WEST COUNTY WASTEWATER DISTRICT
Richmond, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2016

Prepared by:
Business Services Department

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

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INTRODUCTORY SECTION

WCWD
WEST COUNTY WASTEWATER DISTRICT

November 30, 2016

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 fiscal year ended June 30, 2016.

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

The Pun Group, Certified Public Accountants, have issued an unmodified ("clean") opinion on the West County Wastewater District's ("District") financial statements for the year ended June 30, 2016. 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 95 years for the purpose of protecting and serving the public health of the community through the construction and maintenance of a sewer system. The District is an independent Special District and is not financially responsible for any other governmental entity nor is it a component unit of another governmental entity.

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

The District is located in the western section of the County of Contra Costa approximately 28 miles northeast of San Francisco and 12 miles north of Oakland. The District's service area encompasses 16.9 square miles all within the County of Contra Costa. Roughly 6.8 square miles (or 40% of the total) lie within the boundaries of the City of Richmond, 2.5 square miles (or 15% of the total) lie within the City of San Pablo, 0.4 square miles (or 2% of the total) within the City of Pinole and the remaining 7.2 square miles (or 43% of the total) are in the unincorporated areas of the County of Contra 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. Historically, the tenure of directors has generally been long, which enabled the District to maintain continuity and stability in policies and service. The District's daily functions are administered by a General Manager who serves at the pleasure of the Board of Directors. Mr. E. J. Shalaby, General Manager, has been employed by the District for 13 years, serving in his present capacity since December 1, 2003.

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

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

LOCAL ECONOMY

The real estate economy continues to improve with the median home price in San Pablo increasing to approximately $390,000. 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 $422 per single family residence for Fiscal Year 2015/16 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 does not fund capital replacement costs through operating revenues. The District has established various reserves as follows: Rate Stabilization, Operating, Insurance, Catastrophic Insurance and Capital Improvement and Replacement Reserves. The District's Board of Directors reviews reserve levels annually to determine whether the levels established provide for the financial security required of a fiscally responsible local government.

A portion of the annual Environmental Quality (Sewer Use) Charge revenues, interest revenues and all property tax revenues are utilized to fund capital asset additions and replacements. The District completed a 20-Year Comprehensive Master Plan and adopted a Five-Year Capital Improvement Plan with $150 million in projects. The District is working with the State Water Resources Control Board to borrow sufficient funds to cover the majority of the identified projects.

RELEVENT FINANCIAL POLICIES

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

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

The District adopted a 20-Year District-wide Master Plan to address its infrastructure needs and has determined that it is necessary to borrow from the State Revolving Fund to finance most of the identified projects. The impact of the Master Plan will be felt in District operations, capital program and rates for the next 30 years.

AWARDS & ACKNOWLEDGEMENTS
In recognition of its outstanding work, the District has received Platinum and Gold awards from the National Association of Clean Water Agencies (NACWA) for 13 consecutive years in recognition of compliance with its National Pollutant Discharge Elimination System (NPDES) permit. In addition, the California Water Environment Association selected the District as the best Medium Plant of the Year for the San Francisco Bay Area in 2012.

The District received the California Society of Municipal Finance Officers (CSMFO) award for outstanding financial reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This was the 18th consecutive year that the District has been recognized for its financial reporting. In order to receive an award, a government agency must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements. The award is valid for a period of one year only. The District believes that the current CAFR continues to meet the award program requirements and plans to submit this report to the CSMFO for consideration.

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

Respectfully submitted,

Lisa Malek-Zadeh
Business Services Manager

E.J. Shalaby
General Manager

California Society of
Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting Award
Fiscal Year Ending June 30, 2015

Presented to the

West County Wastewater District

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

February 23, 2016

Jesse Takahashi
CSMFO President

Michael Gomez, Chair
Professional Standards and Recognition Committee

Dedicated Excellence in Municipal Financial Reporting

The West County Wastewater District received the California Society of Municipal Finance Officers (CSMFO) Outstanding Financial Reporting Award for Fiscal Year Ending June 30, 2015, and was the sixth year of receiving the award.

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

Mission Statement

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

Vision

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

Core Values

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

WEST COUNTY WASTEWATER DISTRICT
Principal Officials and Management

BOARD OF DIRECTORS

Leonard R. McNeil
President

Audrey L. Comeaux
Secretary

Alfred M. Granzella
Director

Michael Caine
Director

Burl Toler, Jr.
Director

Legal Counsel

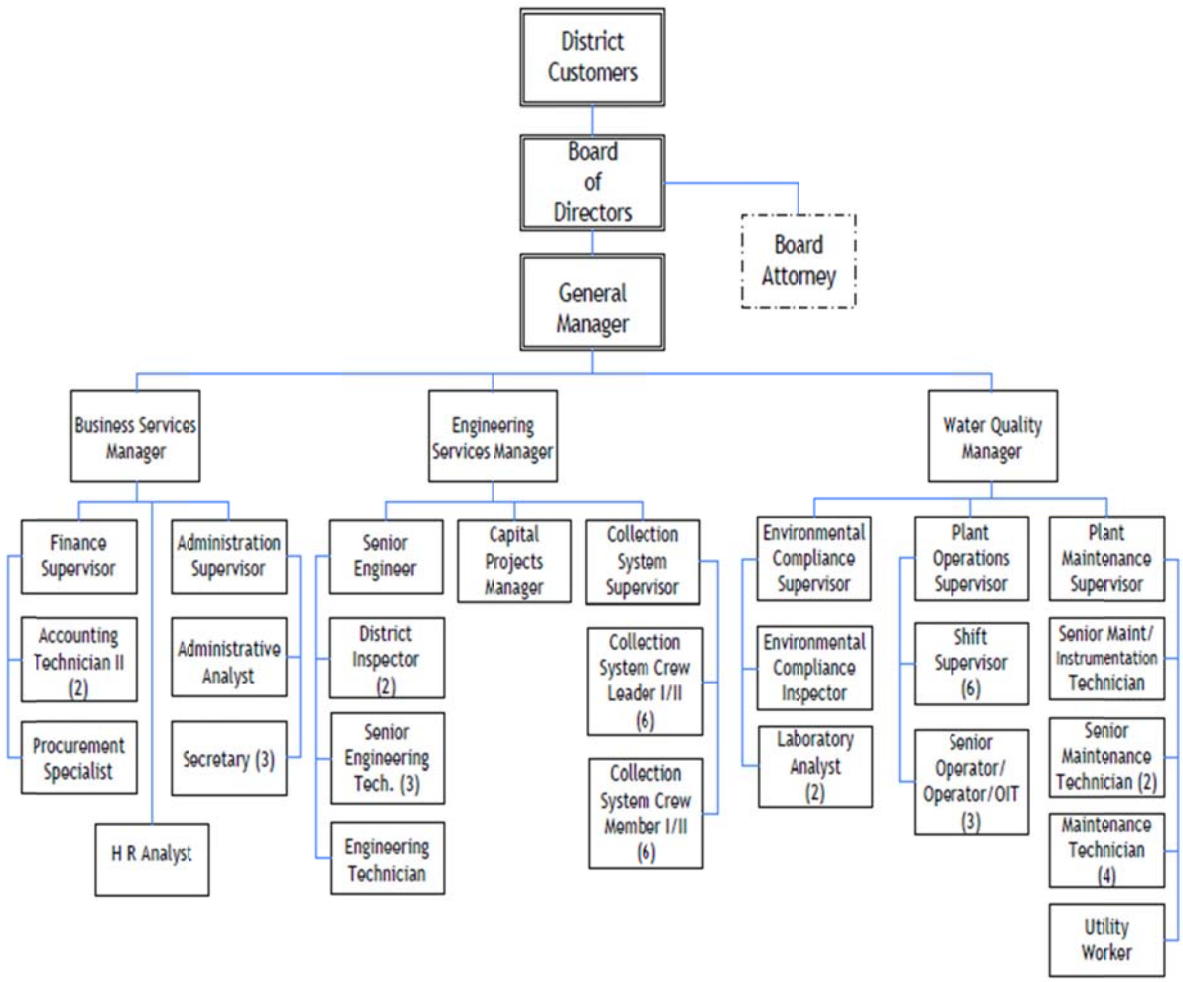
Mr. Alfred A. Cabral
Pelletreau, Alderson and Cabral

