure needs and has determined that it is necessary to borrow from the 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 from the National Association of Clean Water Agencies (NACWA) for 15 consecutive years in recognition of compliance with its National Pollutant Discharge Elimination System (NPDES) permit.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to West County Wastewater District for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2017. This was the 20<sup>th</sup> consecutive year that the District has been recognized for its financial reporting. In order to be awarded, a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Distinguished Budget Presentation Award to West County Wastewater District for its Biennial Budget for Fiscal Years 2018 & 2019. This was the 4<sup>th</sup> consecutive year that the District has been recognized for its Budget Presentation.

The Special District Leadership Foundation recognized the District in December 2017 for its completion of all transparency program requirements designed to promote transparency in operations and governance to the public and other stakeholders.

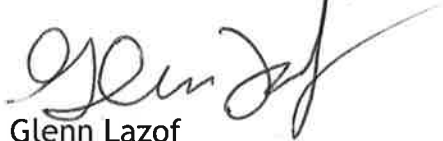
American Public Works Association, Northern California Chapter recognized the District in 2016 for Environment Project of the Year - North Richmond Pump Station Stormwater Diversion Project *(as an essential partner in the development and*

*construction of an innovative project).*

The partners of the Utility of the Future Today Recognition Program recognized the District for its progress and exceptional performance of innovative and forward-thinking practices that are providing sustainable, efficient, and value-added services to the community.

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,



Glenn Lazof  
Transition Business Services Advisor



Lisa Malek-Zadeh  
General Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**West County Wastewater District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

The West County Wastewater District received the Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to West County Wastewater District for its comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2018.

## **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 the environment by safely and responsibly collecting and treating wastewater for reuse.

#### Vision

In the next 5 years, the District is striving to become a great place to work where we use the latest proven technology and best industry practices to care for District resources, enhance our environment and collaborate with our partners and community.

#### 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's Core Values for consistent decision making are Trust, Accountability, Leadership, and Collaboration.



# WEST COUNTY WASTEWATER DISTRICT

## Principal Officials and Management

### **BOARD OF DIRECTORS**

Audrey L. Comeaux  
President

Harry Wiener  
Vice President

David Alvarado  
Director

Leonard McNeil  
Director

Sherry Stanley  
Director

### **Legal Counsel**

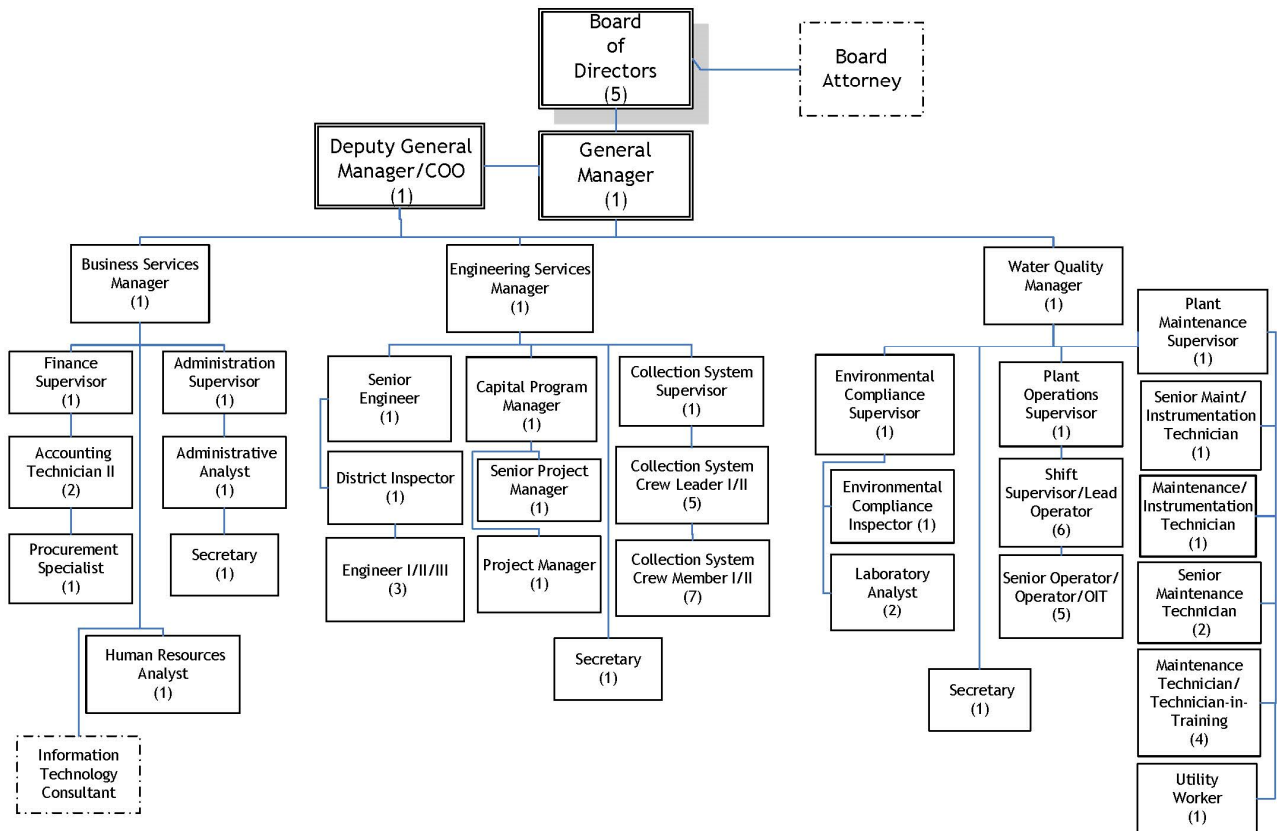
Mr. Alfred A. Cabral  
Pelletreau, Alderson and Cabral

### **Management**

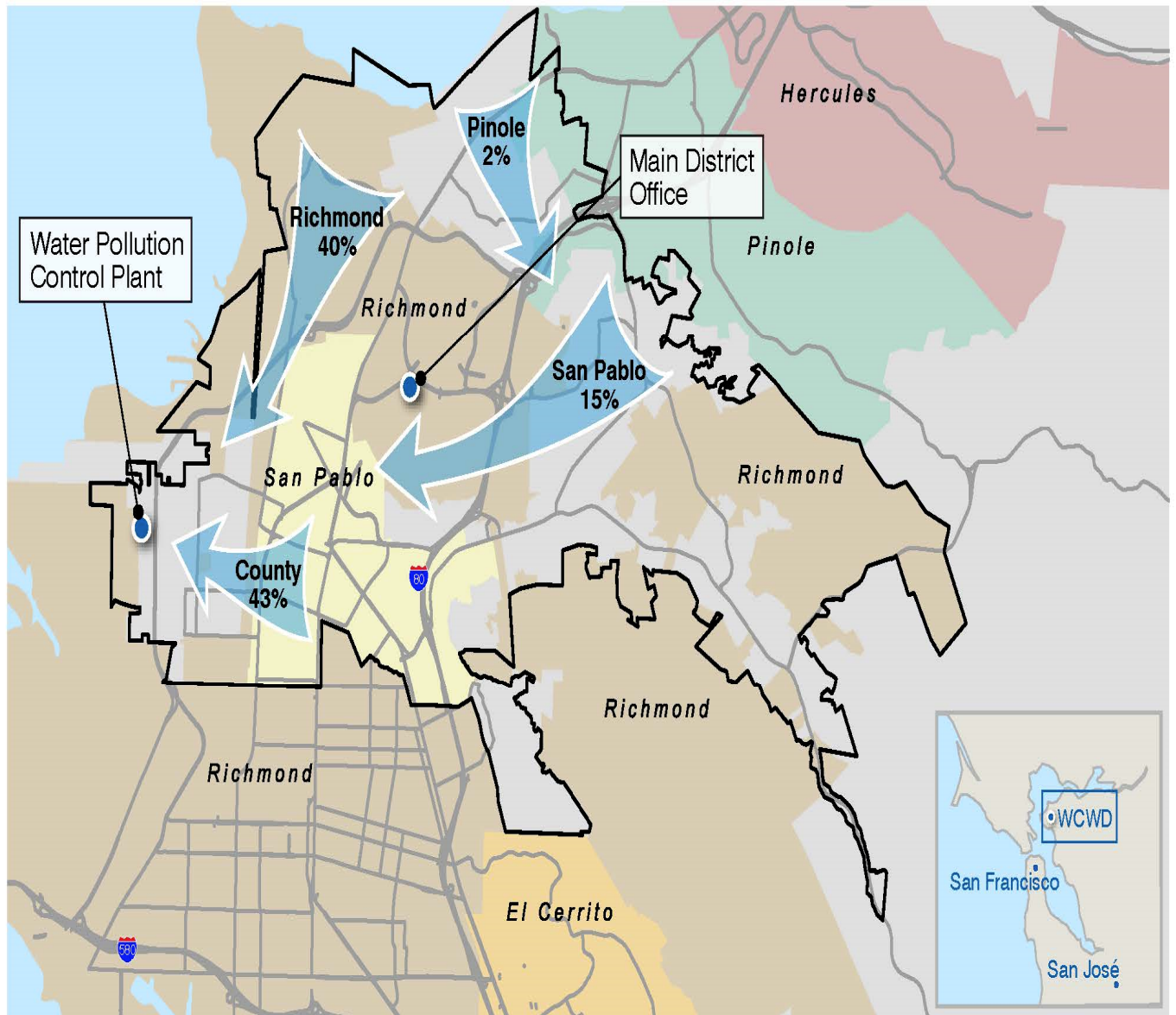
Lisa Malek-Zadeh, Interim General Manager  
Gordon Times, Acting Water Quality Manager  
Deborah Muchmore, Human Resources Advisor\*  
John Haig, Engineering Services Advisor\*  
Glenn Lazof, Transition Business Services Advisor\*

\* Employees of Regional Government Services

## West County Wastewater District Organizational Chart



## WEST COUNTY WASTEWATER DISTRICT District Map



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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of West County Wastewater District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of West County Wastewater District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Emphasis of Matter**

### ***Change in Accounting Principle***

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 – 25, the Schedule of the District's Proportionate Share of the Plan's Pension Liability and Schedule of The District's Contributions to the Pension Plan on page 58, Schedule of Changes in the Net OPEB Liability and Related Ratios on page 59, and Schedule of OPEB Contributions on page 60 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.

### ***June 30, 2017 Financial Statements***

The financial statements of West County Wastewater District as of June 30, 2017, were audited by other auditors whose report dated January 24, 2018, expressed an unmodified opinion on those statements. We have presented the basic financial statements for comparative purposes only and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Information***

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

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 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 on 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.

  
CROPPER ACCOUNTANCY CORPORATION  
Walnut Creek, California  
November 21, 2018

# **WEST COUNTY WASTEWATER DISTRICT**

## **Management's Discussion and Analysis**

### **For the Fiscal Year Ending June 30, 2018**

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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 \$96.5 million at June 30, 2018. Total net position was comprised of net investment in capital assets of \$85.3 million, restricted for loan repayment of \$1.8 million, and unrestricted assets of \$9.4 million. Net position increased by \$3.1 million (after prior period adjustment) for fiscal year 2018 and \$11.8 million for fiscal year 2017. The prior period adjustment of \$3.9 million resulted from the implementation of GASB 75 for reporting post-employment medical benefits.
- The District's total operating revenues for fiscal year 2018 were \$21.6 million and total operating expenses were \$19.5 million, resulting in net operating income of \$2.1 million. This compares to net operating income of \$2.6 million for fiscal year 2017 and \$2.1 million for fiscal year 2016.
- The District's non-operating revenues for fiscal year 2018 were \$2.0 million, consisting of property taxes, redevelopment allocation, rental income, and investment earnings. This compares to \$1.4 million for fiscal year 2017 and \$1.5 million for fiscal year 2016. Non-operating expenses for fiscal year 2018 were \$487,000, consisting of interest expense and loss on disposal of assets. This compares to \$109,000 for fiscal year 2017, primarily the valuation allowance on the ex-General Manager advance and no non-operating expense for fiscal year 2016.
- Capital contributions were \$3.4 million for fiscal year 2018, comprised of State capital construction grants (\$2.0 million) and customer connection fees (\$1.4 million). This compares to capital contributions of \$7.9 million for fiscal year 2017, comprised of State capital construction grants (\$6.9 million) and customer connection fees (\$1.0 million). Capital contributions were \$0.5 million for fiscal year 2016, 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.

**WEST COUNTY WASTEWATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ending June 30, 2018**

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

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

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

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

**WEST COUNTY WASTEWATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ending June 30, 2018**

**SUMMARY OF THE STATEMENT OF NET POSITION**

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**  
**Statement of Net Position**

|  | 2018                  | 2017                  | 2016                 | % Increase<br>(Decrease)<br>2018 vs. 2017 | % Increase<br>(Decrease)<br>2017 vs. 2016 |
|--|-----------------------|-----------------------|----------------------|---|---|
| <b>Assets:</b>   |                       |                       |                      |   |   |
| Current Assets   | \$ 32,777,950         | \$ 27,185,179         | \$ 15,224,589        | 20.57%                                    | 78.56%                                    |
| Capital Assets   | 116,926,919           | 105,000,168           | 82,570,051           | 11.36%                                    | 27.16%                                    |
| Other Non-Current Assets   |                       | 670,721               | 612,447              | -100.00%                                  | 9.51%                                     |
| Total Assets   | 149,704,869           | 132,856,068           | 98,407,088           | 12.68%                                    | 35.01%                                    |
| Deferred Outflows of Resources                                       | 5,401,992             | 3,189,791             | 1,103,034            | 69.35%                                    | 189.18%                                   |
| <b>Total Assets and Deferred Outflows<br/>of Resources</b>           | <b>\$ 155,106,861</b> | <b>\$ 136,045,859</b> | <b>\$ 99,510,122</b> | <b>14.01%</b>                             | <b>36.72%</b>                             |
| <b>Liabilities:</b>  |                       |                       |                      |   |   |
| Current Liabilities  | \$ 9,450,768          | \$ 5,283,079          | \$ 5,177,218         | 78.89%                                    | 2.04%                                     |
| Non-Current Liabilities  | 48,003,012            | 36,483,938            | 11,501,875           | 31.57%                                    | 217.20%                                   |
| Total Liabilities  | 57,453,780            | 41,767,017            | 16,679,093           | 37.56%                                    | 150.42%                                   |
| Deferred Inflows of Resources  | 1,172,404             | 934,787               | 1,298,626            | 25.42%                                    | -28.02%                                   |
| <b>Net Position:</b>   |                       |                       |                      |   |   |
| Net Investment in Capital Assets                                     | 85,238,747            | 79,395,084            | 82,570,051           | 7.36%                                     | -3.85%                                    |
| Restricted   | 1,861,014             | 918,426               |                      | 102.63%                                   |   |
| Unrestricted   | 9,380,916             | 13,030,545            | (1,037,648)          | -28.01%                                   |   |
| Total Net Position   | 96,480,677            | 93,344,055            | 81,532,403           | 3.36%                                     | 14.49%                                    |
| Total Liabilities, Deferred Inflows of<br>Resources and Net Position | \$ 155,106,861        | \$ 136,045,859        | \$ 99,510,122        | 14.01%                                    | 36.72%                                    |

**Major Factors Affecting the Statement of Net Position**

- 98% of current assets consist of cash and equivalents at June 30, 2018. Current assets increased by \$5.6 million from fiscal year 2017 to 2018, primarily due to receipts in excess of expenditures. Current assets increased by \$12.0 million from fiscal year 2016 to 2017, primarily due to loan receipts in excess of capital 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 \$2.3 million from fiscal year 2017 to 2018 and by \$2.1 million from fiscal year 2016 to 2017, as a result of GASB 75 and 68 Deferred Outflows. This is discussed in Notes 8 and 9 to Financial Statements starting on page 44.
- Current liabilities consist of accounts payable, payroll related liabilities, the current portion of loans, and interest payable. Current liabilities increased \$4.2 million from fiscal year 2017 to 2018 and increased \$0.1 million from fiscal year 2016 to 2017, primarily due to capital asset spending.