Management

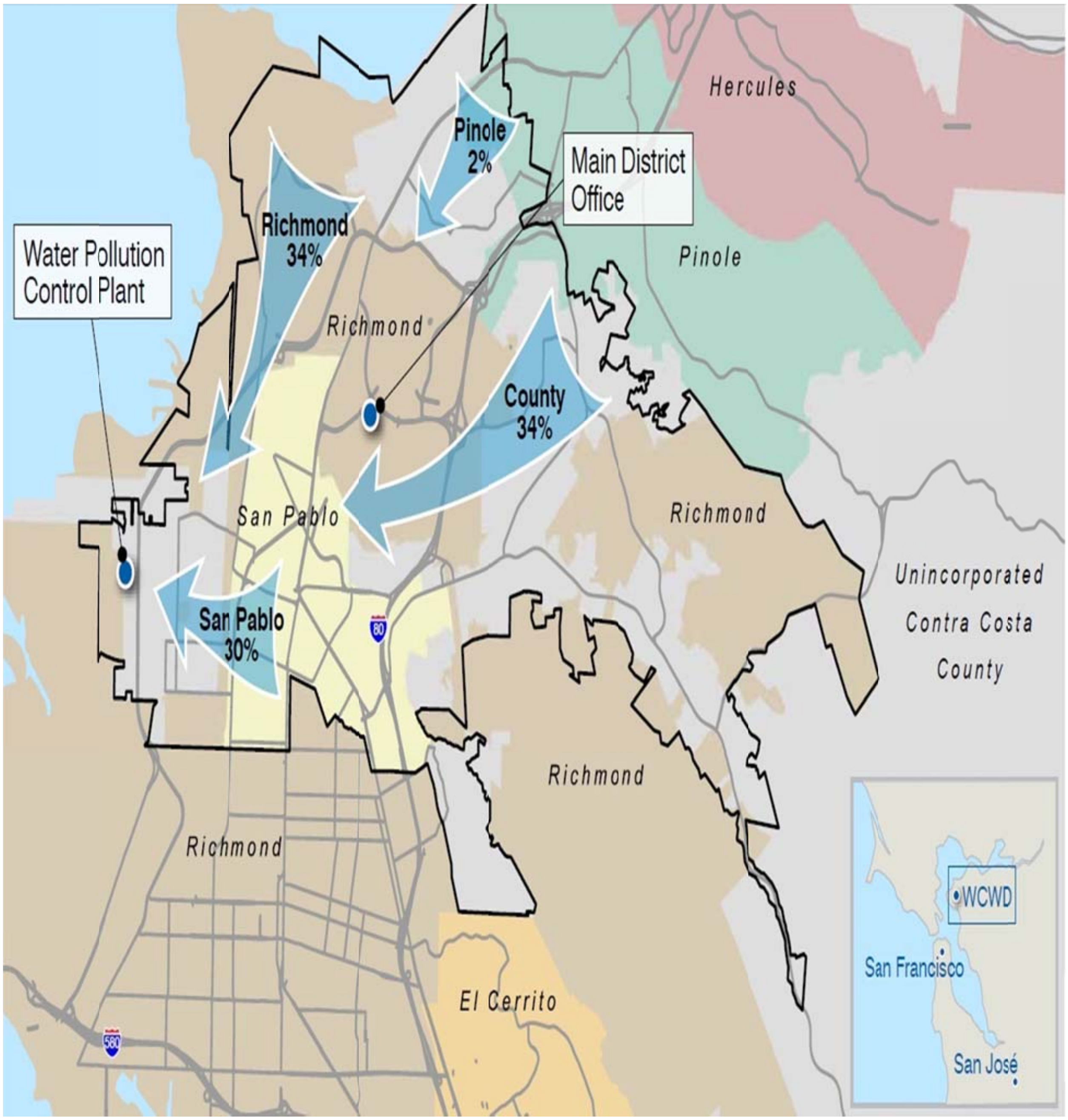
E. J. Shalaby, General Manager
Ken R. Cook, Engineering Services Manager
Brian E. Hill, Water Quality Manager
Lisa Malek-Zadeh, Business Services Manager

West County Wastewater District

Organizational Chart Fiscal Year 2015/16



WEST COUNTY WASTEWATER DISTRICT
District Map



FINANCIAL SECTION

THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West County Wastewater District (District), which comprise of the balance sheet as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

Net Pension Liability

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* on July 1, 2014. The net pension liability is reported in the balance sheet in the amount of $8,304,443 and $7,228,755 as of the measurement dates of June 30, 2015 and 2014, respectively. The net pension liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014 and 2013, were then rolled-forward by the actuaries to June 30, 2015 and 2014, the measurement dates. 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 16 through 20 and the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, the Schedule of District's Contributions to the Pension Plans, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 54 through 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory and the statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pun Group, LLP

Walnut Creek, California
December 20, 2016

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

FINANCIAL HIGHLIGHTS

- The District had a net position balance of $81.5 million at June 30, 2016. Total net position was comprised of unrestricted assets of $1.5 million and amounts invested in capital assets of $80.0 million. Net position increased by $4.0 million for the fiscal year.

- The District's total operating revenues were $18.0 million and total operating expenses were $16.0 million, resulting in operating income of $2.0 million for the year. This compares to operating income of $0.5 million for the prior year.

- The District's non-operating revenues were $1.7 million. There were no non-operating expenses for the year. This compares to non-operating income of $1.5 million and non-operating expenses of $2.3 million for the prior year. Prior year non-operating costs are primarily costs for the District-Wide Master Plan.

- Capital contributions were $0.4 million for the fiscal year and were comprised of connection fees. This compares to capital contributions of $0.8 million for the prior year.

USING THE ANNUAL REPORT

The annual report consists of this MD&A, a series of basic financial statements (described below) and notes to those statements. These statements are organized so the reader can understand the 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.

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

- <u>Net Position, Invested in Capital Assets, Net of related Debt:</u> 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.
- <u>Restricted Net Position:</u> 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.
- <u>Unrestricted Net Position:</u> Consists of Net Position that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

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

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

SUMMARY OF THE STATEMENT OF NET POSITION (BALANCE SHEETS)

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

TABLE 1

Balance Sheets

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current Assets	$ 15,224,589	$ 21,989,914	$ (6,765,325)	-30.77%
Capital Assets	82,570,051	67,561,592	15,008,459	22.21%
Other Non-Current Assets	612,448	409,500	202,948	49.56%
Total Assets	98,407,088	89,961,006	8,446,082	9.39%
Deferred Outflows of Resources	1,103,034	927,725	175,309	18.90%
Total Assets and Deferred Outflows of Resources	$ 99,510,122	$ 90,888,731	$ 8,621,391	9.49%
Liabilities:				
Current Liabilities	5,177,218	2,605,495	2,571,723	98.70%
Long-term Liabilities	11,501,875	8,300,503	3,201,372	38.57%
Total Liabilities	16,679,093	10,905,998	5,773,095	52.94%
Deferred Inflows of Resources	1,298,626	2,545,564	(1,246,938)	-48.98%
Net Position:				
Net Investment in Capital Assets	80,006,751	67,486,623	12,520,128	18.55%
Unrestricted	1,525,652	9,950,546	(8,424,894)	-84.67%
Total Net Position	81,532,403	77,437,169	4,095,234	5.29%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 99,510,122	$ 90,888,731	$ 2,848,296	3.13%

Major Factors Affecting the Statement of Net Position

- 97% of current assets consist of cash and equivalents at June 30, 2016. Current assets decreased by $6.8 million, primarily due to capital asset spending.
- See Table 3 for a discussion of Capital Asset changes.
- Deferred outflows of resources increased by $0.2 million as a result of GASB 68 Deferred Outflows. This is discussed in the Note 8 to Financial Statements on page 37.
- Current liabilities consist of accounts payable and payroll related liabilities. Current liabilities increased by $2.6 million, primarily due to capital asset spending.
- Long-term liabilities increased by $3.2 million, primarily due to long-term debt borrowings.

- The District has outstanding debt of $2.6 million at June 30, 2016.
- See Table 3 for a discussion of Net Position Invested in Capital Assets changes.
- Net Position Unrestricted decreased by $8.4 million due to capital asset spending, net of accumulated depreciation, and Change in Net Position for the year.

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

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

TABLE 2

Statements of Revenues, Expenses, and Changes in Net Position

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
Operating revenues				
Service charges	$ 17,329,830	$ 15,650,703	$ 1,679,127	10.73%
Sewer fees	322,854	396,580	(73,726)	-18.59%
Toll zone fees	33,781	36,040	(2,259)	-6.27%
Service contracts	286,017	329,339	(43,322)	-13.15%
Subtotal- Operating revenues	17,972,482	16,412,662	1,559,820	9.50%
Non-operating revenues				
Property Taxes	1,119,870	1,115,669	4,201	0.38%
Rental income	353,536	258,827	94,709	36.59%
Investment income	70,451	43,743	26,708	61.06%
Other non-operating revenues	123,453	48,696	74,757	153.52%
Subtotal- non-operating revenues	1,667,310	1,466,935	200,375	13.66%
Total revenues	19,639,792	17,879,597	1,760,195	9.84%
Expenses				
Operating expenses	15,963,955	15,902,345	61,610	0.39%
Non-operating expenses	-	2,323,820	(2,323,820)	-100.00%
Total expenses	15,963,955	18,226,165	(2,262,210)	-12.41%
Increase (decrease) before capital contributions	3,675,837	(346,568)	4,022,405	-1160.64%
Capital contributions	419,397	780,493	(361,096)	-46.27%
Change in net position	4,095,234	433,925	3,661,309	843.77%
Net position, beginning	77,437,169	86,070,895	3,300,213	3.83%
Prior period adjustments	-	(9,067,651)	9,067,651	
Net position, ending	$ 81,532,403	$ 77,437,169	$ 6,961,522	8.99%

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

- The District's total operating revenues were $18.0 million and total operating expenses were $16.0 million, resulting in operating income of $2.0 million for the year. This compares to operating income of $0.5 million for the prior year. Service Charges increased $1.7 million due primarily to a Sewer Use Charge rate increase of 11.0%. Other operating revenues decreased $0.1 million due to primarily to decreased sewer permits, plan approval fees, storm water inspection fees, and service contracts.