**WEST COUNTY WASTEWATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ending June 30, 2018**

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- Non-current liabilities increased from fiscal year 2017 to 2018 by \$11.5 million, primarily due to net debt borrowings (\$5.4 million), increase in net OPEB liability (\$4.3 million) and increase in net pension liability (\$1.9 million). 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).
- The District had outstanding debt of \$31.7 million at June 30, 2018 and \$25.6 million at June 30, 2017. 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 decreased by \$3.6 million from fiscal year 2017 to 2018, due to the increase before capital contributions of \$3.6 million, capital contributions of \$3.4 million, less the GASB 75 prior period adjustment of \$3.9 million, increase in net investment in capital assets of \$5.8 million, and increase in Restricted Net Position of \$0.9 million. Net Position unrestricted increased from fiscal year 2016 to 2017 by \$14.1 million, due to capital contributions of \$7.9 million, the increase before capital contributions of \$3.9 million, decrease in net investment in capital assets of \$3.2 million, less increase in Restricted Net Position of \$0.9 million. Net Position Invested in Capital Assets Net of related Debt increased from fiscal year 2017 to 2018 by \$5.9 million due to capital spending in excess of loan proceeds and depreciation. Net Position Invested in Capital Assets Net of related Debt decreased from fiscal year 2016 to 2017 by \$3.2 million due to loan proceeds and depreciation in excess of capital spending.

**WEST COUNTY WASTEWATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ending June 30, 2018**

**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**  
**Statement of Revenues, Expenses, and Changes in Net Position**

|   | 2018          | 2017          | 2016          | % Increase<br>(Decrease)<br>2018 vs. 2017 | % Increase<br>(Decrease)<br>2017 vs. 2016 |
|---|---------------|---------------|---------------|---|---|
| <b>Revenues</b>   |               |               |               |   |   |
| Operating revenues                                      |               |               |               |   |   |
| Sewer use charge  | \$ 21,047,634 | \$ 19,780,211 | \$ 17,290,831 | 6.41%                                     | 14.40%                                    |
| Inspect/permit fees                                     | 231,481       | 300,183       | 248,888       | -22.89%                                   | 20.61%                                    |
| Contract services                                       | 106,279       | 221,643       | 300,737       | -52.05%                                   | -26.30%                                   |
| Other revenue   | 194,610       | 170,067       | 221,698       | 14.43%                                    | -23.29%                                   |
| Total operating revenues                                | 21,580,004    | 20,472,104    | 18,062,154    | 5.41%                                     | 13.34%                                    |
| Non-operating revenues                                  |               |               |               |   |   |
| Property taxes  | 1,082,059     | 1,057,151     | 977,876       | 2.36%                                     | 8.11%                                     |
| Redevelopment allocation                                | 312,470       | 160,943       | 141,994       | 94.15%                                    | 13.34%                                    |
| Rental income   | 311,948       | 90,941        | 353,536       | 243.02%                                   | -74.28%                                   |
| Investment earnings                                     | 298,133       | 61,556        | 70,451        | 384.33%                                   | -12.63%                                   |
| Total non-operating revenues                            | 2,004,610     | 1,370,591     | 1,543,857     | 46.26%                                    | -11.22%                                   |
| Total revenues  | 23,584,614    | 21,842,695    | 19,606,011    | 7.97%                                     | 11.41%                                    |
| <b>Expenses</b>   |               |               |               |   |   |
| Operating expenses                                      | 19,494,299    | 17,859,203    | 15,963,955    | 9.16%                                     | 11.87%                                    |
| Non-operating expenses                                  | 487,276       | 109,312       |               | 345.77%                                   |   |
| Total expenses  | 19,981,575    | 17,968,515    | 15,963,955    | 11.20%                                    | 12.56%                                    |
| <b>Increase (decrease) before capital contributions</b> | 3,603,039     | 3,874,180     | 3,642,056     | -7.00%                                    | 6.37%                                     |
| <b>Capital contributions:</b>                           |               |               |               |   |   |
| State capital grants                                    | 2,034,947     | 6,966,498     |               | -70.79%                                   |   |
| Connection fees   | 1,423,356     | 970,975       | 453,178       | 46.59%                                    | 114.26%                                   |
| Total capital contributions                             | 3,458,303     | 7,937,473     | 453,178       | -56.43%                                   | 1651.51%                                  |
| Change in net position                                  | 7,061,342     | 11,811,653    | 4,095,234     | -40.22%                                   | 188.42%                                   |
| Net position, beginning                                 | 93,344,056    | 81,532,403    | 77,437,169    | 14.49%                                    | 5.29%                                     |
| Prior period adjustments                                | (3,924,721)   |               |               |   |   |
| Net position, ending                                    | \$ 96,480,677 | \$ 93,344,056 | \$ 81,532,403 | 3.36%                                     | 14.49%                                    |

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

- Total operating revenues for fiscal year 2018 were \$21.5 million and total operating expenses were \$19.4 million, resulting in operating income of \$2.1 million. This compares to fiscal year 2017 operating revenues of \$20.5 million and total operating expenses of \$17.9 million, resulting in operating income of \$2.6 million. Sewer Use Charge

**WEST COUNTY WASTEWATER DISTRICT**  
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(Environmental Quality Charge) revenue increased \$1.3 million from fiscal year 2017 to 2018 and increased \$2.5 million from fiscal year 2016 to 2017 primarily due to the 11% per year rate increase, partially offset by reduced industrial user flows.

- Operating expenses increased \$1.6 million from fiscal year 2017 to 2018, and \$1.9 million from fiscal year 2016 to 2017, primarily due to increased professional services, GASB 75/68 cost, and chemicals.
- Non-operating revenues increased \$0.6 million from fiscal year 2017 to 2018 primarily due to increased investment earnings, rental income and redevelopment allocation. Non-operating revenues decreased \$174,000 from fiscal year 2016 to 2017 primarily due to decreased rental income resulting from renegotiating a ground lease.
- The District's non-operating expenses of \$0.5 million for fiscal year 2018 consisted of interest expense and loss on disposal of assets. This compares to \$109,000 for fiscal year 2017 (primarily the valuation allowance on the ex-General Manager advance) and no non-operating expenses for fiscal year 2016.
- Capital contributions were \$3.4 million for fiscal year 2018, comprised of State capital construction grants (\$2.0 million) and customer connection fees (\$1.4 million). This compares to \$7.9 million for fiscal year 2017, comprised of State capital construction grants (\$6.9 million) and customer connection fees (\$1.0 million) and to \$0.5 million for fiscal year 2016, consisting of customer connection fees.

**SUMMARY OF CAPITAL ASSETS**

Table 3 presents a summary of the District's capital assets for the current and two preceding fiscal years. More detailed information on capital asset activity is provided in Note 5 to the financial statements.

TABLE 3  
Summary of Capital Assets

|  | 2018           | 2017           | 2016          | % Increase<br>(Decrease)<br>2018 vs. 2017 | % Increase<br>(Decrease)<br>2017 vs. 2016 |
|--|----------------|----------------|---------------|---|---|
| Land                                       | \$ 2,451,806   | \$ 2,451,806   | \$ 2,451,806  | 0.00%                                     | 0.00%                                     |
| Construction in process                    | 12,310,461     | 41,922,254     | 18,507,918    | -70.64%                                   | 126.51%                                   |
| Sewage collection and treatment facilities | 165,112,262    | 121,671,006    | 118,346,926   | 35.70%                                    | 2.81%                                     |
| Equipment                                  | 5,668,557      | 5,490,716      | 7,093,874     | 3.24%                                     | -22.60%                                   |
| Vehicles                                   | 2,992,278      | 2,631,732      | 2,283,740     | 13.70%                                    | 15.24%                                    |
| Subtotal                                   | 188,535,364    | 174,167,514    | 148,684,264   | 8.25%                                     | 17.14%                                    |
| Less accumulated depreciation              | (71,608,445)   | (69,167,346)   | (66,114,213)  | 3.53%                                     | 4.62%                                     |
| Total capital assets, net                  | \$ 116,926,919 | \$ 105,000,168 | \$ 82,570,051 | 11.36%                                    | 27.16%                                    |

**Capital Asset Highlights:**

Capital Assets increased \$12.0 million net, from fiscal year 2017 to 2018, due to net capital asset additions of \$15.5 million, less depreciation expense of \$3.2 million and retirements of \$0.3 million. 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. Additions for both years were primarily water pollution control plant upgrades and sewer pipe replacements.

**WEST COUNTY WASTEWATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ending June 30, 2018**

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**SUMMARY OF DEBT OUTSTANDING**

Table 4 presents a summary of the District's loans payable as of June 30, 2018, 2017, and 2016. More detailed information on loan activity is provided on Note 9 to the basic financial statements.

**TABLE 4**  
**Debt Outstanding**

|                     |               |               |              | % Increase<br>(Decrease) | % Increase<br>(Decrease) |
|---------------------|---------------|---------------|--------------|--------------------------|--------------------------|
|                     | 2018          | 2017          | 2016         | 2018 vs. 2017            | 2017 vs. 2016            |
| Current portion     | \$ 1,456,929  | \$ 741,900    | \$ 2,575     | 96.38%                   | 28711.65%                |
| Non-current portion | 30,231,243    | 24,863,183    | 2,560,725    | 21.59%                   | 870.94%                  |
| Loans Payable       | \$ 31,688,172 | \$ 25,605,083 | \$ 2,563,300 | 23.76%                   | 898.91%                  |

**Debt Highlights:**

Loans payable net increased \$6.1 million net from fiscal year 2017 to 2018 and increased \$23.0 million net from fiscal year 2016 to 2017, due to State Water Control Resource Board 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**

- 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 contribute to funding \$330 million of maintenance and capital improvement costs identified by the 2012 20-Year District-Wide Master Plan. The fiscal year 2019 Budget includes \$5.1 million of capital improvement projects.
- The District increased its sewer service charge per residence from \$422 to \$468 (+10.9%) effective July 1, 2016; to \$519 (+10.9%) effective July 1, 2017, and to \$576 (+11.0%) effective July 1, 2018 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 of 1.0% or 1.9%. Repayment of these loans is dependent on future revenues.
- 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**

Please contact the Business Services Manager at (510) 222-6700, or [accounting@wcwd.org](mailto:accounting@wcwd.org). Specific requests may be submitted to: Business Services Manager, West County Wastewater District, 2910 Hilltop Drive, Richmond, CA 94806-5238.



# WEST COUNTY WASTEWATER DISTRICT

## Statement of Net Position

June 30, 2018

(With comparative totals for 2017)

|  | 2018               | 2017               |
|--|--------------------|--------------------|
| <b>Current assets</b>                                    |                    |                    |
| Cash and investments (Note 2)                            | \$ 32,042,212      | \$ 26,348,460      |
| Accrued interest receivable                              | 138,985            | 43,960             |
| Accounts receivable, net (Note 3)                        | 345,114            | 556,715            |
| Materials and supplies inventory                         | 155,119            | 148,014            |
| Prepaid items  | 96,520             | 88,030             |
| <b>Total current assets</b>                              | <u>32,777,950</u>  | <u>27,185,179</u>  |
| <b>Noncurrent assets</b>                                 |                    |                    |
| Notes receivable (Note 4)                                | -                  | 307,000            |
| Other post-employment benefits                           | -                  | 363,721            |
| Capital assets, net of accumulated depreciation (Note 5) | 116,926,919        | 105,000,168        |
| <b>Total noncurrent assets</b>                           | <u>116,926,919</u> | <u>105,670,889</u> |
| <b>Total assets</b>                                      | <u>149,704,869</u> | <u>132,856,068</u> |
| <b>Deferred outflows</b>                                 |                    |                    |
| Other post-employment benefits (Note 8)                  | 1,191,000          | -                  |
| Pension (Note 9)   | 4,210,992          | 3,189,791          |
| <b>Total deferred outflows</b>                           | <u>5,401,992</u>   | <u>3,189,791</u>   |
| <b>Current liabilities</b>                               |                    |                    |
| Accounts payable and accrued expenses                    | 6,826,684          | 3,463,895          |
| Accrued salaries and benefits                            | 148,984            | 129,875            |
| Accrued interest payable                                 | 166,720            | 41,154             |
| Current portions of long-term liabilities                |                    |                    |
| Compensated absences (Note 6)                            | 851,451            | 906,254            |
| Loans payable (Note 7)                                   | 1,456,929          | 741,901            |
| <b>Total current liabilities</b>                         | <u>9,450,768</u>   | <u>5,283,079</u>   |
| <b>Noncurrent liabilities</b>                            |                    |                    |
| Compensated absences (Note 6)                            | 500,059            | 579,409            |
| Loans payable (Note 7)                                   | 30,231,243         | 24,863,183         |
| Net OPEB liability (Note 8)                              | 4,334,000          | -                  |
| Net pension liability (Note 9)                           | 12,937,710         | 11,041,346         |
| <b>Total noncurrent liabilities</b>                      | <u>48,003,012</u>  | <u>36,483,938</u>  |
| <b>Total liabilities</b>                                 | <u>57,453,780</u>  | <u>41,767,017</u>  |
| <b>Deferred inflows</b>                                  |                    |                    |
| Other post-employment benefits (Note 8)                  | 172,000            | -                  |
| Pension (Note 9)   | 1,000,404          | 934,787            |
| <b>Total deferred inflows</b>                            | <u>1,172,404</u>   | <u>934,787</u>     |
| <b>Net position</b>                                      |                    |                    |
| Net investment in capital assets (Note 10)               | 85,238,747         | 79,395,084         |
| Restricted   | 1,861,014          | 918,426            |
| Unrestricted   | 9,380,916          | 13,030,545         |
| <b>Total Net Position</b>                                | <u>96,480,677</u>  | <u>93,344,055</u>  |

The accompanying notes are an integral part of the financial statements

**WEST COUNTY WASTEWATER DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the year ended June 30, 2018**  
**(With comparative totals for 2017)**

|  | 2018                        | 2017                        |
|--|-----------------------------|-----------------------------|
| <b>Operating revenues</b>                                |                             |                             |
| Sewer use charge   | \$ 21,047,634               | \$ 19,780,211               |
| Inspection/permit fees                                   | 231,481                     | 300,183                     |
| Contract services  | 106,279                     | 221,643                     |
| Other revenue  | 194,610                     | 170,067                     |
| <b>Total operating revenues</b>                          | <u>21,580,004</u>           | <u>20,472,104</u>           |
| <b>Operating expenses</b>                                |                             |                             |
| Sewage collection  | 4,236,904                   | 3,783,288                   |
| Sewage treatment   | 7,298,501                   | 6,784,087                   |
| Administration   | 4,553,523                   | 3,899,443                   |
| Contract services  | 84,834                      | 147,060                     |
| West County Agency                                       | 121,698                     | 174,212                     |
| <b>Total operating expenses before depreciation</b>      | <u>16,295,460</u>           | <u>14,788,090</u>           |
| <b>Operating income before depreciation</b>              | 5,284,544                   | 5,684,014                   |
| Depreciation expense                                     | <u>(3,198,839)</u>          | <u>(3,071,113)</u>          |
| <b>Operating income</b>                                  | <u>2,085,705</u>            | <u>2,612,901</u>            |
| <b>Non-operating revenues</b>                            |                             |                             |
| Property taxes   | 1,082,059                   | 1,057,151                   |
| Redevelopment allocation                                 | 312,470                     | 160,943                     |
| Rental income  | 311,948                     | 90,941                      |
| Investment earnings                                      | 298,133                     | 61,556                      |
| Interest expense   | (390,000)                   | -                           |
| Other expense  | <u>(97,276)</u>             | <u>(109,312)</u>            |
| <b>Total non-operating revenues, net</b>                 | <u>1,517,334</u>            | <u>1,261,279</u>            |
| <b>Net income before capital contributions</b>           | <u>3,603,039</u>            | <u>3,874,180</u>            |
| <b>Capital contributions</b>                             |                             |                             |
| State capital grants                                     | 2,034,947                   | 6,966,498                   |
| Connection fees  | <u>1,423,356</u>            | <u>970,975</u>              |
| <b>Total capital contributions</b>                       | <u>3,458,303</u>            | <u>7,937,473</u>            |
| <b>Change in net position</b>                            | 7,061,342                   | 11,811,653                  |
| <b>Net position, beginning - as previously stated</b>    | 93,344,056                  | 81,532,403                  |
| Prior period adjustment - change in accounting principle | <u>(3,924,721)</u>          | <u>-</u>                    |
| <b>Net position, beginning - as restated</b>             | <u>89,419,335</u>           | <u>81,532,403</u>           |
| <b>Net position, ending</b>                              | <u><u>\$ 96,480,677</u></u> | <u><u>\$ 93,344,056</u></u> |

The accompanying notes are an integral part of the financial statements

# WEST COUNTY WASTEWATER DISTRICT

## Statement of Cash Flows For the Year Ended June 30, 2018 (with comparative totals for 2017)

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>Cash flows from operating activities</b>  |                      |                      |
| Cash receipts from customers and others  | \$ 25,773,342        | \$ 20,258,655        |
| Cash paid to employees for salaries and wages  | (6,512,693)          | (6,764,638)          |
| Cash paid to vendors and suppliers for materials and services                          | (9,315,901)          | (8,600,209)          |
| <b>Net cash provided by operating activities</b>                                       | <u>9,944,748</u>     | <u>4,893,808</u>     |
| <b>Cash flows from non-capital financing activities</b>                                |                      |                      |
| Property taxes   | 1,082,059            | 1,057,151            |
| Redevelopment allocation   | 312,470              | 160,943              |
| <b>Net cash provided by non-capital financing activities</b>                           | <u>1,394,529</u>     | <u>1,218,094</u>     |
| <b>Cash flows from capital and related financing activities</b>                        |                      |                      |
| Net acquisition and construction of capital assets                                     | (15,125,590)         | (25,475,490)         |
| Proceeds from capital contributions  | 3,458,303            | 7,937,473            |
| Principal paid   | (958,527)            | (83,013)             |
| Interest paid  | (264,434)            |                      |
| Proceeds from loan issue   | 7,041,615            | 23,124,796           |
| <b>Net cash provided by (used in) capital and related financing activities</b>         | <u>(5,848,633)</u>   | <u>5,503,766</u>     |
| <b>Cash flows from investing activities</b>  |                      |                      |
| Investment earnings  | 203,108              | 40,596               |
| <b>Net cash provided by investing activities</b>                                       | <u>203,108</u>       | <u>40,596</u>        |
| Net increase in cash and investments   | 5,693,752            | 11,656,264           |
| Cash and investments, beginning of the year  | 26,348,460           | 14,692,196           |
| Cash and investments, end of the year  | <u>\$ 32,042,212</u> | <u>\$ 26,348,460</u> |
| <b>Reconciliation of operating income to net cash provided by operating activities</b> |                      |                      |
| <b>Operating income</b>  | \$ 2,085,705         | \$ 2,612,901         |
| Depreciation   | 3,198,839            | 3,071,113            |
| Rental income  | 311,948              | 90,941               |
| Other revenue (expense), net   | (97,276)             | (109,312)            |
| Effect of GASB 68 on net pension liability   | 940,780              | 286,307              |
| Effect of GASB 75 on net OPEB liability  | (246,000)            | (160,773)            |
| <b>(Increase) decrease in assets</b>   |                      |                      |
| Accounts receivable  | 211,601              | (297,578)            |
| Inventory  | (7,105)              | 7,391                |
| Prepays  | (8,490)              | 6,821                |
| Note receivable  | 307,000              | 102,500              |
| <b>(Decrease) increase in liabilities</b>  |                      |                      |
| AP and accrued expenses  | 3,362,789            | (384,198)            |
| Accrued salaries and wages   | 19,110               | (302,000)            |
| Compensated absences   | (134,153)            | (30,305)             |
| <b>Net cash provided by operating activities</b>                                       | <u>\$ 9,944,748</u>  | <u>\$ 4,893,808</u>  |

The accompanying notes are an integral part of the financial statements

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies**

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected government 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 (West County Agency) in which (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 and 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. Current assets and current liabilities are those amounts expected to be received in cash, consumed, utilized, or paid within the next fiscal year.

The financial statements (i.e. the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows) report information on all 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 Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

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

*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, will not be recognized as revenue until that time.

**Cash and Cash Equivalents**

Cash and equivalents include all highly liquid investments with maturity 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, are recorded at fair value in the Statement of Net Position and 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**

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.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

**Materials and Supplies Inventory**

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

**Prepaid Items**

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

**Capital Assets**

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimate acquisition value of the date donated. The District policy has set the capitalization threshold for reporting capital assets at \$5,000, each 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, and repairs and maintenance costs are expensed. Capitalized interest of \$169,828 has been included in construction in progress for the year ended June 30, 2018.

**Compensated Absences**

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

**Net Other Post-Employment Benefits (OPEB) Liability**

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

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

**Net Other Post-Employment Benefits (OPEB) Liability (continued)**

The following timeframes are used for OPEB reporting:

| <b><u>PARS</u></b> | <b><u>June 30, 2018</u></b>  |
|--------------------|------------------------------|
| Valuation date     | June 30, 2017                |
| Measurement date   | June 30, 2017                |
| Measurement period | July 1, 2016 – June 30, 2017 |

**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 (see Note 9). 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:

| <b><u>CalPERS</u></b> | <b><u>June 30, 2018</u></b>  |
|-----------------------|------------------------------|
| Valuation date        | June 30, 2016                |
| Measurement date      | June 30, 2017                |
| Measurement period    | July 1, 2016 – June 30, 2017 |

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

**Net Position**

Net position represents the difference between all other elements in the Statement of Net Position and should be displayed in the following three components:

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

***Restricted*** - This component consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

**Net Position (continued)**

*Unrestricted* - This component consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

**Use of Estimates**

The preparation of the basic 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 the disclosure of 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 (the 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 sewer use charges and property tax revenue to the District in three installments as follows:

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

**Property Tax Revenue**

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 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 property taxes at 1% of full market value (at time of purchase) and can increase the property tax rate by 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 in which the taxes have been levied. The County remits property tax revenues to the District on the same schedule as sewer use charge revenues.



**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

**New Pronouncements**

For the year ended June 30, 2018, the District implemented the following GASB pronouncements:

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The implementation of this pronouncement resulted in a prior period adjustment to the financials. See Note 8 for more detailed information.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

**New Pronouncements (continued)**

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of GASB 82 for selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application was encouraged.

The implementation of this pronouncement did not have a significant impact on the District's financial statements.

GASB Statement No. 85, *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post-employment benefits [OPEB]).

The implementation of this pronouncement did not have a significant impact on the District's financial statements.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

**Future Pronouncements**

The following Governmental Accounting Standards Board Statements are effective in future years subsequent to the current financial reporting period:

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The objective of this Statement is to improve comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This statement will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

The District is required to implement the provisions of this Statement for the fiscal year ending June 30, 2019 (effective for periods beginning after June 15, 2018). The District has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The District is required to implement the provisions of this Statement for the fiscal year ending June 30, 2021 (effective for periods beginning after December 15, 2019). The District has not yet determined the impact of this Statement on the financial statements.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1. Reporting Entity and Summary of Significant Accounting Policies (continued)**

**Future Pronouncements (continued)**

*GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

The District is required to implement the provisions of this Statement for the fiscal year ending June 30, 2019 (effective for periods beginning after June 15, 2018). The District has not yet determined the impact of this Statement on the financial statements.

*GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period. Such interest cost covered in the scope of this Statement includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement.

The District is required to implement the provisions of this Statement for the fiscal year ending June 30, 2021 (effective for periods beginning after December 15, 2019). The District has not yet determined the impact of this Statement on the financial statements.

*GASB Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

The District is required to implement the provisions of this Statement for the fiscal year ending June 30, 2020 (effective for periods beginning after December 15, 2018). The District has not yet determined the impact of this Statement on the financial statements.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 2. Cash and Investments**

A summary of cash, deposits and investments as of June 30, 2018, is as follows:

| <u>Deposit or Investment</u> |                      |
|------------------------------|----------------------|
| Cash on-hand or in banks     | \$ 3,204,510         |
| Local Agency Investment Fund | <u>28,837,702</u>    |
| Total Cash and Investments   | <u>\$ 32,042,212</u> |

**Cash Deposits**

At June 30, 2018, the carrying amount of the District's demand deposits was \$3,204,510, and the financial institution balance was \$3,474,658. The difference of \$270,148 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 a district's deposits by pledging government securities with a value of 110% of a district's deposits. California law also allows financial institutions to secure a district's deposits by pledging first trust deed mortgage notes having a value of at least 150% of a district's total deposits. The District'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 agency 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 the depository institution, the District will not be able to recover the value of its investments or collateral securities that are in 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, the District 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 security transaction be conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, 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, 2018, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 2. Cash and Investments (continued)**

**Investments**

The District's investments as of June 30, 2018 were as follows:

| <u>Type of Investments</u>             | <u>Measurement<br/>Input</u> | <u>Credit<br/>Rating</u> | <u>June 30, 2018<br/>Fair Value</u> | <u>Maturity<br/>12 months<br/>or Less</u> |
|--|------------------------------|--------------------------|-------------------------------------|---|
| Local Agency Investment Fund<br>(LAIF) | Uncategorized                | N/A                      | \$28,837,702                        | \$28,837,702                              |

Cash balances are invested to the extent possible pursuant to the District's approved Investment Policy and Guidelines and State Government Code. Investments are stated at the current fair value. Fair value information is provided as quoted on June 30, 2018. The District does not plan to liquidate the investments before maturity and intends to hold the investments to maturity.

**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 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, 2018 included a portion of the pool funds invested in structured notes and asset-backed securities.

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

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

The District had \$28,837,702 invested LAIF, which had invested 2.67% of the pooled investment funds in structured notes and asset-backed securities at June 30, 2018. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF as of June 30, 2018.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 2. Cash and Investments (continued)**

**Fair Value Measurement Input**

The District categorized 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 above table.

**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.

**Note 3. Accounts Receivable**

At June 30, 2018, accounts receivable are comprised of the following:

|                                 |                   |
|---------------------------------|-------------------|
| EBMUD                           | \$ 171,329        |
| Permits and trucked waste       | 57,918            |
| Chevron                         | 46,477            |
| Pretreatment inspections        | 26,562            |
| Service contracts               | 11,051            |
| All other                       | 60,118            |
| Subtotal                        | <u>373,455</u>    |
| Allowance for doubtful accounts | <u>(28,341)</u>   |
| Net Accounts Receivable         | <u>\$ 345,114</u> |

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**Note 4. Note Receivable**

The District and the General Manager (Manager) amended their employment agreement effective December 20, 2005, which included an advance of not more than 50% of the cost of a residence, to a maximum of \$500,000, for the General Manager to reside within District boundaries. Title to the residence shall be taken in the name of the Manager and, upon close of escrow of a sale of the residence, the District shall first be reimbursed its initial advance and the Manager shall then be reimbursed his initial down payment. The net sale proceeds shall be allocated to the District and the Manager using the ratio of purchase cost. The total amount advanced by the District as of June 30, 2016, was \$409,500. In fiscal 2017, the General Manager's contract was terminated, and the District reduced the carrying value of the note receivable by \$102,500 to \$307,000 based on the market value of the residence. On November 16, 2017, the residence was sold, resulting in cash proceeds of \$295,263, a loss on the sale of \$11,737 and reducing the receivable to \$0.