- The District's non-operating revenues were $1.7 million for the year. This compares to non-operating revenues of $1.5 million for the prior year. There were no non-operating expenses for the year. This compares to non-operating expense of $2.3 million for the prior year. Prior year non-operating costs are primarily costs for the District-Wide Master Plan.
- Operating Expenses increased $0.1 million, primarily due to increased salaries, wages, and benefits.
- Non-operating revenues of $1.7 million for the year increased 14% over the prior year. This $0.2 million increase was due primarily to increased rental income.
- Capital contributions were $0.4 million for the fiscal year and were comprised of connection fees. This compares to capital contributions of $0.8 million for the prior year.
- The GASB 68 Prior Period Adjustment of $9.1 million is discussed in Note 11 to the Financial Statements on page 50.

SUMMARY OF CAPITAL ASSETS

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

TABLE 3
Summary of Capital Assets

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 2,451,806	$ 2,451,806	$ -	0.00%
Construction in process	18,507,918	2,251,105	16,256,813	722.17%
Sewerage facilities	118,346,926	117,020,239	1,326,687	1.13%
Equipment	7,093,874	6,708,971	384,903	5.74%
Vehicles	2,283,740	2,137,466	146,274	6.84%
Subtotal	148,684,264	130,569,587	18,114,677	13.87%
Less accumulated depreciation	(66,114,213)	(63,007,995)	(3,106,218)	4.93%
Total capital assets, net	$ 82,570,051	$ 67,561,592	15,008,459	22.21%

Capital Asset Highlights:

Capital Assets increased $15.0 million net, due to capital asset additions of $18.1 million, less depreciation expense of $3.1 million. Additions were primarily water pollution control plant upgrades and sewer pipe replacements.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- While the District has the ability to raise the sewer service charge to meet its long-term needs, it does so conservatively to minimize the impact on rate payers. Effective July 1, 2016, the District increased its sewer service charge from $381 to $422 (+10.8%) per residence with an equivalent increase for commercial and industrial customers.

- The Board of Directors approved 11% annual sewer service charge rate increases for fiscal years beginning July 1, 2015 through June 30, 2020 in order to fund $330 million of maintenance and capital improvement costs identified by the 2012 20-Year District-Wide Master Plan.
- In order to reduce the burden on rate payers in the near term, the District applied for low interest loans from the California State Water Resources Control Board (SRF). The SRF approved four loans totaling $44.3 million with interest rates or 1.0% or 1.9%. Repayment of these loans is dependent on future rate increases.
- The District continues to identify areas to reduce spending and achieve efficiencies through its Strategic Plan and biennial budget process.

FINANCIAL CONTACT

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

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BASIC FINANCIAL STATEMENTS

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West County Wastewater District
Balance Sheets
June 30, 2016 and 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2016	2015
Current assets:		
Cash and investments (Note 2)	$ 14,692,196	$ 21,364,758
Accrued interest receivable	23,000	12,716
Accounts receivable, net (Note 3)	259,137	339,922
Materials and supplies inventory	155,405	169,942
Prepaid items	94,851	102,576
Total current assets	15,224,589	21,989,914
Non-current assets:		
Note receivable (Note 4)	409,500	409,500
Net other post-employment benefits asset (Note 7)	202,948	-
Capital assets – not being depreciated (Note 5)	20,959,724	4,702,911
Capital assets – being depreciated, net (Note 5)	61,610,327	62,858,681
Total non-current assets	83,182,499	67,971,092
Total assets	98,407,088	89,961,006
Deferred outflows of resources:		
Pension contributions made after the measurement date (Note 8)	978,212	808,084
Difference between actual and proportionate share of employer contributions (Note 8)	-	8,119
Adjustment due to differences in proportions (Note 8)	71,692	111,522
Differences between expected and actual experience (Note 8)	53,130	-
Total deferred outflows of resources	1,103,034	927,725
Total assets and deferred outflows of resources	$ 99,510,122	$ 90,888,731
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,848,093	$ 1,481,013
Accrued salaries and benefits	431,875	587,577
Accrued interest payable	15,414	179
Long-term liabilities – due within one year:		
Compensated absences (Note 6)	879,261	536,726
Loans payable (Note 9)	2,575	-
Total current liabilities	5,177,218	2,605,495
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 6)	636,707	996,779
Loans payable (Note 9)	2,560,725	74,969
Net pension liability (Note 8)	8,304,443	7,228,755
Total non-current liabilities	11,501,875	8,300,503
Total liabilities	16,679,093	10,905,998
Deferred inflows of resources		
Differences between projected and actual earnings on pension plan investments (Note 8)	251,991	2,429,197
Difference between actual and proportionate share of employer contributions (Note 8)	411,098	116,367
Adjustment due to differences in proportions (Note 8)	132,869	-
Changes in assumptions (Note 8)	502,668	-
Total deferred inflows of resources	1,298,626	2,545,564
Net position:		
Net investment in capital assets (Note 10)	80,006,751	67,486,623
Unrestricted	1,525,652	9,950,546
Total net position	81,532,403	77,437,169
Total liabilities, deferred inflows of resources and net position	$ 99,510,122	$ 90,888,731

West County Wastewater District

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Service charges	$ 17,329,830	$ 15,650,703
Sewer fees	322,854	396,580
Toll zone fees	33,781	36,040
Service contracts	286,017	329,339
Total operating revenues	17,972,482	16,412,662
Operating expenses:		
Sewage collection	3,815,139	3,768,123
Sewage treatment	5,976,699	5,759,266
Administration – general	2,631,540	2,740,638
Service contracts	272,421	303,888
West County Agency	148,541	107,463
Total operating expenses before depreciation	12,844,340	12,679,378
Operating income before depreciation	5,128,142	3,733,284
Depreciation expense	(3,119,615)	(3,222,967)
Operating income	2,008,527	510,317
Non-operating revenues (expenses):		
Property taxes – ad valorem	977,876	900,157
San Pablo redevelopment allocation	141,994	215,512
Rental income	353,536	258,827
Investment income	70,451	43,743
Master plan	-	(2,323,820)
Other revenue, net	123,453	48,696
Total non-operating revenues (expenses), net	1,667,310	(856,885)
Net income (loss) before capital contributions	3,675,837	(346,568)
Capital contributions:		
Connection fees	419,397	780,493
Change in net position	4,095,234	433,925
Net position:		
Beginning of year, as previously stated	77,437,169	86,070,895
Prior period adjustment (Note 11)	-	(9,067,651)
End of year	$ 81,532,403	$ 77,437,169

West County Wastewater District
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash receipts from customers and others	$ 18,530,256	$ 16,693,890
Cash paid to employees for salaries and benefits	(8,622,746)	(8,533,570)
Cash paid to vendors and suppliers for materials and services	(2,554,998)	(6,445,269)
Net cash provided by operating activities	7,352,512	1,715,051
Cash flows from non-capital financing activities:		
Property taxes – ad valorem	977,876	900,157
San Pablo redevelopment allocation	141,994	215,512
Net cash provided by non-capital financing activities	1,119,870	1,115,669
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(18,112,839)	(481,697)
Proceeds from connection fees	419,397	780,493
Proceeds from loans payable issuance	2,488,331	74,969
Net cash provided by (used in) capital and related financing activities	(15,205,111)	373,765
Cash flows from investing activities:		
Investment earnings	60,167	40,525
Net cash provided by investing activities	60,167	40,525
Net increase (decrease) in cash and cash investments	(6,672,562)	3,245,010
Cash and investments:		
Beginning of year	21,364,758	18,119,748
End of year	$ 14,692,196	$ 21,364,758
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 2,008,527	$ 510,317
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,119,615	3,222,967
Rental income	353,536	258,827
Master plan	-	(2,323,820)
Other revenue, net	123,453	48,696
Change in assets – (increase) decrease:		
Accounts receivable, net	80,785	(26,295)
Materials and supplies inventory	14,537	(34,446)
Prepaid items	7,725	3,482
Net other post-employment benefits asset	(202,948)	-
Change in deferred outflows of resources – (increase) decrease	(175,309)	39,631
Change in liabilities – increase (decrease):		
Accounts payable and accrued expenses	2,367,080	270,505
Accrued salaries and benefits	(155,702)	63,422
Compensated absences	(17,537)	107,855
Net other post-employment benefits obligation	-	(165,402)
Net pension liability	1,075,688	(2,648,325)
Change in deferred inflows of resources – increase (decrease)	(1,246,938)	2,387,637
Total adjustments	5,343,985	1,204,734
Net cash provided by operating activities	$ 7,352,512	$ 1,715,051

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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

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

Basis of Presentation

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

> ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
>
> ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

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

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

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

Accounting Changes

The District has implemented the following GASB Statements for the fiscal years ending June 30, 2016 and 2015:

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

Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 11 for prior period adjustment as a result of implementation.

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the District's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

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

Accounting Changes (Continued)

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

Cash and Cash Equivalents

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

Investments

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

> Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
>
> Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
>
> Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Receivables and Allowance for Doubtful Accounts

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

Materials and Supplies Inventory

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

Prepaid Items

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

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

Capital Assets

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

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

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed. Capitalized interest of $15,235 and $179 has been included in construction in process for the years ended June 30, 2016 and 2015.

Compensated Absences

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

Net Pension Liability

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

The following timeframes are used for pension reporting:

CalPERS	**June 30, 2016**	**June 30, 2015**
Valuation date	June 30, 2014	June 30, 2013
Measurement date	June 30, 2015	June 30, 2014
Measurement period	July 1, 2014 to June 30, 2015	July 1, 2013 to June 30, 2014

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

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

Net Position

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

> ***Net Investment in Capital Assets*** – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.
>
> ***Restricted*** – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
>
> ***Unrestricted*** – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Use of Estimates

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

Service Charge Revenue

Service charges determined by the District are included on property tax bills of the County of Contra Costa (County). Service charge revenue is recorded as revenue when received due to the adoption of the *alternate method of property tax distribution,* known as the Teeter Plan, by the County. The Teeter Plan authorizes the Auditor-Controller of the County to allocate 100% of the service charges billed, but not yet paid or collected to the District. Late payment fees and interest are collected by the County and not remitted to the District.

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

Property Taxes

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

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

Note 2 – Cash and Investments

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

Description	June 30, 2016	June 30, 2015
Cash on hand	$ 500	$ 500
Deposits held with financial institutions	2,097,672	1,830,295
Investments	12,594,024	19,533,963
Total	$ 14,692,196	$ 21,364,758

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. At June 30, 2016 and 2015, the District had no deposits with financial institutions subject to custodial credit risk.

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments as of June 30, 2016 and 2015.

Note 2 – Cash and Investments (Continued)

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

Type of Investments	Measurement Input	Fair Value	Maturity 12 Months or Less
Local Agency Investment Fund (LAIF)	Level 2	$ 12,594,024	$ 12,594,024
Total investments		$ 12,594,024	$ 12,594,024

The District's investments as of June 30, 2015 were as follows:

Type of Investments	Measurement Input	Fair Value	Maturity 12 Months or Less
Local Agency Investment Fund (LAIF)	Level 2	$ 19,533,963	$ 19,533,963
Total investments		$ 19,533,963	$ 19,533,963

Authorized Investments and Investment Policy

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

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

Investment in California – Local Agency Investment Fund (LAIF)

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 entity'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. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/

The District's investments with LAIF at June 30, 2016 and 2015 included a portion of the pool funds invested in structured notes and asset-backed securities:

Note 2 – Cash and Investments (Continued)

Investment in California – Local Agency Investment Fund (LAIF) (Continued)

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

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

The District had $12,594,024 and $19,533,963 invested in LAIF, which had invested 2.81% and 2.08% of the pooled investment funds as of June 30, 2016 and June 30, 2015, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000621222 and 1.000375979 was used to calculate the fair value of the investments in LAIF as of June 30, 2016 and 2015, respectively.

Note 3 – Accounts Receivable

Accounts receivable as of June 30 consisted of the following:

Description	June 30, 2016	June 30, 2015
Service charges	$ 10,745	$ 61,968
Pretreatment inspections	19,739	63,423
Contracts	24,247	78,545
EBMUD	144,744	135,015
State mandated costs for reimbursement	-	124,978
Other	68,110	971
Total accounts receivable	267,585	464,900
Allowance for doubtful accounts	(8,448)	(124,978)
Total accounts receivable, net	$ 259,137	$ 339,922

Note 4 – Note Receivable

The District and the General Manager amended their employment agreement effective December 20, 2005, which included an executed note receivable of not more than 50% of the cost of a residence, to a maximum of $500,000, for the General Manager to reside within the District's boundaries. Title to the residence shall be taken in the name of the General Manager and, upon close of escrow of a sale of the residence, the District shall first be reimbursed its initial advance and the General Manager shall be reimbursed his initial down payment. The net sale proceeds shall be allocated to the District and the General Manager using the ratio of purchase cost. The total amount advanced by the District as of June 30, 2016 and 2015, was $409,500, respectively.

Note 5 – Capital Assets

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

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

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

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

Note 6 – Compensated Absences

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

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Current Portion	Non-current Portion
$ 1,533,505	$ 477,526	$ (495,063)	$ 1,515,968	$ 879,261	$ 636,707

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

Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Current Portion	Non-current Portion
$ 1,425,650	$ 464,267	$ (356,412)	$ 1,533,505	$ 536,726	$ 996,779

Note 7 – Net Other Post-Employment Benefits Obligation

Plan Description

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. Eligibility is based upon active employee status of the District at the time of retirement, completion of at least five-years employment with the District, having achieved the age of 50 or older, eligibility to retire under CalPERS, and not receiving health care benefits from any other source other than Medicare or workers' compensation. The maximum employer's contribution is limited to $1,500, regardless of which coverage the retiree has selected. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Description	June 30, 2016	June 30, 2015
Annual OPEB cost:		
Annual required contribution (ARC) including interest	$ 1,036,000	$ 1,007,000
Total annual OPEB cost	1,036,000	1,007,000
Contributions made:		
Contributions made to irrevocable trust	(890,251)	(907,889)
Retiree health care benefits paid by District	(348,697)	(264,513)
Total contributions made	(1,238,948)	(1,172,402)
Total change in net OPEB obligation	(202,948)	(165,402)
Net OPEB obligation:		
Beginning of year	-	165,402
End of year	$ (202,948)	$ -

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/asset for the fiscal years ended June 30, 2016 and the two preceding years are shown in the following table.

Three-Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable (Asset)
June 30, 2016	$ 1,036,000	$ 1,238,948	119.59%	$ (202,948)
June 30, 2015	1,007,000	1,172,402	116.43%	-
June 30, 2014	981,000	939,395	95.76%	165,402

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

Actuarial Methods and Assumptions

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

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

Actuarial Methods and Assumptions (Continued)

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

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of increasing payroll
Remaining amortization period	26 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	6.25%
Projected salary increase	3.5% of covered payroll
Inflation - discount rate	3.00%
Health care trend rate	Based on premiums declining 0.5% annually

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

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

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

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

Changes in the net pension liability and the related deferred outflows and inflows of resources for the year ended June 30, 2015 were as follows:

Type of Account	Balance as of July 1, 2014 (As Restated)	Additions	Deletions	Balance as of June 30, 2015
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 956,337	$ 808,084	$ (956,337)	$ 808,084
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	11,019	-	(2,900)	8,119
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	151,352	(39,830)	111,522
Total deferred outflows of resources	$ 967,356	$ 959,436	$ (999,067)	$ 927,725
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 9,877,080	$ -	$ (2,648,325)	$ 7,228,755
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ -	$ 3,036,496	$ (607,299)	$ 2,429,197
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	157,927	-	(41,560)	116,367
Total deferred inflows of resources	$ 157,927	$ 3,036,496	$ (648,859)	$ 2,545,564

General Information about the Pension Plans

The Plans Description Schedule

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

	Miscellaneous Plans	
	Classic Tier 1	**PEPRA Tier 2**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 60	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.0% to 2.5%
Required member contribution rates	8.000%	6.237%
Required employer contribution rates – FY 2015	16.786%	6.237%
Required employer contribution rates – FY 2014	15.724%	6.237%

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

General Information about the Pension Plans (Continued)

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

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

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

At June 30, 2014 (Valuation Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	Classic Tier 1	PEPRA Tier 2	Total
Active members	55	4	59
Transferred and terminated members	23	1	24
Retired members and beneficiaries	54	-	54
Total plan members	132	5	137

Benefits Provided

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

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

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

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

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2015 and 2014 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

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

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

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

General Information about the Pension Plans (Continued)

Contributions (Continued)

Contributions for the year ended June 30, 2015 were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 787,431	$ 20,653	$ 808,084
Contributions – members	380,178	20,555	400,733
Total contributions	$ 1,167,609	$ 41,208	$ 1,208,817

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

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement periods ending June 30, 2015 and 2014 (Measurement Dates), the total pension liability was determined by rolling forward the June 30, 2014 and 2013 total pension liabilities. The June 30, 2015, 2014 and 2013 total pension liabilities were based on the following actuarial methods and assumptions:

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

All other actuarial assumptions used in the June 30, 2015 and 2014 Valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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

Discount Rate (Continued)

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

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

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

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

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

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2015 Valuation Date as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.65%**	**Current Discount Rate 7.650%**	**Discount Rate + 1% 8.65%**
CalPERS – Miscellaneous Plan	14,441,629	$ 8,304,443	$ 3,237,483