**Note 5. Capital Assets**

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

|  | Balance<br>July 1,<br>2017 | Additions    | Deletions    | Transfers<br>from CIP | Balance<br>June 30, 2018 |
|--|----------------------------|--------------|--------------|-----------------------|--------------------------|
| Non-depreciable assets:                  |                            |              |              |                       |                          |
| Land                                     | \$ 2,451,806               | \$ -         | \$ -         | \$ -                  | \$ 2,451,806             |
| Construction in progress                 | 41,922,254                 | 14,045,680   | (241,853)    | (43,415,620)          | 12,310,461               |
| Total non-depreciable assets             | 44,374,060                 | 14,045,680   | (241,853)    | (43,415,620)          | 14,762,267               |
| Depreciable assets                       |                            |              |              |                       |                          |
| Sewage collection & treatment facilities | 121,671,006                | 43,437       | -            | 43,397,820            | 165,112,263              |
| Equipment                                | 5,490,716                  | 247,316      | (87,276)     | 17,800                | 5,668,556                |
| Vehicles                                 | 2,631,732                  | 1,170,250    | (809,704)    | -                     | 2,992,278                |
| Total depreciable capital assets         | 129,793,454                | 1,461,003    | (896,980)    | 43,415,620            | 173,773,097              |
| Less accumulated depreciation:           |                            |              |              |                       |                          |
| Sewage collection & treatment facilities | (63,144,116)               | (2,883,912)  | -            | -                     | (66,028,028)             |
| Equipment                                | (4,077,066)                | (204,640)    | 84,619       | -                     | (4,197,087)              |
| Vehicles                                 | (1,946,164)                | (110,287)    | 673,121      | -                     | (1,383,330)              |
| Total accumulated depreciation           | (69,167,346)               | (3,198,839)  | 757,740      | -                     | (71,608,445)             |
| Depreciable capital assets, net          | 60,626,108                 | (1,737,836)  | (139,240)    | 43,415,620            | 102,164,652              |
| Total capital assets, net                | \$ 105,000,168             | \$12,307,844 | \$ (381,093) | \$ -                  | \$116,926,919            |



**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**Note 6. Accrued Compensated Absences**

The accrued liabilities for compensated absences for the fiscal year ending June 30, 2018 was as follows:

| Balance at<br>July 1, 2017 | Additions         | Reductions          | Balance at<br>June 30, 2018 | Current<br>Portion | Non-current<br>portion |
|----------------------------|-------------------|---------------------|-----------------------------|--------------------|------------------------|
| <u>\$ 1,485,663</u>        | <u>\$ 801,815</u> | <u>\$ (935,968)</u> | <u>\$ 1,351,510</u>         | <u>\$ 851,451</u>  | <u>\$ 500,059</u>      |

**Note 7. Loans Payable**

Summary changes in long-term debt balances for the years ended June 30, 2018 were as follows:

| Description                        | Balance<br>July 1, 2017 | Additions           | Deletions           | Balance<br>June 30, 2018 | Due Within<br>One Year | Interest<br>Payable |
|------------------------------------|-------------------------|---------------------|---------------------|--------------------------|------------------------|---------------------|
| Loans Payable:                     |                         |                     |                     |                          |                        |                     |
| SRF Loan – Phase I, Segment 1      | \$ 1,420,601            | \$ -                | \$ (62,784)         | \$ 1,357,817             | \$ 63,976              | \$ 3,887            |
| SRF Loan – Phase I, Segment 2      | 269,510                 | -                   | (2,376)             | 267,134                  | -                      | -                   |
| SRF Loan – Phase I, Segment 3      | 8,961,501               | 1,845,231           | (6,459)             | 10,800,274               | 466,993                | 154,931             |
| SRF Loan – Recycled Water Upgrades | 14,953,471              | 5,196,384           | (886,909)           | 19,262,947               | 925,960                | 7,901               |
| Total loans payable                | <u>\$ 25,605,083</u>    | <u>\$ 7,041,615</u> | <u>\$ (958,526)</u> | <u>\$ 31,688,172</u>     | <u>\$1,456,929</u>     | <u>\$ 166,720</u>   |

**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.

**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.

**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.

**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.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 7. Loans Payable (continued)**

Principal and interest payments on all loans are due and payable each year as follows:

| <u>Fiscal Year</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|--------------------|----------------------|---------------------|----------------------|
| 2019               | \$ 1,456,929         | \$ 404,084          | \$ 1,861,014         |
| 2020               | 1,468,143            | 409,502             | 1,877,645            |
| 2021               | 1,487,624            | 390,021             | 1,877,645            |
| 2022               | 1,507,391            | 370,254             | 1,877,645            |
| 2023               | 1,527,448            | 350,197             | 1,877,645            |
| 2024-2028          | 7,948,608            | 1,439,617           | 9,388,225            |
| 2029-2033          | 8,496,420            | 891,805             | 9,388,225            |
| 2034-2039          | 7,795,610            | 304,018             | 8,099,628            |
| Total              | <u>\$ 31,688,172</u> | <u>\$ 4,559,500</u> | <u>\$ 36,247,672</u> |

**Note 8. Net Other Post-Employment Benefits**

**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 of 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.

The District contracts with CalPERS to administer its retiree health benefits plan (an agent multiple-employer defined benefit plan). In 2009, the District created a trust with Public Agency Retirement Services (PARS) for the purpose of prefunding obligations for past services.

**Employees Covered**

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

|  |           |
|--|-----------|
| Active employees   | 57        |
| Inactive employees or beneficiaries currently receiving benefits | 35        |
| Inactive employees entitled to, but not yet receiving benefits   | 3         |
| Total  | <u>95</u> |

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 8. Net Other Post-Employment Benefits (continued)**

**Contributions**

The District's plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year June 30, 2018, the District's cash contributions were \$815,000 to the trust, \$261,000 in benefit payments, and implied subsidy of \$43,000 for total contributions of \$1,119,000.

**Net OPEB Liability**

The District's Net OPEB Liability was measured on June 30, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by rolling back the total OPEB liability from the valuation date to the prior measurement date of June 30, 2016, based on the following actuarial methods and assumptions:

| Actuarial Assumptions:                           | <u>June 30, 2017 Measurement Date</u>   |
|--|---|
| Actuarial valuation date                         | June 30, 2017   |
| Contribution policy                              | District contributes full ADC   |
| Discount rate                                    | 6.00% at June 30, 2017<br>6.00% at June 30, 2016  |
| Expected long-term rate of return on investments | Same as discount rate. Plan assets projected to be sufficient to pay all benefits from trust  |
| General inflation                                | 2.75% per annum   |
| Mortality, retirement, disability, termination   | CalPERS 1997 – 2011 experience study  |
| Mortality improvement                            | Mortality projected fully generational with Scale MP-17   |
| Medical trend                                    | <ul style="list-style-type: none"> <li>• Non-Medicare – 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076</li> <li>• Medicare – 6.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076</li> </ul>  |
| Municipal bond rate                              | N/A   |
| Participation at retirement                      | 100%  |
| Medical plan at retirement                       | <ul style="list-style-type: none"> <li>• Pre-Medicare: Anthem Select – 10%, Anthem Traditional – 10%, Health Net SmartCare – 10%, Kaiser – 60%, PERS Choice – 10%</li> <li>• Post-Medicare: Kaiser – 45%, UnitedHealthcare – 15%, PERSCare – 40%</li> </ul> |

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 8. Net Other Post-Employment Benefits (continued)**

**Changes in the OPEB Liability**

|  | Total<br>OPEB<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Obligation<br>(Asset)<br>= (a) – (b) |
|--|-----------------------------------|--|--|
| Balance at June 30, 2017<br>(Measurement date June 30, 2016) | \$9,899,000                       | \$ 5,219,000                             | \$ 4,680,000                                     |
| Changes recognized for the measurement period                |                                   |  |  |
| Service cost   | 686,000                           | -  | 686,000  |
| Interest   | 626,000                           | -  | 626,000  |
| Employer contributions                                       | -                                 | 1,119,000                                | (1,119,000)                                      |
| Net investment income  | -                                 | 553,000                                  | (553,000)  |
| Benefit payments to retirees                                 | (304,000)                         | (304,000)                                | -  |
| Administrative expense                                       | -                                 | 14,000                                   | (14,000)   |
| Net changes  | 1,008,000                         | 1,354,000                                | (346,000)  |
| Balance at June 30, 2018<br>(Measurement date June 30, 2017) | \$ 10,907,000                     | \$ 6,573,000                             | \$ 4,334,000                                     |

**Sensitivity of the Net OPEB Liability to the Changes in the Discount Rate**

The following presents the Net OPEB Liability of the District if it were calculated using a discount rate that is one percentage point higher or lower than the current discount rate, for the measurement period ended June 30, 2017:

|                    | 1% Decrease<br>(5.00%) | Current<br>Discount Rate<br>(6.00%) | 1% Increase<br>(7.00%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB Liability | \$ 5,811,000           | \$ 4,334,000                        | \$3,121,000            |

**Sensitivity of the Net OPEB Liability to the Changes in the Health Care Cost Trend Rates**

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point higher or lower than the current rate, for the measurement period ended June 30, 2017:

|                    | 1% Decrease  | Current<br>Trend Rate | 1% Increase  |
|--------------------|--------------|-----------------------|--------------|
| Net OPEB Liability | \$ 2,975,000 | \$ 4,334,000          | \$ 6,003,000 |

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 8. Net Other Post-Employment Benefits (continued)**

**OPEB Plan Fiduciary Net Position**

An audited financial report for the plan is prepared by the plan administrator, Public Agency Services (PARS) 4350 Von Karman Avenue, Ste. 100, Newport Beach, CA 94660-2043; (800) 731-7884.

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

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

- Net difference between projected and actual earnings on OPEB plan investments – 5 years
- All other amounts – Expected average remaining service lifetime (EARSL)

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$945,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date                            | \$ 1,191,000                         | \$ -                                |
| Net differences between projected and actual earnings<br>on plan investments | -                                    | (172,000)                           |
| Total  | <u>\$ 1,191,000</u>                  | <u>\$ (172,000)</u>                 |

The \$1,191,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as OPEB expense as follows:

| Fiscal Year<br>Ending: | Deferred Outflows/(inflows)<br>of Resources |
|------------------------|---|
| 2019                   | (43,000)                                    |
| 2020                   | (43,000)                                    |
| 2021                   | (43,000)                                    |
| 2022                   | (43,000)                                    |

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 9. Defined Benefit Pension Plan**

**General Information about the Pension Plans**

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

*Benefits Provided* - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members 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 on the average final 36 months' compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based on the average final 36 months' compensation.

The Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

|                                      | Tier 1           | PEPRA            |
|--------------------------------------|------------------|------------------|
| Benefit formula                      | 3.0% @ 60        | 2.0% @ 62        |
| Benefit vesting schedule             | 5 Years          | 5 Years          |
| Benefit payments                     | Monthly for Life | Monthly for Life |
| Retirement age                       | 50 – 67 & up     | 52 – 67 & up     |
| Monthly benefits as a % of eligible  | 2.0 – 3.0%       | 1.0 – 2.5%       |
| Required employer contribution rates | 12.698%          | 6.533%           |

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

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 9. Defined Benefit Pension Plan (continued)**

**General Information about the Pension Plans (continued)**

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

|                        | <u>Miscellaneous</u> |              |              |
|------------------------|----------------------|--------------|--------------|
|                        | <u>Classic</u>       | <u>PEPRA</u> | <u>Total</u> |
| Employer contributions | \$ 1,112,488         | \$ 93,629    | \$ 1,206,117 |

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

|               | <u>Proportionate<br/>Share of Net<br/>Pension Liability</u> |
|---------------|---|
| Miscellaneous | <u>\$ 12,937,710</u>  |

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2016 measurement dates was as follows:

|                            | <u>PERF C</u>    |
|----------------------------|------------------|
| Proportion – June 30, 2016 | 0.127600%        |
| Proportion – June 30, 2017 | <u>0.130457%</u> |
| Change in Proportions      | <u>0.002857%</u> |

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 9. Defined Benefit Pension Plan (continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2018, the District recognized pension expense of \$2,146,902. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement  | \$ 1,206,117                         | \$ -                                |
| Changes in assumptions   | 2,210,454                            | (168,549)                           |
| Differences between expected and actual experiences  | 17,815                               | (255,237)                           |
| Change in employer's proportion  | 276,692                              | (37,692)                            |
| Differences between the employer's contributions and employer's proportionate share of contributions | -                                    | (538,656)                           |
| Net differences between projected and actual earnings on plan investments                            | 499,914                              | -                                   |
| Total  | <u>\$ 4,210,992</u>                  | <u>\$ (1,000,404)</u>               |

Of the \$4,210,992 reported as deferred outflows of resources, \$1,206,117 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year<br>Ending: | Deferred Outflows<br>(Inflows) of Resources |
|------------------------|---|
| 2019                   | 341,187                                     |
| 2020                   | 1,231,564                                   |
| 2021                   | 728,528                                     |
| 2022                   | (296,808)                                   |



**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 9. Defined Benefit Pension Plan (continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

*Actuarial Assumptions* - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

|                                  |   |
|----------------------------------|---|
| Valuation Date                   | June 30, 2016   |
| Measurement Date                 | June 30, 2017   |
| Measurement Period               | July 1, 2016 to June 30, 2017   |
| Actuarial Cost Method            | Entry Age Normal in accordance with the requirements of GASB No. 68   |
| Actuarial Assumptions:           |   |
| Discount Rate                    | 7.15%   |
| Inflation                        | 2.75%   |
| Salary Increases                 | Varies by Entry Age and Service   |
| Investment rate of Return        | 7.15% Net of Pension Plan investment and administrative expenses; includes inflation                                      |
| Mortality Rate Table             | Derived using CalPERS' membership data for all funds.   |
| Post-retirement benefit increase | Contract COLA up to 2.75% until Purchasing Power Protection allowance floor on purchasing power applies, 2.75% thereafter |

The underlying mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

*Change of Assumptions* – In the fiscal year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 9. Defined Benefit Pension Plan (continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

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

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

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

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

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**Note 9. Defined Benefit Pension Plan (continued)**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

| Allocation by Asset Class     | New Strategic Allocation | Real Return Years 1 – 10 (a) | Real Return Years 11+ (b) |
|-------------------------------|--------------------------|------------------------------|---------------------------|
| Global Equity                 | 47.0%                    | 4.90%                        | 5.38%                     |
| Global Fixed Income           | 19.0%                    | 0.80%                        | 2.27%                     |
| Inflation Assets              | 6.0%                     | 0.60%                        | 1.39%                     |
| Private Equity                | 12.0%                    | 6.60%                        | 6.63%                     |
| Real Estate                   | 11.0%                    | 2.80%                        | 5.21%                     |
| Infrastructure and Forestland | 3.0%                     | 3.90%                        | 5.36%                     |
| Liquidity                     | 2.0%                     | -0.40%                       | -0.90%                    |
| Total                         | 100.00%                  |                              |                           |

(a) An expected inflation of 2.5% was used for this period.