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate for the June 30, 2014 Valuation Date as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.50%**	**Current Discount Rate 7.50%**	**Discount Rate + 1% 8.50%**
CalPERS – Miscellaneous Plan	$ 12,879,407	$ 7,228,755	$ 2,539,251

Pension Plan Fiduciary Net Position

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

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

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

Proportionate Share of Net Pension Liability and Pension Expense

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

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

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2015:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2013 (Valuation Date)	$ 40,201,726	$ 30,324,646	$ 9,877,080
Balance as of June 30, 2014 (Measurement Date)	$ 42,594,116	$ 35,365,361	$ 7,228,755
Change in Plan Net Pension Liability	$ 2,392,390	$ 5,040,715	$ (2,648,325)

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

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

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

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

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014 and 2013). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015 and 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15 fiscal year and the 2013-14 fiscal year).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

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

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

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

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

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

The District's proportionate share of the net pension liability for the June 30, 2014 measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2015	**Fiscal Year Ending June 30, 2014**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2014	June 30, 2013	
Percentage of Risk Pool Net Pension Liability	0.292486%	0.301436%	-0.008950%
Percentage of Plan (PERF C) Net Pension Liability	0.116172%	0.122529%	-0.006357%

For the years ended June 30, 2016 and 2015, the District recognized pension expense in the amounts of $631,654 and $587,027, respectively, for the CalPERS Miscellaneous Plan.

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

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

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

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 and 2013-14 measurement periods is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

The District will recognize $978,212 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 58,806	$ 578,974
2018	50,838	571,241
2019	15,178	470,520
2020	-	(322,109)
Total	$ 124,822	$ 1,298,626

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 808,084	$ -
Differences between projected and actual earnings on pension plan investments	8,119	116,367
Difference between actual and proportionate share of employer contributions	-	2,429,197
Adjustment due to differences in proportions	111,522	-
Total Deferred Outflows/(Inflows) of Resources	$ 927,725	$ 2,545,564

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

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

Note 9 – Loans Payable

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

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

Summary changes in long-term debt balances for the years ended June 30, 2015 were as follows:

Description	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amount Due Within One Year	Amount Due In More Than One Year
Loans payable:						
SRF Loan – Phase I, Segment 1	$ -	$ 54,050	$ -	$ 54,050	$ -	$ 54,050
SRF Loan – Phase I, Segment 2	-	20,919	-	20,919	-	20,919
SRF Loan – Phase I, Segment 3	-	-	-	-	-	-
SRF Loan – Recycled Water Upgrades	-	-	-	-	-	-
Total loans payable	$ -	$ 74,969	$ -	$ 74,969	$ -	$ 74,969

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 $4,093,086 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2016, eligible costs for reimbursement were $61,959 and accrued as a long-term debt liability on the financial statements. Principal and interest payments are due and payable on June 30th each year as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 2,575	$ 1,178	$ 3,753
2018	2,625	1,128	3,753
2019	2,674	1,079	3,753
2020	2,725	1,028	3,753
2021	2,777	976	3,753
2022-2026	14,695	4,070	18,765
2027-2031	16,147	2,618	18,765
2032-2036	17,741	1,024	18,765
Total	$ 61,959	$ 13,101	$ 75,060

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

In 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed $2,881,758 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2016, eligible costs for reimbursement were $267,134 and accrued as a long-term debt liability on the financial statements.

Note 9 – Loans Payable (Continued)

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

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed $10,829,156 with an interest rate of 1.90% per annum for capital projects. As of June 30, 2016, eligible costs for reimbursement were $474,567 and accrued as a long-term debt liability on the financial statements.

SRF Loan Payable – Recycled Water Reliability Upgrades

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed $26,457,093 with an interest rate of 1.00% per annum for capital projects. As of June 30, 2016, eligible costs for reimbursement were $1,759,640 and accrued as a long-term debt liability on the financial statements.

Note 10 – Net Investment in Capital Assets

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

Description	June 30, 2016	June 30, 2015
Net investment in capital assets:		
Capital assets – not being depreciated	$ 20,959,724	$ 4,702,911
Capital assets, net – being depreciated	61,610,327	62,858,681
Loans payable – current	(2,575)	-
Loans payable – non-current	(2,560,725)	(74,969)
Total net investment in capital assets	$ 80,006,751	$ 67,486,623

Note 11 – Prior Period Adjustment

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

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

Note 12 – Deferred Compensation Savings Plan

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

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

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

Note 13 – Risk Management

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

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

Note 14 – Commitments and Contingencies

West County Agency – A Joint Venture

The West County Agency (Agency) operates under a joint exercise of powers agreement between the District, the City of Richmond and the Richmond Municipal Sewer District. The Agency is a joint-venture, which is legally separate from its participants and is governed by a Board of Directors appointed by and from the governing boards of its member agencies. The Board of Directors establishes the Agency's operating budget, which is a cost sharing of pipeline maintenance expenses, sets the contributions required from each of the member agencies and exercises the other powers specified in the joint exercise of powers agreement. Agency assets are held separately from the District's assets, and the Agency does not hold any significant assets or liabilities at this time. As of June 30, 2016 and 2015, the Agency has an unrestricted net position of $43,964 and $33,472. For more detail, the financial statements of the Agency are available at the District's office.

Note 14 – Commitments and Contingencies (Continued)

Grant Awards

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

Litigation

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

San Francisco Baykeeper and West County Toxins Coalition Settlement

As part of this settlement agreement, the District is required to spend a total of $5.0 million in capital improvements on its sewer collection system by June 30, 2016. The settlement agreement also requires that the District fund a private sewer lateral replacement program in the amount of $250,000 each fiscal year until the year ended June 30, 2016. The District complied with the settlement agreement in 2016.

REQUIRED SUPPLEMENTARY INFORMATION

West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	June 30, 2015[1]	June 30, 2014[1]
District's Proportion of the Net Pension Liability	0.120987%	0.116172%
District's Proportionate Share of the Net Pension Liability	$ 8,304,443	$ 7,228,755
District's Covered-Employee Payroll	$ 5,320,757	$ 4,275,865
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	156.08%	169.06%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.57%	83.03%

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

West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

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

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

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

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

Notes to the Schedule:

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

West County Wastewater District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefits Plan
For the Years Ended June 30, 2016 and 2015

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2016	$ 5,219,000	$ 9,806,000	$ 4,587,000	53.22%	$ 5,264,000	87.14%
June 30, 2013	$ 2,495,000	$ 9,614,000	$ 7,119,000	25.95%	$ 4,121,000	172.75%
January 1, 2011	$ 601,100	$ 6,962,700	$ 6,361,600	8.63%	$ 4,521,400	140.70%
January 1, 2008	$ -	$ 6,747,000	$ 6,747,000	0.00%	$ 3,900,000	173.00%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan.

STATISTICAL INFORMATION

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WEST COUNTY WASTEWATER DISTRICT
STATISTICAL SECTION

TABLE OF CONTENTS

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

WEST COUNTY WASTEWATER DISTRICT
STATISTICAL SECTION - INTRODUCTION

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

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

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

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

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

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

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

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

Change in Net Position	**2016**	**2015**	**2014**	**2013**	**2012**
Operating Revenues:					
Service charges	$ 17,329,830	$ 15,650,703	$ 14,107,559	$ 13,898,997	$ 12,239,921
Sewer fees	323,398	341,778	80,326	141,039	99,781
Toll zone fees	33,237	36,040	5,960	8,012	38,707
Service contracts	286,017	329,339	316,961	545,286	322,998
Total operating revenue	17,972,482	16,357,860	14,510,806	14,593,334	12,701,407
Operating Expenses:					
Sewage collection	3,815,139	3,768,123	3,639,837	3,372,341	2,908,773
Sewage treatment	5,976,699	5,704,464	5,208,478	6,798,874	5,712,477
Administration - general	2,631,540	2,740,638	2,868,589	2,935,722	2,554,171
Service contracts	272,421	303,888	269,874	474,623	287,977
West County Agency	148,541	107,463	133,670	172,391	105,041
Depreciation	3,119,615	3,222,967	2,940,249	2,921,783	2,735,155
Total operating expenses	15,963,955	15,847,543	15,060,697	16,675,734	14,303,594
Operating Income (Loss)	2,008,527	510,317	(549,891)	(2,082,400)	(1,602,187)
Non-Operating Revenue (Expenses):					
Taxes	1,119,870	1,115,669	910,446	773,092	808,759
Interest income	70,451	43,743	34,712	30,257	49,106
Rents and leases	353,536	258,827	341,007	155,448	199,974
Other non-operating revenues (expenses)	123,453	(2,275,124)	67,385	196,082	(256,871)
Total non-operating revenues (expenses)	1,667,310	(856,885)	1,353,550	1,154,879	800,968
Increase (decrease) before contributions	3,675,837	(346,568)	803,659	(927,521)	(801,219)
Capital contributions	419,397	780,493	196,518	167,916	153,929
Contributed sewer lines					
Subtotal	419,397	780,493	196,518	167,916	153,929
CHANGE IN NET POSITION	4,095,234	433,925	1,000,177	(759,605)	(647,290)
Net Position - Beginning	77,437,169	86,070,895	85,070,718	85,830,323	86,477,613
Prior period adjustments		(9,067,651)			
Net Position - Ending	**$ 81,532,403**	**$ 77,437,169**	**$ 86,070,895**	**$ 85,070,718**	**$ 85,830,323**