(b) An expected inflation of 3.0% was used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

| Discount Rate – 1%<br>(6.15%) | Current Discount Rate<br>(7.15%) | Discount Rate +1%<br>(8.15%) |
|-------------------------------|----------------------------------|------------------------------|
| \$ 20,223,999                 | \$ 12,937,710                    | \$ 6,903,074                 |

**Pension Plan Fiduciary Net Position**

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

**Note 10. Net Investment in Capital Assets**

Net investment in capital assets consisted of the following at June 30, 2018:

| Description                            | Balance      |
|--|--------------|
| Net investment in capital assets:      |              |
| Capital assets not being depreciated   | \$14,762,267 |
| Capital assets being depreciated, net  | 102,164,652  |
| Loans payable – current                | (1,456,929)  |
| Loans payable – noncurrent             | (30,231,243) |
| Total net investment in capital assets | \$85,238,747 |

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**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 is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

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

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

**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 required 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. 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.

**WEST COUNTY WASTEWATER DISTRICT**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 13. Commitments and Contingencies**

**West County Agency – A Joint Venture**

The West County Agency (the Agency) operates under a joint exercise of powers agreement (JPA) 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 JPA 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, 2018, the Agency has an unrestricted net position of \$36,313. 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 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. The District has reviewed all potential and pending litigation and provided for these liabilities and potential liabilities as part of accounts payable at June 30, 2018.

**Note 14. Prior Period Adjustment, Change in Accounting Principle**

As discussed in Note 1 and Note 8, the implementation of GASBS No. 75 resulted in a prior period adjustment, which decreased beginning net position as follows:

|  |                      |
|--|----------------------|
| Net Position – beginning of year, as previously reported | \$ 93,444,056        |
| Prior Period Adjustment                                  | <u>(3,924,721)</u>   |
| Net Position – beginning of year, as restated            | <u>\$ 89,419,335</u> |

**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date of the audit opinion, which is the date on which the financial statements were available to be issued. No events occurred which are material to these financial statements.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**WEST COUNTY WASTEWATER DISTRICT**  
**Required Supplementary Information**  
**June 30, 2018**

**Schedule of Proportionate Share of Net Pension Liability**  
**Last 10 Years<sup>1</sup>**

|  | Fiscal Year End June 30, |               |              |              |
|--|--------------------------|---------------|--------------|--------------|
|  | 2018                     | 2017          | 2016         | 2015         |
| Measurement date   | 6/30/2017                | 6/30/2016     | 6/30/2015    | 6/30/2014    |
| Proportion of net pension liability  | 0.130457%                | 0.127600%     | 0.120987%    | 0.116172%    |
| Proportionate share of the net pension liability                                       | \$ 12,937,710            | \$ 11,041,346 | \$ 8,304,443 | \$ 7,228,755 |
| Covered payroll  | \$ 5,941,774             | \$ 5,722,480  | \$ 5,320,757 | \$ 4,275,865 |
| Proportionate share of the net pension liability<br>as a percentage of covered payroll | 217.74%                  | 192.95%       | 156.08%      | 169.06%      |
| Plan's fiduciary net position as a percentage of<br>the Plan's total pension liability | 73.31%                   | 74.06%        | 78.40%       | 83.03%       |

**Schedule of Pension Plan Contributions**  
**Last 10 Years<sup>1</sup>**

| Fiscal year ended   | 2018         | 2017         | 2016         | 2015         | 2014         |
|---|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions (actuarially<br>determined)                  | \$ 1,206,117 | \$ 1,145,214 | \$ 978,212   | \$ 808,084   | \$ 809,429   |
| Contributions in relation to actuarially<br>determined contributions <sup>2</sup> | (1,206,117)  | (1,145,214)  | (978,212)    | (808,084)    | (809,429)    |
| Contribution deficiency (excess)  | <u>-</u>     | <u>-</u>     | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| Covered payroll   | \$ 6,127,335 | \$ 5,941,774 | \$ 5,722,480 | \$ 5,320,757 | \$ 4,275,865 |
| Contributions as a percentage of covered payroll                                  | 19.68%       | 19.27%       | 17.09%       | 15.19%       | 18.93%       |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable. This required supplementary information is intended to present information for ten years. Additional years' information will be presented as it becomes available.

<sup>2</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. 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.



**WEST COUNTY WASTEWATER DISTRICT**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**for the Measurement Period Ended June 30, 2017**

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|   |           |                      |
|---|-----------|----------------------|
| <b>Total OPEB Liability</b>   |           |                      |
| Service cost  | \$        | 686,000              |
| Interest on the OPEB liability  |           | 626,000              |
| Benefits paid to retirees   |           | (304,000)            |
| Net change in total OPEB liability  |           | <u>1,008,000</u>     |
| Total OPEB Liability - beginning  |           | <u>9,899,000</u>     |
| Total OPEB Liability - ending   | (a)       | <u>\$ 10,907,000</u> |
| <br><b>Plan Fiduciary Net Position</b>                                      |           |                      |
| Employer contributions  | \$        | 1,119,000            |
| Net investment income   |           | 553,000              |
| Benefits paid to retirees   |           | (304,000)            |
| Administrative expense  |           | (14,000)             |
| Net change in plan fiduciary position                                       |           | <u>1,354,000</u>     |
| Plan fiduciary net position- beginning                                      |           | <u>5,219,000</u>     |
| Plan fiduciary net position- ending   | (b)       | <u>\$ 6,573,000</u>  |
| Net OPEB liability- ending  | (a) - (b) | <u>\$ 4,334,000</u>  |
| <br>Plan fiduciary net position as a percentage of the total OPEB liability |           |                      |
|   |           | 60.26%               |
| <br>Covered-employee payroll  |           |                      |
|   | \$        | 6,590,000            |
| <br>Net OPEB liability as a percentage of covered-employee payroll          |           |                      |
|   |           | 65.77%               |

**Notes to Schedule:**

*Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available.*

**WEST COUNTY WASTEWATER DISTRICT**  
**Schedule of OPEB Contributions**  
**Last Ten Fiscal Years<sup>1</sup>**

|   |                     |
|---|---------------------|
| Fiscal Year Ended June 30,                                | 2018                |
| Actuarially determined contributions (ADC)                | \$ 962,000          |
| Contributions in relation to the ADC                      | (1,191,000)         |
| Contribution deficiency (excess)                          | <b>\$ (229,000)</b> |
| Covered-employee payroll                                  | 6,625,000           |
| Contributions as a percentage of covered-employee payroll | 17.98%              |

**Notes to Schedule:**

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were selected by the District after consultation with the actuary.

<sup>1</sup>Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be displayed, up to 10 years, as information becomes available

**Method and assumptions used to determine contribution:**

|                            |  |
|----------------------------|--|
| Valuation date             | June 30, 2016  |
| Actuarial Cost Method      | Entry Age Normal, Level Percentage of Payroll  |
| Amortization Method/Period | Level percent of payroll with payroll increasing 3.5% per year   |
| Asset valuation method     | Market value of assets   |
| Discount rate              | 6.25%  |
| General inflation          | 3.00%  |
| Medical trend              | Non-Medicare - 7.0% for 2018, decreasing to an ultimate rate of 5.0% in 2023<br>Medicare - 7.2% for 2018, decreasing to an ultimate rate of 5.0% in 2023 |

## **STATISTICAL INFORMATION**

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**WEST COUNTY WASTEWATER DISTRICT  
STATISTICAL SECTION (Unaudited)**

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

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## **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                            | 2018                 | 2017                 | 2016                 | 2015                 | 2014                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Operating revenues:</b>                        |                      |                      |                      |                      |                      |
| Sewer use charge                                  | \$ 21,047,634        | \$ 19,780,211        | \$ 17,290,831        | \$ 15,650,703        | \$ 14,038,949        |
| Inspection/permit fees                            | 231,481              | 300,183              | 248,888              | 316,476              | 192,139              |
| Contract services                                 | 106,279              | 221,643              | 300,737              | 329,339              | 316,961              |
| Other revenue                                     | 194,610              | 170,067              | 221,698              | 25,302               | 24,182               |
| <b>Total operating revenues</b>                   | <b>21,580,004</b>    | <b>20,472,104</b>    | <b>18,062,154</b>    | <b>16,321,820</b>    | <b>14,572,231</b>    |
| <b>Operating expenses:</b>                        |                      |                      |                      |                      |                      |
| Sewage collection                                 | 4,236,904            | 3,783,288            | 3,815,139            | 3,768,123            | 3,639,837            |
| Sewage treatment                                  | 7,298,501            | 6,784,087            | 5,976,699            | 5,704,464            | 5,208,478            |
| Administration                                    | 4,553,523            | 3,899,443            | 2,631,540            | 2,740,638            | 2,868,589            |
| Contract services                                 | 84,834               | 147,060              | 272,421              | 303,888              | 269,874              |
| West County Agency                                | 121,698              | 174,212              | 148,541              | 107,463              | 133,670              |
| Depreciation expense                              | 3,198,839            | 3,071,113            | 3,119,615            | 3,222,967            | 2,940,249            |
| <b>Total operating expenses</b>                   | <b>19,494,299</b>    | <b>17,859,203</b>    | <b>15,963,955</b>    | <b>15,847,543</b>    | <b>15,060,697</b>    |
| <b>Operating Income (loss)</b>                    | <b>2,085,705</b>     | <b>2,612,901</b>     | <b>2,098,199</b>     | <b>474,277</b>       | <b>(488,466)</b>     |
| <b>Non-operating revenues (expenses):</b>         |                      |                      |                      |                      |                      |
| Property taxes                                    | 1,082,059            | 1,057,151            | 977,876              | 900,157              | 790,139              |
| Redevelopment allocation                          | 312,470              | 160,943              | 141,994              | 215,512              | 120,307              |
| Rental income                                     | 311,948              | 90,941               | 353,536              | 258,827              | 341,007              |
| Investment earnings                               | 298,133              | 61,556               | 70,451               | 43,743               | 34,712               |
| Interest expense                                  | (390,000)            |                      |                      |                      |                      |
| Other revenue (expense), net                      | (97,276)             | (109,312)            |                      | (2,275,124)          |                      |
| <b>Total non-operating revenues (expenses), r</b> | <b>1,517,334</b>     | <b>1,261,279</b>     | <b>1,543,857</b>     | <b>(856,885)</b>     | <b>1,286,165</b>     |
| <b>Net income before capital contributions</b>    | <b>3,603,039</b>     | <b>3,874,180</b>     | <b>3,642,056</b>     | <b>(382,608)</b>     | <b>797,699</b>       |
| <b>Capital contributions:</b>                     |                      |                      |                      |                      |                      |
| State capital grants                              | 2,034,947            | 6,966,498            |                      |                      |                      |
| Connection fees                                   | 1,423,356            | 970,975              | 453,178              | 816,533              | 202,478              |
| Contributed sewer lines                           |                      |                      |                      |                      |                      |
| <b>Total capital contributions</b>                | <b>3,458,303</b>     | <b>7,937,473</b>     | <b>453,178</b>       | <b>816,533</b>       | <b>202,478</b>       |
| <b>Change in net position</b>                     | <b>7,061,342</b>     | <b>11,811,653</b>    | <b>4,095,234</b>     | <b>433,925</b>       | <b>1,000,177</b>     |
| <b>Net position</b>                               |                      |                      |                      |                      |                      |
| Beginning of year                                 | 93,344,056           | 81,532,403           | 77,437,169           | 86,070,895           | 85,070,718           |
| Prior period adjustments                          | (3,924,721)          |                      |                      | (9,067,651)          |                      |
| <b>Net Position - End of year</b>                 | <b>\$ 96,480,677</b> | <b>\$ 93,344,056</b> | <b>\$ 81,532,403</b> | <b>\$ 77,437,169</b> | <b>\$ 86,070,895</b> |
| <b>Net position</b>                               |                      |                      |                      |                      |                      |
| Invested in Capital Assets                        | \$ 85,238,747        | \$ 79,395,085        | \$ 80,006,751        | \$ 67,486,623        | \$ 70,302,862        |
| Restricted  | \$ 1,861,014         | \$ 918,426           |                      |                      |                      |
| Unrestricted                                      | 9,380,916            | 13,030,545           | 1,525,652            | 9,950,546            | 15,768,033           |
| <b>Total Net Position</b>                         | <b>\$ 96,480,677</b> | <b>\$ 93,344,056</b> | <b>\$ 81,532,403</b> | <b>\$ 77,437,169</b> | <b>\$ 86,070,895</b> |

Source: West County Wastewater District Audited Financial Statements  
Continued on page 65