Continued on page 62

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

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

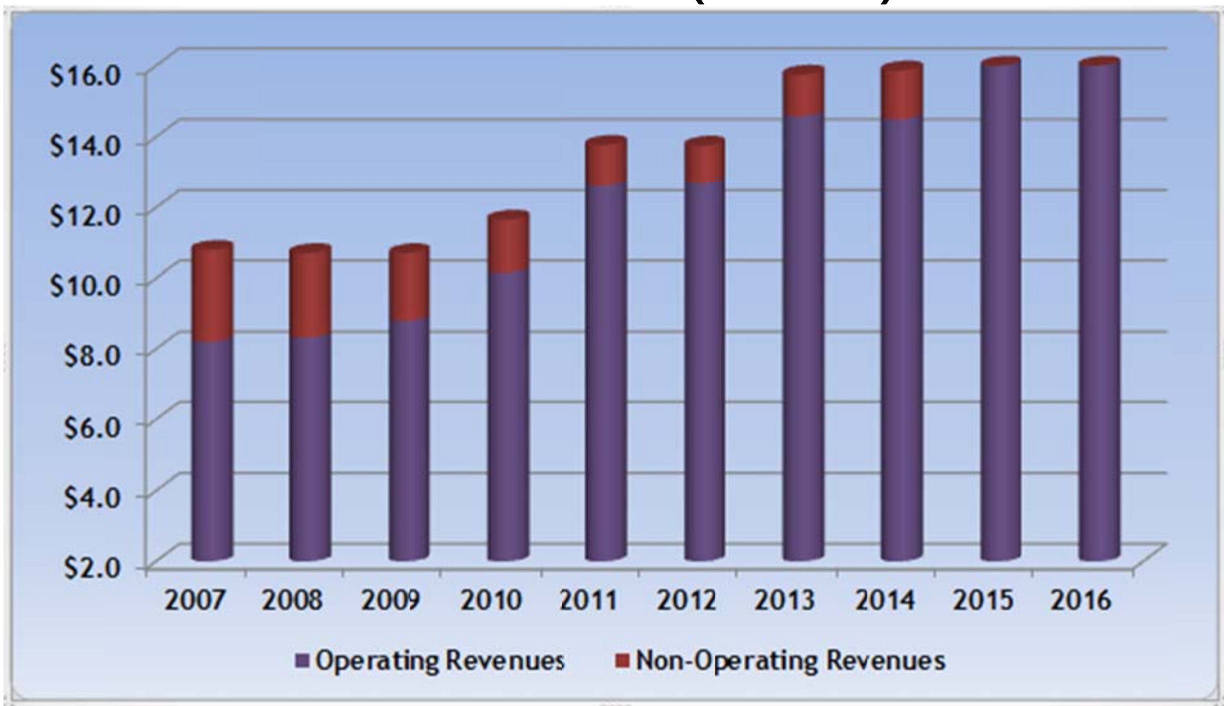
Change in Net Position	2011	2010	2009	2008	2007
Operating Revenues:					
Service charges	$ 12,182,304	$ 9,845,595	8,518,032	8,021,917	7,685,540
Sewer fees	106,732	116,436	121,265	122,555	83,568
Toll zone fees	5,392	61,878	9,513	20,278	120,140
Service contracts	338,434	134,890	154,732	168,319	319,789
Total operating revenue	12,632,862	10,158,799	8,803,542	8,333,069	8,209,037
Operating Expenses:					
Sewage collection	3,176,367	2,847,920	2,655,270	2,498,797	2,110,224
Sewage treatment	5,940,831	6,023,821	5,131,650	5,126,766	4,646,701
Administration - general	2,515,705	2,713,479	2,062,106	1,840,392	2,061,453
Service contracts	239,973	55,756	69,787	67,415	48,636
West County Agency	148,273	91,085	125,365	122,760	167,961
Depreciation	2,856,717	2,814,261	2,747,202	2,694,193	2,605,453
Total operating expenses	14,877,866	14,546,322	12,791,380	12,350,323	11,640,428
Operating Income (Loss)	(2,245,004)	(4,387,523)	(3,987,838)	(4,017,254)	(3,431,391)
Non-Operating Revenue (Expenses):					
Taxes	834,524	100,077	457,834	930,153	1,229,769
Interest income	64,645	940,733	1,052,082	1,052,159	1,045,765
Rents and leases	246,948	170,448	89,169	87,576	87,676
Other non-operating revenues (expenses)	(108,804)	286,370	303,302	304,315	210,888
Total non-operating revenues (expenses)	1,037,313	1,497,628	1,902,387	2,374,203	2,574,098
Increase (decrease) before contribution	(1,207,691)	(2,889,895)	(2,085,451)	(1,643,051)	(857,293)
Capital contributions	1,068,927	417,696	137,492	277,289	357,839
Contributed sewer lines		541,844	107,000	1,458,000	
Subtotal	1,068,927	959,540	244,492	1,735,289	357,839
CHANGE IN NET POSITION	(138,764)	(1,930,355)	(1,840,959)	92,238	(499,454)
Net Position - Beginning	86,616,377	88,546,732	90,387,691	90,295,453	90,794,907
Net Position - Ending	**$ 86,477,613**	**$ 86,616,377**	**$ 88,546,732**	**$ 90,387,691**	**$ 90,295,453**
Balance Sheet	**2011**	**2010**	**2009**	**2008**	**2007**
Invested in Capital Assets	$ 69,663,380	$ 68,847,559	$ 67,628,792	$68,067,208	$67,083,656
Unrestricted	16,814,233	17,782,818	20,917,940	22,320,483	23,211,797
Total Net Position	**$ 86,477,613**	**$ 86,630,377**	**$ 88,546,732**	**$ 90,387,691**	**$ 90,295,453**

Source: West County Wastewater District Audited Financial Statements

Continued from page 61

WEST COUNTY WASTEWATER DISTRICT
FINANCIAL TRENDS
REVENUES BY TYPE
Last Ten Fiscal Years

Combined Revenues (in millions)



Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
FINANCIAL TRENDS
REVENUES BY TYPE
Last Ten Fiscal Years

OPERATING REVENUES

FYE June 30	Sewer Service Charges	Sewer Fees	Service Contracts	Other	Total Operating
2007	7,685,540	83,568	319,789	120,140	8,209,037
2008	8,021,917	122,555	168,319	20,278	8,333,069
2009	8,518,032	121,265	154,732	9,513	8,803,542
2010	9,845,595	116,436	134,890	61,878	10,158,799
2011	12,182,304	106,732	338,434	5,392	12,632,862
2012	12,239,921	99,781	322,998	38,707	12,701,407
2013	13,898,997	141,039	545,286	8,012	14,593,334
2014	14,107,559	80,326	316,961	5,960	14,510,806
2015	15,650,703	341,778	329,339	36,040	16,357,860
2016	17,329,830	323,398	286,017	33,237	17,972,482

Source: West County Wastewater District Audited Financial Statements

NON-OPERATING REVENUES

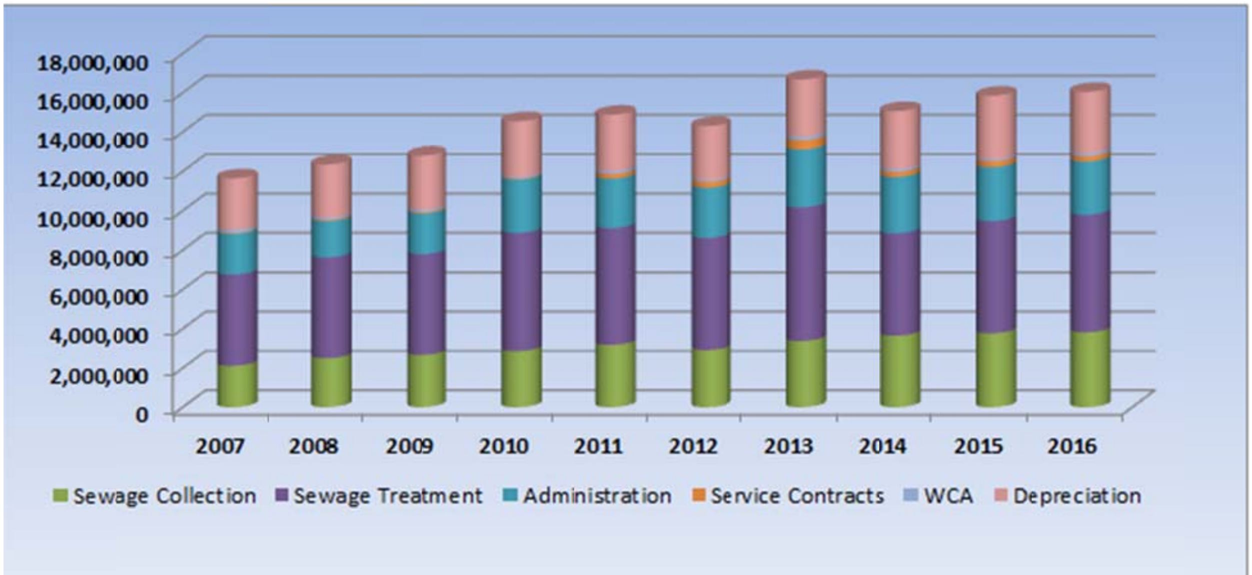
NON-OPERATING REVENUES

FYE June 30	Taxes	Investment Income	Rents & Leases	Other	Total Non-Operating
2006	266,153	878,460	84,597	328,205	1,557,415
2007	1,045,765	1,229,769	87,676	224,266	2,587,476
2008	1,052,159	930,153	87,576	304,979	2,374,867
2009	1,052,082	457,834	89,169	303,302	1,902,387
2010	940,733	100,077	170,448	286,370	1,497,628
2011	834,524	64,645	246,948	-	1,146,117
2012	808,759	49,106	199,974	-	1,057,839
2013	773,092	30,257	155,448	196,082	1,154,879
2014	910,446	34,712	341,007	67,385	1,353,550
2015	1,115,669	43,564	258,827	48,698	1,466,758

Source: West County Wastewater District Audited Financial Statements

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

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



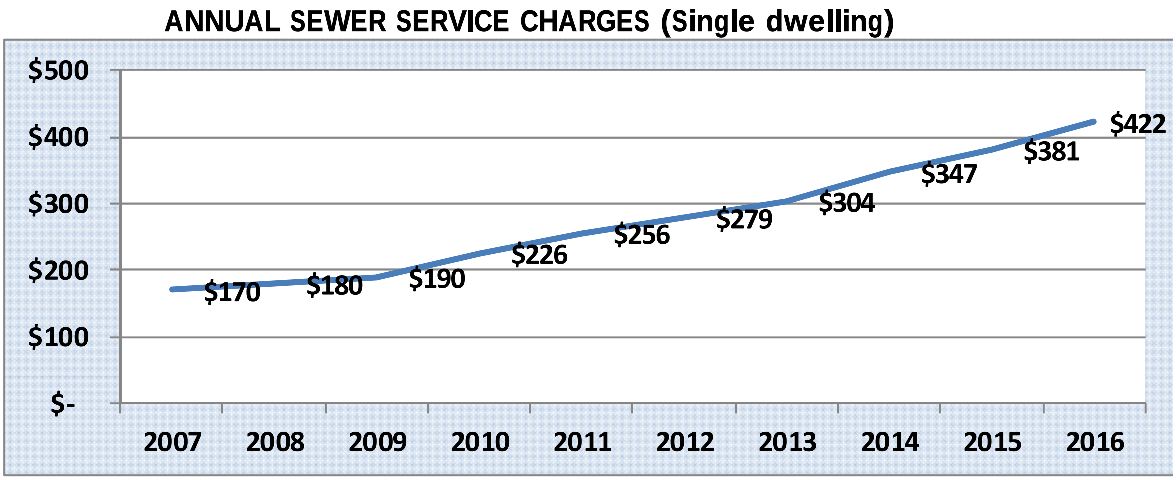
Source: West County Wastewater District Audited Financial Statements

OPERATING EXPENSES

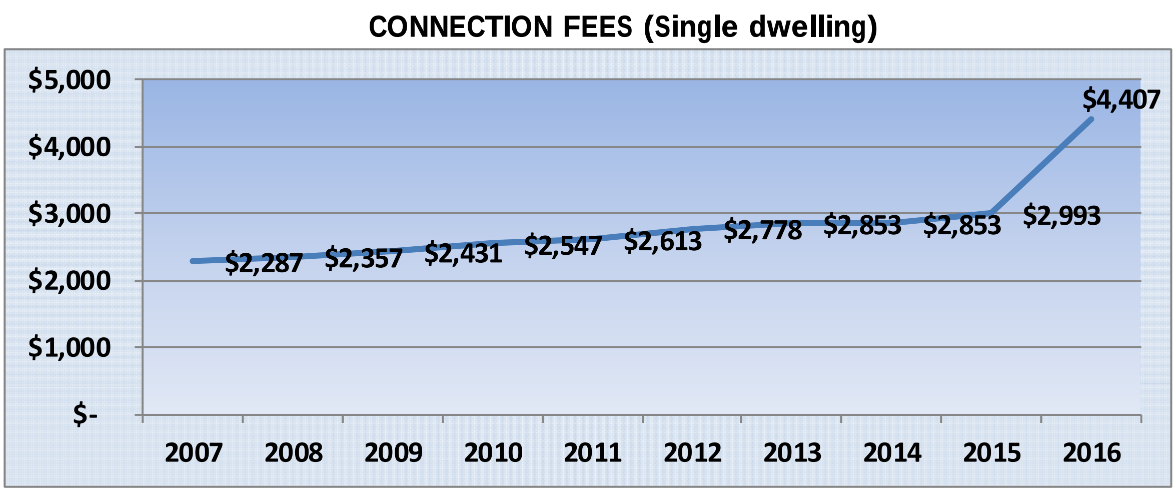
FYE June 30	Sewage Collection	Sewage Treatment	Administration	Service Contracts	WCA	Depreciation	Total
2007	2,110,224	4,646,701	2,061,453	48,636	167,961	2,605,453	11,640,428
2008	2,498,797	5,126,766	1,840,392	67,415	122,760	2,694,193	12,350,323
2009	2,655,270	5,131,650	2,062,106	69,787	125,365	2,747,202	12,791,380
2010	2,847,920	6,023,821	2,713,479	55,756	91,085	2,814,261	14,546,322
2011	3,176,367	5,940,831	2,515,705	239,973	148,273	2,856,717	14,877,866
2012	2,908,773	5,712,477	2,554,171	287,977	105,041	2,735,155	14,303,594
2013	3,372,341	6,798,874	2,935,722	474,623	172,391	2,921,783	16,675,734
2014	3,639,837	5,208,478	2,868,589	269,874	133,670	2,940,249	15,060,697
2015	3,768,123	5,704,464	2,740,638	303,888	107,463	3,222,967	15,847,543
2016	3,815,139	5,976,699	2,631,540	272,421	148,541	3,119,615	15,963,955

Source: West County Wastewater District Audited Financial Statements

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



Source: West County Wastewater District Audited Financial Statements
Note: All residential accounts pay a flat sewer service charge per household. Charges for commercial users consist of an annual rate based upon measured volume of water usage.



Source: West County Wastewater District Audited Financial Statements
Note: New customers who are connected to the wastewater system are charged a connection fee.

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

		FYE 6/30/16			FYE 6/30/06		
Customer	**Type of Business**	**Sewer Use Charge**	**Rank**	**% of SUC**	**Sewer Use Charge**	**Rank**	**% of SUC**
East Bay MUD	Industrial	956,848	1	5.5%	879,952	1	11.1%
Guardian & KW Hilltop LLC	Multi-family residential	371,952	2	2.1%			
Richmond Essex LP	Multi-family residential	159,408	3	0.9%	73,610	4	0.9%
Menlo Westridge Afford Partners	Multi-family residential	147,600	4	0.9%			
West County Justice Center	Public Agency	133,882	5		41,339	9	0.5%
FF Hills LP	Multi-family residential	126,198	6	0.7%			
Steadfast Hilltop Commons LP	Multi-family residential	119,556	7	0.7%	55,080	6	0.7%
CCC Junior College District	College	94,277	8	0.5%			
Pacific Mobile IV LP	Mobile Home Park	92,250	9	0.5%			
US REIF Sierra Ridge CA LP	Multi-family residential	88,560	10	0.5%			
Hilltop Bayview	Multi-family residential				171,530	2	2.2%
Quality Carriers, Inc.	Light Industry				43,196	3	0.5%
Berlex Laboratories, Inc.	Light Industry				74,783	5	0.9%
Hilltop Mall	Commercial/Restaurants				61,445	7	0.8%
Prime Richmond Housing	Multi-family residential				40,970	8	0.5%
Richmond Tides Owner	Multi-family residential				34,170	10	0.4%
Total		2,290,531		12.4%	1,476,075		18.5%

Source: West County Wastewater District Audited Financial Statements

	FYE 6/30/16		FYE 6/30/06	
Sewer Use Charge Customer Type	**Sewer Revenue**	**% of Total**	**Sewer Revenue**	**% of Total**
Residential	$ 13,666,543	78.9%	$ 5,607,503	70.5%
Commercial	2,317,349	13.4%	1,337,315	16.8%
Industrial	1,345,939	7.8%	1,012,988	12.7%
Total	$ 17,329,830	100.0%	$ 7,957,806	100.0%