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

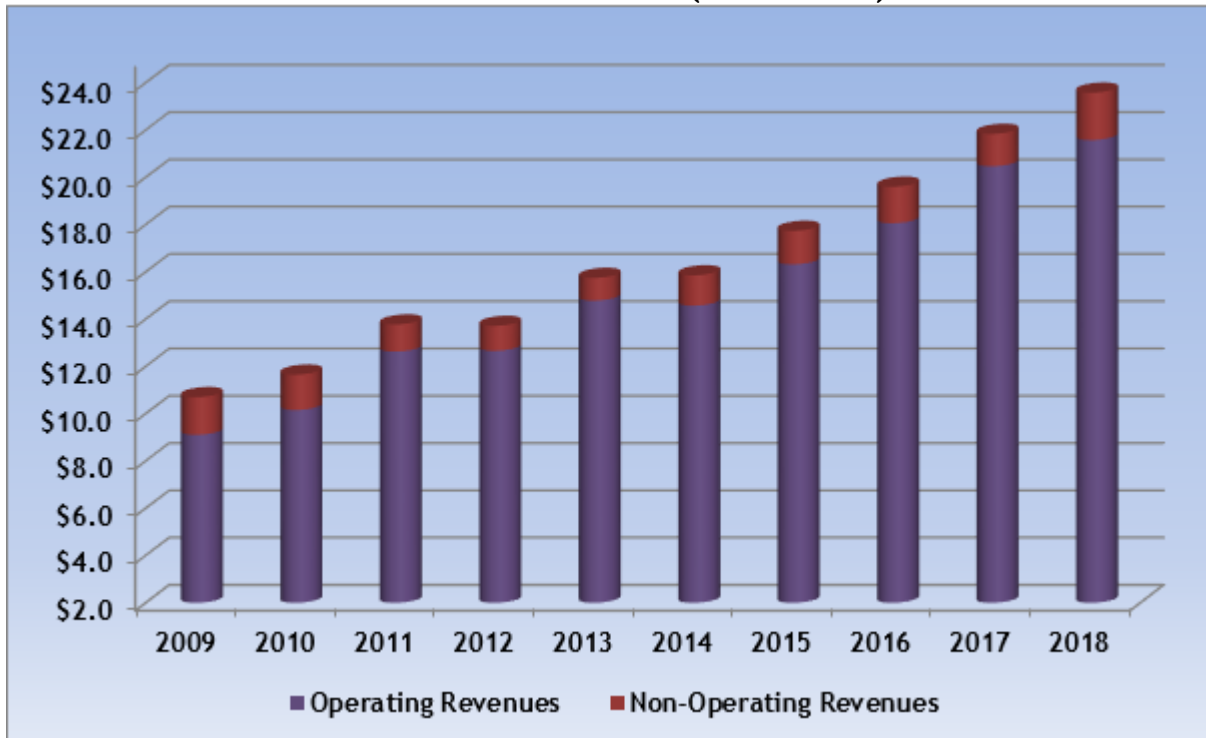
| Change in Net Position                         | 2013                        | 2012                        | 2011                        | 2010                        | 2009                        |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Operating revenues:</b>                     |                             |                             |                             |                             |                             |
| Sewer use charge                               | \$ 13,854,746               | \$ 12,239,921               | \$ 12,182,304               | \$ 9,762,875                | 8,518,032                   |
| Inspection/permit fees                         | 189,166                     | 45,645                      | 46,062                      | 143,275                     | 168,958                     |
| Contract services                              | 551,075                     | 332,037                     | 339,517                     | 134,890                     | 154,732                     |
| Other revenue                                  | 194,429                     | 45,097                      | 64,979                      | 117,759                     | 265,122                     |
| <b>Total operating revenues</b>                | <u>14,789,416</u>           | <u>12,662,700</u>           | <u>12,632,862</u>           | <u>10,158,799</u>           | <u>9,106,844</u>            |
| <b>Operating expenses:</b>                     |                             |                             |                             |                             |                             |
| Sewage collection                              | 3,372,341                   | 2,908,773                   | 3,176,367                   | 2,847,920                   | 2,655,270                   |
| Sewage treatment                               | 6,798,874                   | 5,712,477                   | 5,940,831                   | 6,023,821                   | 5,131,650                   |
| Administration                                 | 2,935,722                   | 2,554,171                   | 2,515,705                   | 2,713,479                   | 2,062,106                   |
| Contract services                              | 474,623                     | 287,977                     | 239,973                     | 55,756                      | 69,787                      |
| West County Agency                             | 172,391                     | 105,041                     | 148,273                     | 91,085                      | 125,365                     |
| Depreciation expense                           | 2,921,783                   | 2,735,155                   | 2,856,717                   | 2,814,261                   | 2,747,202                   |
| <b>Total operating expenses</b>                | <u>16,675,734</u>           | <u>14,303,594</u>           | <u>14,877,866</u>           | <u>14,546,322</u>           | <u>12,791,380</u>           |
| <b>Operating Income (loss)</b>                 | <u>(1,886,318)</u>          | <u>(1,640,894)</u>          | <u>(2,245,004)</u>          | <u>(4,387,523)</u>          | <u>(3,684,536)</u>          |
| <b>Non-operating revenues (expenses):</b>      |                             |                             |                             |                             |                             |
| Property taxes                                 | 749,228                     | 737,902                     | 834,524                     | 100,077                     | 457,834                     |
| Redevelopment allocation                       | 23,864                      | 70,857                      |                             |                             |                             |
| Rental income                                  | 155,448                     | 199,974                     | 246,948                     | 170,448                     | 1,052,082                   |
| Investment earnings                            | 30,257                      | 49,106                      | 64,645                      | 940,733                     | 89,169                      |
| Other revenue (expense), net                   |                             | (256,871)                   | (108,804)                   | 286,370                     |                             |
| <b>Total non-operating revenues (expenses)</b> | <u>958,797</u>              | <u>800,968</u>              | <u>1,037,313</u>            | <u>1,497,628</u>            | <u>1,599,085</u>            |
| <b>Net income before capital contribution</b>  | <u>(927,521)</u>            | <u>(839,926)</u>            | <u>(1,207,691)</u>          | <u>(2,889,895)</u>          | <u>(2,085,451)</u>          |
| <b>Capital contributions:</b>                  |                             |                             |                             |                             |                             |
| State capital grants                           |                             |                             |                             |                             |                             |
| Connection fees                                | 167,916                     | 192,636                     | 1,068,927                   | 417,696                     | 137,492                     |
| Contributed sewer lines                        |                             |                             |                             | 541,844                     | 107,000                     |
| <b>Total capital contributions</b>             | <u>167,916</u>              | <u>192,636</u>              | <u>1,068,927</u>            | <u>959,540</u>              | <u>244,492</u>              |
| <b>Change in net position</b>                  | <u>(759,605)</u>            | <u>(647,290)</u>            | <u>(138,764)</u>            | <u>(1,930,355)</u>          | <u>(1,840,959)</u>          |
| <b>Net position</b>                            |                             |                             |                             |                             |                             |
| Beginning of year                              | 85,830,323                  | 86,477,613                  | 86,616,377                  | 88,546,732                  | 90,387,691                  |
| Prior period adjustments                       |                             |                             |                             |                             |                             |
| <b>Net Position – End of year</b>              | <u><b>\$ 85,070,718</b></u> | <u><b>\$ 85,830,323</b></u> | <u><b>\$ 86,477,613</b></u> | <u><b>\$ 86,616,377</b></u> | <u><b>\$ 88,546,732</b></u> |
| <b>Net Position</b>                            |                             |                             |                             |                             |                             |
| Invested in Capital Assets                     | \$ 69,404,267               | \$ 69,725,812               | \$ 69,663,380               | \$ 68,847,559               | \$ 67,628,792               |
| Unrestricted                                   | 15,666,451                  | 16,104,511                  | 16,814,233                  | 17,768,818                  | 20,917,940                  |
| <b>Total Net Position</b>                      | <u><b>\$ 85,070,718</b></u> | <u><b>\$ 85,830,323</b></u> | <u><b>\$ 86,477,613</b></u> | <u><b>\$ 86,616,377</b></u> | <u><b>\$ 88,546,732</b></u> |

Source: West County Wastewater District Audited Financial Statements  
Continued from page 64

**WEST COUNTY WASTEWATER DISTRICT**  
**REVENUES BY TYPE**  
**Last Ten Fiscal Years**

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**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**

| <b>FYE<br/>June 30</b> | <b>Sewer Use<br/>Charge</b> | <b>Inspection/<br/>Permit fees</b> | <b>Contract<br/>Services</b> | <b>Other<br/>Revenue</b> | <b>Total<br/>Operating</b> |
|------------------------|-----------------------------|------------------------------------|------------------------------|--------------------------|----------------------------|
| 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                 |
| 2018                   | 21,047,634                  | 231,481                            | 106,279                      | 194,610                  | 21,580,004                 |

Source: West County Wastewater District Audited Financial Statements

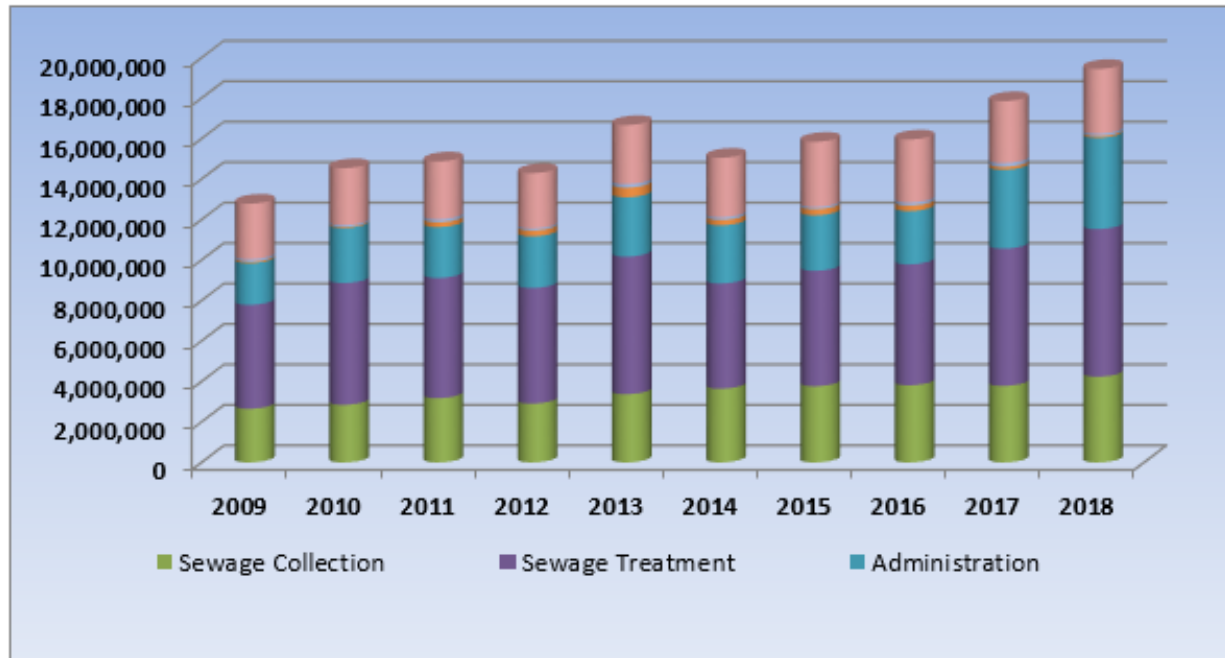
**NON-OPERATING REVENUES**

| <b>FYE<br/>June 30</b> | <b>Property<br/>Taxes</b> | <b>Investment<br/>Earnings</b> | <b>Rental<br/>Income</b> | <b>Other</b> | <b>Total Non-<br/>Operating</b> |
|------------------------|---------------------------|--------------------------------|--------------------------|--------------|---------------------------------|
| 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                       |
| 2018                   | 1,394,529                 | 298,133                        | 311,947                  |              | 2,004,609                       |

Source: West County Wastewater District Audited Financial Statements

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

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



Source: West County Wastewater District Audited Financial Statements

**OPERATING EXPENSES**

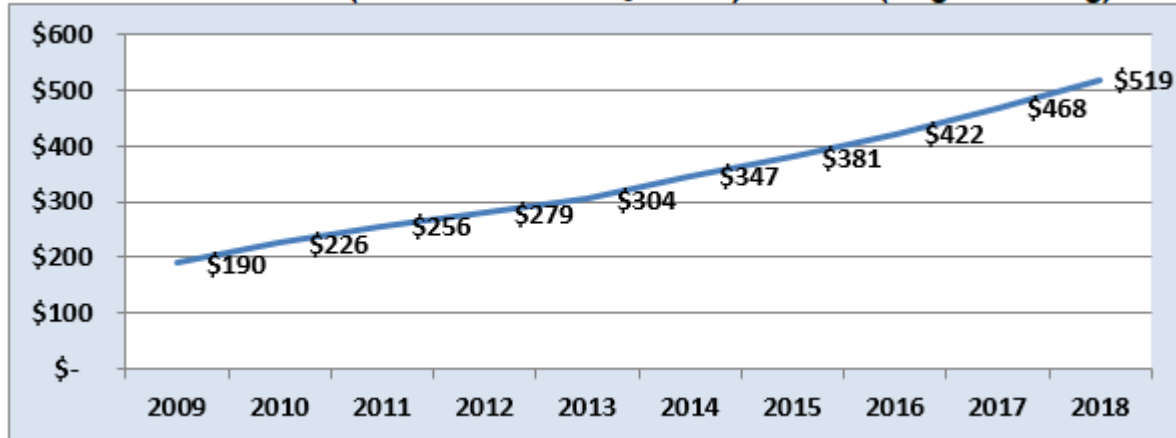
| FYE<br>June<br>30 | Sewage<br>Collection | Sewage<br>Treatment | Administration | Service<br>Contracts | WCA     | Depreciation | Total      |
|-------------------|----------------------|---------------------|----------------|----------------------|---------|--------------|------------|
| 2009              | 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 |
| 2018              | 4,236,904            | 7,298,501           | 4,507,522      | 84,834               | 121,698 | 3,198,839    | 19,448,298 |

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 (ENVIRONMENTAL QUALITY) CHARGE (Single dwelling)

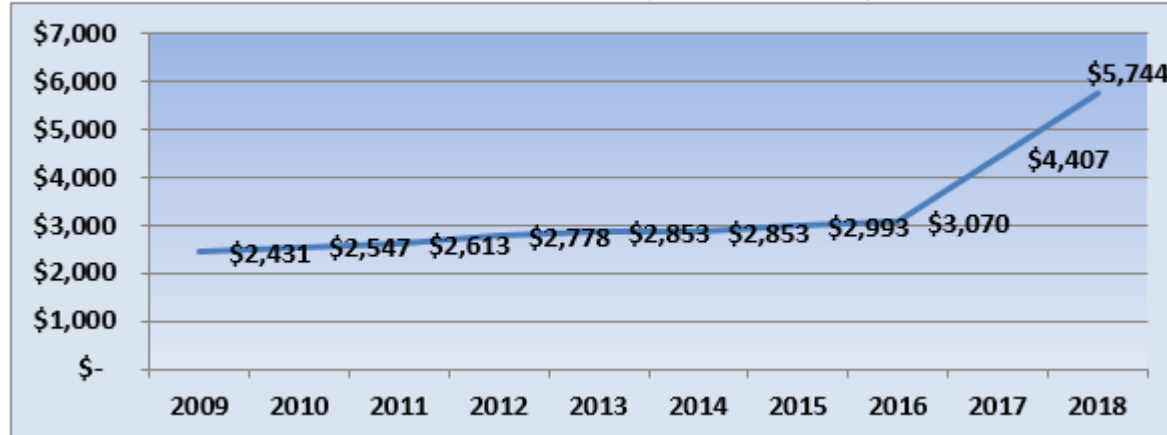


Source: West County Wastewater District Schedule of User Fees.

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 Schedule of User Fees.

Note: New customers connecting to the wastewater collection and treatment system are charged a connection fee to share the cost of existing infrastructure with all customers.

**WEST COUNTY WASTEWATER DISTRICT**  
**PRINCIPAL REVENUE SOURCES**  
**Current and Ten Years Ago**

| Customer                                      | Type of Business         | FY 2018          |      |          | FY 2008          |      |          |
|---|--------------------------|------------------|------|----------|------------------|------|----------|
|   |                          | Sewer Use Charge | Rank | % of SUC | Sewer Use Charge | Rank | % of SUC |
| East Bay MUD                                  | Public Agency/Industrial | 1,182,333        | 1    | 5.6%     | 406,036          | 1    | 5.1%     |
| Guardian & KW Hilltop LLC                     | Multi-family residential | 456,624          | 2    | 2.2%     |                  |      |          |
| Chevron Refinery                              | Industrial               | 255,143          | 3    | 1.2%     |                  |      |          |
| Richmond Essex LP                             | Multi-family residential | 195,696          | 4    | 0.9%     | 77,940           | 4    | 1.0%     |
| Menlo Westridge Afford Partners               | Multi-family residential | 181,200          | 5    | 0.9%     |                  |      |          |
| FF Hills LP                                   | Multi-family residential | 154,926          | 6    | 0.7%     |                  |      |          |
| Steadfast Hilltop Commons LP                  | Multi-family residential | 146,772          | 7    | 0.7%     | 58,320           | 6    | 0.7%     |
| Pacific Mobile IV LP                          | Mobile Home Park         | 113,250          | 8    | 0.5%     |                  |      |          |
| US REIF Sierra Ridge CA LP                    | Multi-family residential | 108,720          | 9    | 0.5%     |                  |      |          |
| US Bank Natl Assn Tre                         | Bank                     | 99,990           | 10   | 0.5%     |                  |      |          |
| Hilltop Bayview                               | Multi-family residential |                  |      |          | 181,620          | 2    | 2.3%     |
| Bertex Laboratories, Inc.                     | Light Industry           |                  |      |          | 77,342           | 5    | 1.0%     |
| Hilltop Mall                                  | Commercial/Restaurants   |                  |      |          | 56,722           | 7    | 0.7%     |
| United States of America                      | Public Agency            |                  |      |          | 44,806           | 8    | 0.6%     |
| Quality Carriers, Inc.                        | Light Industry           |                  |      |          | 176,323          | 3    | 2.2%     |
| The Summit at Hilltop- Prime Richmond Housing | Multi-family residential |                  |      |          | 43,380           | 9    | 0.5%     |
| San Pablo Redevelopment Agency                | Public Agency            |                  |      |          | 39,763           | 10   | 0.5%     |
| Total   |                          | 2,894,654        |      | 13.8%    | 1,162,252        |      | 14.5%    |

Source: West County Wastewater District Audited Financial Statements

| Sewer Use Charge<br>Customer Type | FY 2018              |             | FY 2008             |             |
|-----------------------------------|----------------------|-------------|---------------------|-------------|
|                                   | Sewer Revenue        | % of Total  | Sewer Revenue       | % of Total  |
| Residential                       | \$ 16,754,603        | 80%         | \$ 6,012,818        | 75%         |
| Commercial                        | 2,822,443            | 13%         | 1,346,883           | 17%         |
| Industrial                        | 1,470,588            | 7%          | 662,216             | 8%          |
| <b>Total</b>                      | <b>\$ 21,047,634</b> | <b>100%</b> | <b>\$ 8,021,917</b> | <b>100%</b> |

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**

| <b>FYE<br/>June 30</b> | <b>County<br/>Secured</b> | <b>County<br/>Unsecured</b> | <b>Total</b>  | <b>%<br/>Change</b> |
|------------------------|---------------------------|-----------------------------|---------------|---------------------|
| <b>2009</b>            | 7,796,654,191             | 194,438,391                 | 7,991,092,582 |                     |
| <b>2010</b>            | 7,814,586,596             | 194,885,599                 | 8,009,472,195 | 0.2%                |
| <b>2011</b>            | 6,190,398,465             | 192,496,264                 | 6,382,894,729 | -20.3%              |
| <b>2012</b>            | 6,555,576,933             | 195,169,554                 | 6,750,746,487 | 5.8%                |
| <b>2013</b>            | 6,135,176,625             | 232,644,475                 | 6,367,821,100 | -5.7%               |
| <b>2014</b>            | 5,967,088,206             | 179,265,098                 | 6,146,353,304 | -3.5%               |
| <b>2015</b>            | 6,747,353,358             | 184,879,011                 | 6,932,232,369 | 12.8%               |
| <b>2016</b>            | 7,355,374,837             | 204,228,652                 | 7,559,603,489 | 9.1%                |
| <b>2017</b>            | 7,907,856,769             | 199,944,749                 | 8,107,801,518 | 17.0%               |
| <b>2018</b>            | 8,484,774,635             | 197,601,420                 | 8,682,376,055 | 14.9%               |

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

**Property Tax and Sewer Service Charge Fees Collected**

| <b>FYE<br/>June 30</b> | <b>Property Tax</b> | <b>Sewer Service<br/>Charges</b> |
|------------------------|---------------------|----------------------------------|
| <b>2009</b>            | 457,834             | 8,518,032                        |
| <b>2010</b>            | 100,077             | 9,762,875                        |
| <b>2011</b>            | 834,524             | 12,182,304                       |
| <b>2012</b>            | 808,759             | 12,239,921                       |
| <b>2013</b>            | 773,092             | 13,854,746                       |
| <b>2014</b>            | 910,446             | 14,038,949                       |
| <b>2015</b>            | 1,115,669           | 15,650,703                       |
| <b>2016</b>            | 1,119,870           | 17,290,831                       |
| <b>2017</b>            | 1,218,094           | 19,780,211                       |
| <b>2018</b>            | 1,394,529           | 21,047,634                       |

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

|  | <u>FY 2018</u> | <u>FY 2017</u> | <u>FY 2016</u> |
|--|----------------|----------------|----------------|
| Beginning Balance July 1                                     | -              | -              | 677,564        |
| <b>Capacity charge fee revenue received:</b>                 |                |                |                |
| Connection fees  | 255,343        | 175,260        | 82,111         |
| Flow zone fees   | 114,041        | 50,206         | 33,237         |
| Toll zone 6  | 14,767         | 45,729         | 544            |
| Toll zone 22   |                | 551            |                |
| Capacity charge revenue for the Fiscal Year                  | 384,151        | 271,745        | 115,893        |
| Interest earned on investments                               |                |                | 2,039          |
| <b>Capacity construction project cost incurred:</b>          |                |                |                |
| Market Street sewer replacement Project 14CS204 (1)          |                | (146,216)      | (795,495)      |
| Church Lane to Road 20 sewer replacement Project 14CS214 (2) | (113,789)      | (125,529)      |                |
| Ending Balance   | 270,363        | -              | -              |

(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.

Note: A portion of connection fees are considered to be capacity related. Such fees must be used for projects that increase system capacity.



**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, environmental compliance, and administration 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.

| <u>Fiscal Year</u> | <u>Ratio of Debt</u> |                 |
|--------------------|----------------------|-----------------|
|                    | <u>to Personal</u>   | <u>Debt per</u> |
|                    | <u>Income</u>        | <u>Capita</u>   |
| 2015               | 0.00%                | \$ 0.75         |
| 2016               | 0.04%                | \$ 25.01        |
| 2017               | 0.35%                | \$ 247.03       |
| 2018               | 0.42%                | \$ 305.40       |

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:

| <u>Loan</u>         | <u>Repayment Dates</u> |            | <u>Interest Rate</u> | <u>Loan Available</u> | <u>Loan Amount</u> |
|---------------------|------------------------|------------|----------------------|-----------------------|--------------------|
| <u>Agreement #</u>  | <u>Start</u>           | <u>End</u> |                      |                       |                    |
| 7876-110            | 05/06/2017             | 05/06/2036 | 1.90%                | 1,654,505             | 1,357,817          |
| 7876-120            | 05/31/2020             | 05/31/2039 | 1.90%                | 2,881,758             | 267,134            |
| 7876-130            | 08/30/2018             | 08/30/2037 | 1.90%                | 14,593,521            | 10,800,274         |
| 8043-110 (1)        | 06/03/2018             | 06/03/2037 | 1.00%                | 30,457,093            | 19,262,947         |
| Total as of 6/30/18 |                        |            |                      | 49,586,877            | 31,688,172         |

| <u>Repayment Schedule (2):</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|------------------|-----------------|--------------|
| FYE 6/30/19                    | 1,456,929        | 404,084         | 1,861,014    |
| FYE 6/30/20                    | 1,468,143        | 409,502         | 1,877,645    |
| FYE 6/30/21                    | 1,487,624        | 390,021         | 1,877,645    |
| FYE 6/30/22                    | 1,507,391        | 370,254         | 1,877,645    |
| FYE 6/30/23                    | 1,527,448        | 350,197         | 1,877,645    |
| FYE 6/30/24                    | 1,547,801        | 329,844         | 1,877,645    |
| FYE 6/30/25                    | 1,568,454        | 309,191         | 1,877,645    |
| FYE 6/30/26                    | 1,589,412        | 288,233         | 1,877,645    |
| FYE 6/30/27                    | 1,610,679        | 266,966         | 1,877,645    |
| FYE 6/30/28                    | 1,632,262        | 245,383         | 1,877,645    |
| Thereafter                     | 16,292,030       | 1,195,824       | 17,487,853   |
| Total                          | 31,688,172       | 4,559,500       | 36,247,672   |

(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, 2018, grant proceed of \$9,001,445 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 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 |
|-------------|---------------------|---------------------------|----------------------------|--------------------------------------|--------------------------------|------------------------------------|
| 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%                               |
| 2018        | 103,759             | 7,544,890,197             | 72,715                     | 3.5%                                 | 1,149,363                      | 9.0%                               |

Sources: \* Population: State of California, Department of Finance, Demographic Research Unit, including adjustments, as of January 2018, 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 2018

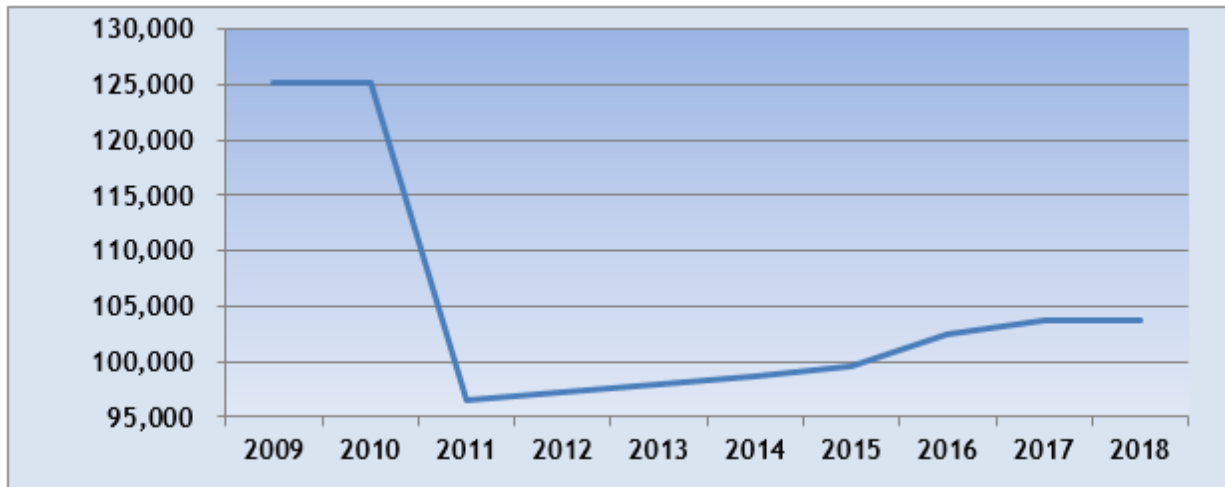
\* Unemployment Rate: State of California, Employment Development Department, as of June 2017

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.

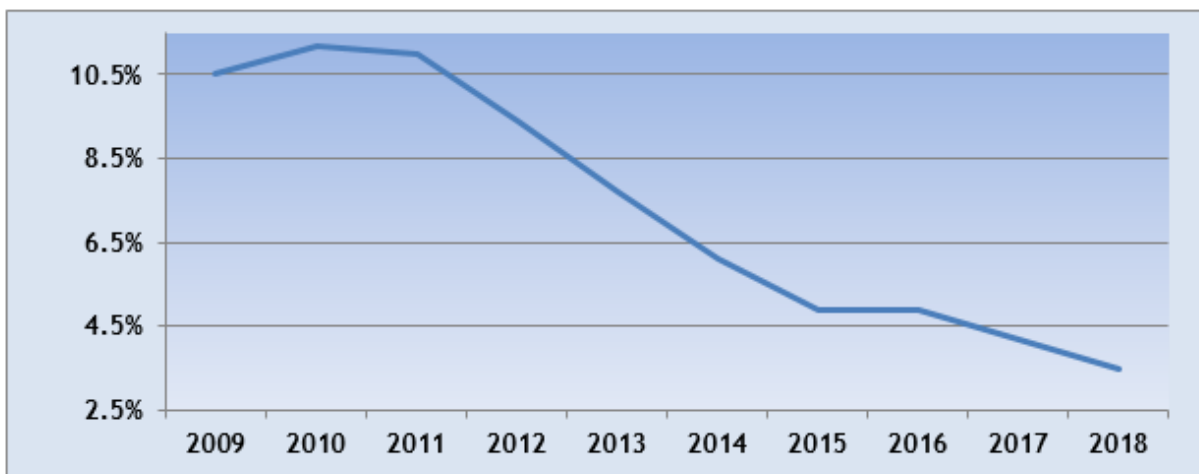
**WEST COUNTY WASTEWATER DISTRICT  
DEMOGRAPHIC AND ECONOMIC INFORMATION  
Ten Fiscal Years**

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**Population Served**



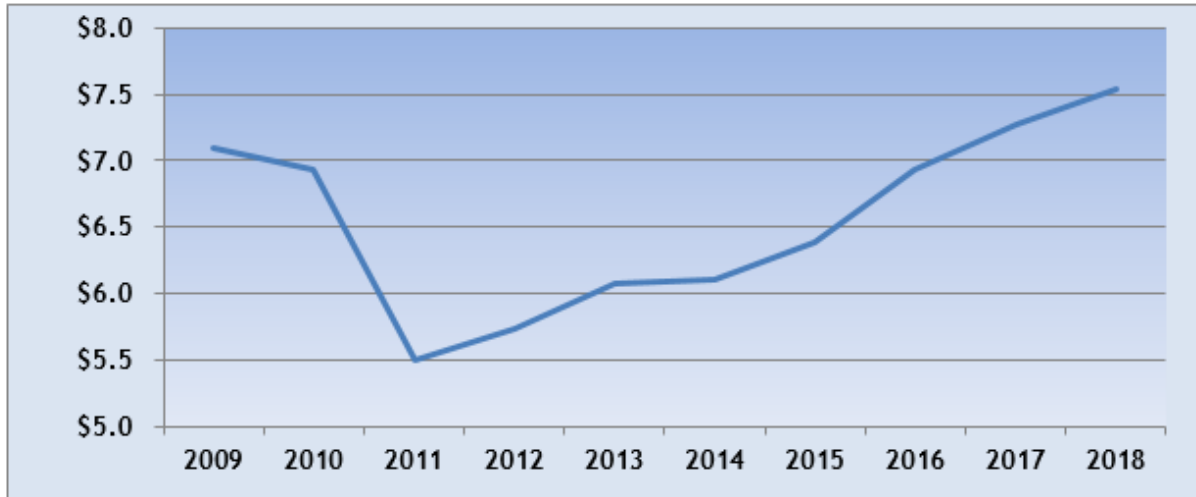
**Unemployment Rate - Contra Costa County**



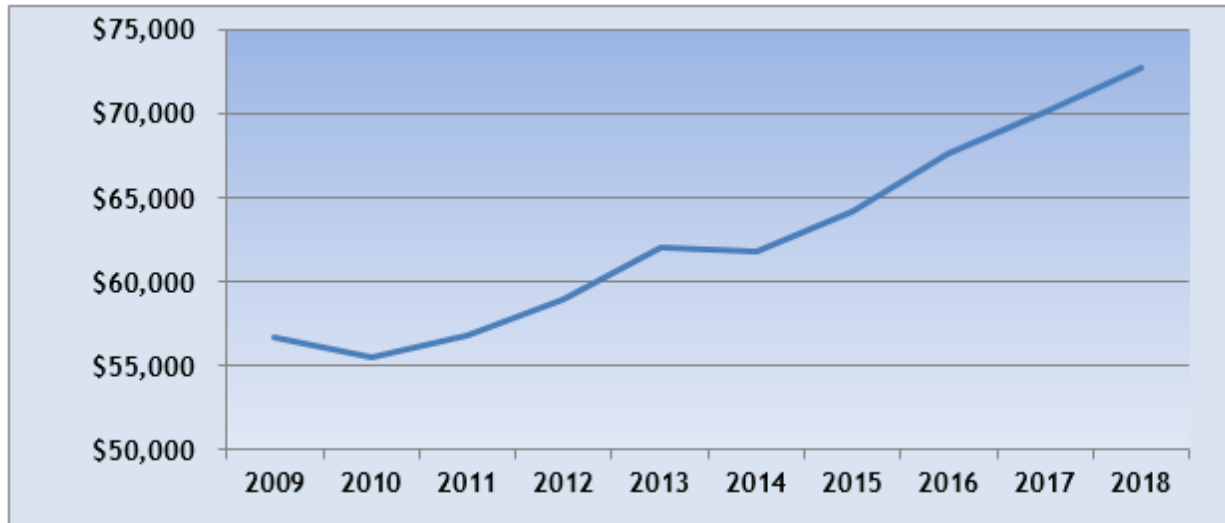
**WEST COUNTY WASTEWATER DISTRICT  
DEMOGRAPHIC AND ECONOMIC INFORMATION  
Ten Fiscal Years**

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**Total Personal Income (in billions)**



**Per Capita Personal Income**



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

| Employer                                  | FY 2017             |      |                                | FY 2007             |      |                                |
|---|---------------------|------|--------------------------------|---------------------|------|--------------------------------|
|   | Number of Employees | Rank | % of Total District Employment | Number of Employees | Rank | % of Total District Employment |
| Chevron Refinery                          | 3,521               | 1    | 3.0%                           | 2,461               | 1    | 2.1%                           |
| West Contra Costa Unified School District | 1,658               | 2    | 1.4%                           |                     |      |                                |
| 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%                           |                     |      |                                |
| City of Richmond                          | 871                 | 6    | 0.7%                           |                     |      |                                |
| Contra Costa County                       | 844                 | 7    | 0.7%                           |                     |      |                                |
| Permanente Medical Group                  | 793                 | 8    | 0.7%                           | 786                 | 3    | 0.7%                           |
| Casino San Pablo                          | 550                 | 9    | 0.5%                           | 520                 | 5    | 0.5%                           |
| Kaiser Foundation Hospitals               | 506                 | 10   | 0.4%                           |                     |      |                                |
| Doctors Medical Center                    |                     |      |                                | 935                 | 2    | 0.8%                           |
| Contra Costa College                      |                     |      | 0.0%                           | 521                 | 4    | 0.5%                           |
| Walmart Store 3455                        |                     |      |                                | 350                 | 6    | 0.3%                           |
| Costco Wholesale #482                     |                     |      |                                | 278                 | 7    | 0.2%                           |
| Berlex, Inc.                              |                     |      |                                |                     |      | 0.0%                           |
| California Autism Foundation, Inc.        |                     |      |                                | 250                 | 8    | 0.2%                           |
| Macy's Hilltop                            |                     |      |                                | 242                 | 9    | 0.2%                           |
| The Home Depot #643                       |                     |      |                                | 209                 | 10   | 0.2%                           |
| Subtotal                                  | 12,249              |      | 10.3%                          | 6,552               |      | 5.7%                           |
| All Others                                | 106,191             |      | 89.7%                          | 108,163             |      | 94.3%                          |
| Total workforce                           | 118,440             |      | 100.0%                         | 114,715             |      | 100.0%                         |

Source: Comprehensive Annual Financial Reports for Fiscal Year Ending June 30, 2017 for City of Richmond, City of San Pablo and City of Pinole. Data is not available for the fiscal year ending June 30, 2018.

Note: Includes City of Richmond employees not within the District. Excludes employers in unincorporated Contra Costa County within the District.

| Sewer Use Charge Customer Type | FY 2018              |             | FY 2008             |             |
|--------------------------------|----------------------|-------------|---------------------|-------------|
|                                | Sewer Revenue        | % of Total  | Sewer Revenue       | % of Total  |
| Residential                    | \$ 16,754,603        | 80%         | \$ 6,012,818        | 75%         |
| Commercial                     | 2,822,443            | 13%         | 1,346,883           | 17%         |
| Industrial                     | 1,470,588            | 7%          | 662,216             | 8%          |
| <b>Total</b>                   | <b>\$ 21,047,634</b> | <b>100%</b> | <b>\$ 8,021,917</b> | <b>100%</b> |

Source: West County Wastewater District Audited Financial Statements

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

|                                       | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Business Services</b>              |             |             |             |             |             |             |             |             |             |             |
| Administration                        | 9           | 9           | 9           | 11          | 11          | 11          | 8           | 8           | 8           | 10          |
| Finance                               |             |             |             |             |             |             | 4           | 4           | 4           | 4           |
| <b>Subtotal- Business Services</b>    | 9           | 9           | 9           | 11          | 11          | 11          | 12          | 12          | 12          | 14          |
| <b>Engineering Services</b>           |             |             |             |             |             |             |             |             |             |             |
| Engineering                           | 6           | 6           | 6           | 6           | 8           | 9           | 9           | 9           | 9           | 9           |
| Collection Systems                    | 12          | 12          | 12          | 12          | 12          | 12          | 12          | 13          | 13          | 13          |
| <b>Subtotal- Engineering Services</b> | 18          | 18          | 18          | 18          | 20          | 21          | 21          | 22          | 22          | 22          |
| <b>Water Pollution Control Plant</b>  |             |             |             |             |             |             |             |             |             |             |
| Environmental Compliance              | 5           | 5           | 5           | 5           | 5           | 5           | 4           | 4           | 4           | 4           |
| Operations                            | 12          | 12          | 12          | 12          | 11          | 11          | 11          | 11          | 13          | 14          |
| Maintenance                           | 10          | 10          | 10          | 9           | 9           | 9           | 9           | 9           | 9           | 10          |
| <b>Subtotal- WPCP</b>                 | 27          | 27          | 27          | 26          | 25          | 25          | 24          | 24          | 26          | 28          |
| <b>Total District</b>                 | 54          | 54          | 54          | 55          | 56          | 57          | 57          | 58          | 60          | 64          |

Source: West County Wastewater District Budget

**WEST COUNTY WASTEWATER DISTRICT**  
**OPERATING INFORMATION**  
**Ten Fiscal Years**

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**Engineering Permits Completed**

| <b>Fiscal Year</b> | <b>Repairs</b> | <b>Single Family</b> | <b>Multi-Family</b> | <b>Commercial</b> | <b>Industrial</b> | <b>Misc.</b> | <b>Total</b> |
|--------------------|----------------|----------------------|---------------------|-------------------|-------------------|--------------|--------------|
| 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          |
| 2018               | 310            | 16                   | 1                   | -                 | -                 | -            | 327          |

**Collection System Activity**

| <b>Fiscal Year</b> | <b>Pipeline Cleaning<br/>(1,000 Feet)</b> | <b>Video Inspections<br/>(1,000 Feet)</b> | <b>Number of Service Calls</b> | <b>Number of Main Stoppages</b> | <b>Number of Repairs</b> |
|--------------------|---|---|--------------------------------|---------------------------------|--------------------------|
| 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                       |
| 2018               | 1,809                                     | 104.9                                     | 122                            | 9                               | 27                       |

**WEST COUNTY WASTEWATER DISTRICT**  
**OPERATING INFORMATION**  
**Ten Fiscal Years**

**Treatment Plant Activity**

| <b>Fiscal Year</b> | <b>Effluent Flow<br/>(Million Gallons)</b> | <b>Recycled Water<br/>(Million Gallons)</b> | <b>Effluent BOD<br/>(mg/L)</b> | <b>Effluent TSS (mg/L)</b> | <b>Electricity Used<br/>(MWh)</b> | <b>Gas Produced<br/>(k ft3)</b> |
|--------------------|--|---|--------------------------------|----------------------------|-----------------------------------|---------------------------------|
| 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                                      | 1,547                                       | 8.7                            | 13.9                       | 5,042                             | 39,388                          |
| 2015               | 2,763                                      | 1,669                                       | 7.3                            | 9.8                        | 5,446                             | 41,332                          |
| 2016               | 2,820                                      | 1,884                                       | 9.3                            | 13.0                       | 5,710                             | 38,973                          |
| 2017               | 3,675                                      | 1,394                                       | 12.0                           | 15.0                       | 5,840                             | 47,533                          |
| 2018               | 2,884                                      | 1,279                                       | 8.0                            | 10.0                       | 4,613                             | 32,269                          |

**Facility Capacity Data**

| <b>Fiscal Year</b> | <b>Sewer Gravity Pipeline Miles</b> | <b>Sewer Force Mains Miles</b> | <b>Pump Stations</b> | <b>Treatment Plant Permitted Capacity<br/>(ADWF) MGD*</b> | <b>Treatment Plant Amount in Use<br/>(ADWF) MGD*</b> |
|--------------------|-------------------------------------|--------------------------------|----------------------|---|--|
| 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  |
| 2018               | 249.0                               | 6.0                            | 17                   | 12.5  | 7.0  |

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.



**INDEPENDENT AUDITOR'S 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**

To the Board of Directors  
West County Wastewater District

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 financial statements of the business-type activities of West County Wastewater District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the West County Wastewater District's basic financial statements and have issued our report thereon dated November 21, 2018.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as follows:

**Construction in Progress**

During the audit, we noted that the District has a formal policy in place for reclassifying completed construction in progress (CIP) to the appropriate fixed asset accounts. However, it appears that there is a gap in communication between the engineering department and the finance department. This leaves the District open to the possibility that completed CIP projects will not be appropriately reclassified, depreciated, or reported for accounting purposes. For the fiscal year ended June 30, 2018, this resulted in a material adjustment to the trial balance during the course of the audit.

*We recommend that the District implement a written policy regarding all completed CIP projects, such as the finance department being copied on all Notices of Completion when the engineering department files them with the County. This will enable the finance department to make journal entries to reclass CIP to fixed assets in a more timely manner.*

Managements Response: District staff has identified a misinterpretation between Finance and Engineering as the meaning of the term “project completion”. We are now in agreement on the definition being that the asset is “substantially placed in service”. Revised procedures will also ensure that this is not a recurrent situation.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the West County Wastewater 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*.

### **West County Wastewater District’s Response to Findings**

West County Wastewater District’s response to the findings identified in our audit is described above. West County Wastewater District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

November 21, 2018