Source: West County Wastewater District Audited Financial Statements

WEST COUNTY WASTEWATER DISTRICT
REVENUE CAPACITY
PROPERTY TAX INFORMATION
Last Ten Fiscal Years

Assessed Valuation of Taxable Property within the District

FYE June 30	County Secured	County Unsecured	Total	% Change
2007	7,935,845,839	184,637,848	8,120,483,687	8.8%
2008	7,796,654,291	194,438,391	7,991,092,682	-1.6%
2009	7,814,586,596	194,885,599	8,009,472,195	0.2%
2010	6,923,619,975	204,168,534	7,127,788,509	-11.0%
2011	6,555,576,933	195,169,554	6,750,746,487	-5.3%
2012	6,135,176,625	232,644,475	6,367,821,100	-5.7%
2013	5,967,088,206	179,265,098	6,146,353,304	-3.5%
2014	6,747,353,358	184,879,011	6,932,232,369	12.8%
2015	7,353,634,711	204,228,652	7,557,863,363	9.0%
2016	7,807,279,457	205,324,590	8,012,604,047	6.0%

Source: Contra Costa County Auditor-Controller

Property Tax and Sewer Service Charge Fees Collected

FYE June 30	Property Tax	Sewer Service Charges
2007	1,045,765	7,685,540
2008	1,052,159	8,021,917
2009	1,052,095	8,518,032
2010	940,733	9,845,595
2011	725,719	12,182,304
2012	808,759	12,239,921
2013	749,228	13,898,997
2014	910,446	14,107,559
2015	1,115,669	15,650,703
2016	1,119,870	17,329,830

Source: West County Wastewater District Audited Financial Statements
Note: In FY10, Proposition 1A shifted a portion of the District property tax revenues to the State. In FY11, a settlement by Contra Costa County with Chevron reduced property tax revenue.

West County Wastewater District
Schedule of Capacity Charges
For the Year Ended June 30, 2016

Beginning Balance July 1, 2015	677,564
Capacity charge fee revenue received during the year:	
Connection fees	82,111
Flow zone fees	33,237
Toll zone 6	544
Capacity charge revenue for the FY	115,893
Interest earned on investments	2,039
Capacity construction project cost incurred during the year:	
Market Street Sewer Replacement Project 14CS204*	(795,495)
Ending Balance June 30, 2016	-

* Total cost of Project 14CS204 was $941,711.

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

Debt capacity

The District's ability to borrow is dependent upon the capacity to increase sewer usage fees to pay for the proposed debt. The District is committed to balancing the costs of operations, maintenance, and environmental compliance with the goal of minimizing the burden on ratepayers. The District has no current legal debt limit and there is no maximum allowable amount of debt that the District may borrow.

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

Loan Agreement #	Repayment Dates Start	End	Interest Rate	Loan Available	Loan Amount
13-840-550-0	5/6/2017	5/6/2036	1.90%	4,093,086	61,959
13-841-550-0	4/11/2019	4/11/2038	1.90%	2,881,758	267,134
13-842-550-0	8/30/2018	8/30/2037	1.90%	10,829,156	474,568
14-837-550-0	6/3/2018	6/3/2037	1.00%	26,457,093	1,759,640
Total as of 6/30/16				44,261,093	2,563,301

Repayment Schedule*:	Principal	Interest	Total
FYE 6/30/17	304,679	109,600	414,279
FYE 6/30/18	1,683,403	492,015	2,175,419
FYE 6/30/19	1,860,685	525,272	2,385,957
FYE 6/30/20	2,032,521	532,987	2,565,508
FYE 6/30/21	2,044,721	520,787	2,565,508
FYE 6/30/22	2,072,262	493,246	2,565,508
FYE 6/30/23	2,100,213	465,295	2,565,508
FYE 6/30/24	2,128,580	436,928	2,565,508
FYE 6/30/25	2,157,372	408,136	2,565,508
FYE 6/30/26	2,186,594	378,914	2,565,508
Thereafter	25,690,062	2,109,011	27,799,074
Total	44,261,093	6,472,193	50,733,286

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

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

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC AND ECONOMIC INFORMATION
Ten Fiscal Years

District Population, Income and Unemployment

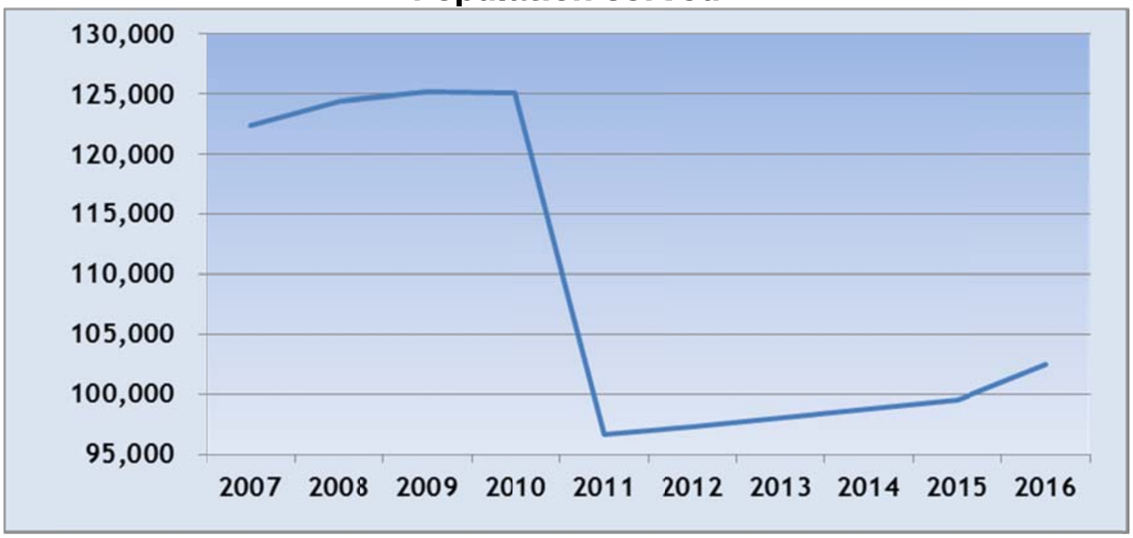
Fiscal Year	District Population	Total Personal Income (A)	Per Capita Personal Income	Average County Unemployment Rate (B)	Contra Costa County Population	District Population as % of County
2007	122,405	7,084,923,805	57,881	4.7%	1,035,097	11.8%
2008	124,398	7,199,409,852	57,874	6.1%	1,048,185	11.9%
2009	125,236	7,101,276,754	56,703	10.5%	1,061,325	11.8%
2010	125,096	6,938,449,640	55,465	11.2%	1,049,025	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	7,368,509,383	71,901	4.9%	1,123,429	9.1%

Sources:
* Population: State of California, Department of Finance, Demographic Research Unit, including adjustments, as of January 2016, 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 2016
* Unemployment Rate: State of California, Employment Development Department, as of June 2016

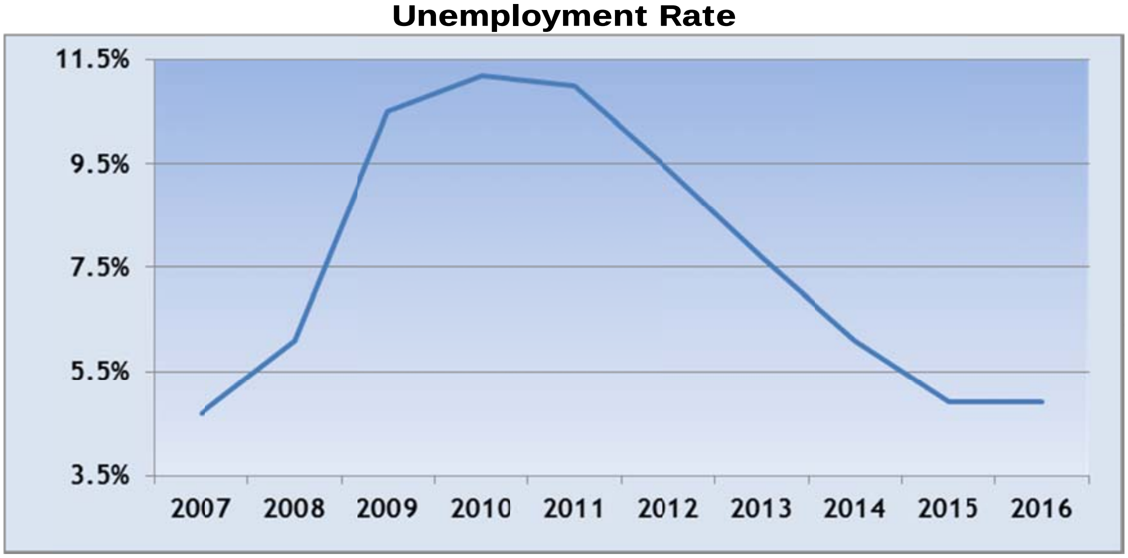
Notes:
(A) Data calculated by multiplying District population by Per Capita Personal Income
(B) Data presented for Contra Costa County – data not available at the District level.

WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC AND ECONOMIC INFORMATION
Ten Fiscal Years

Population Served

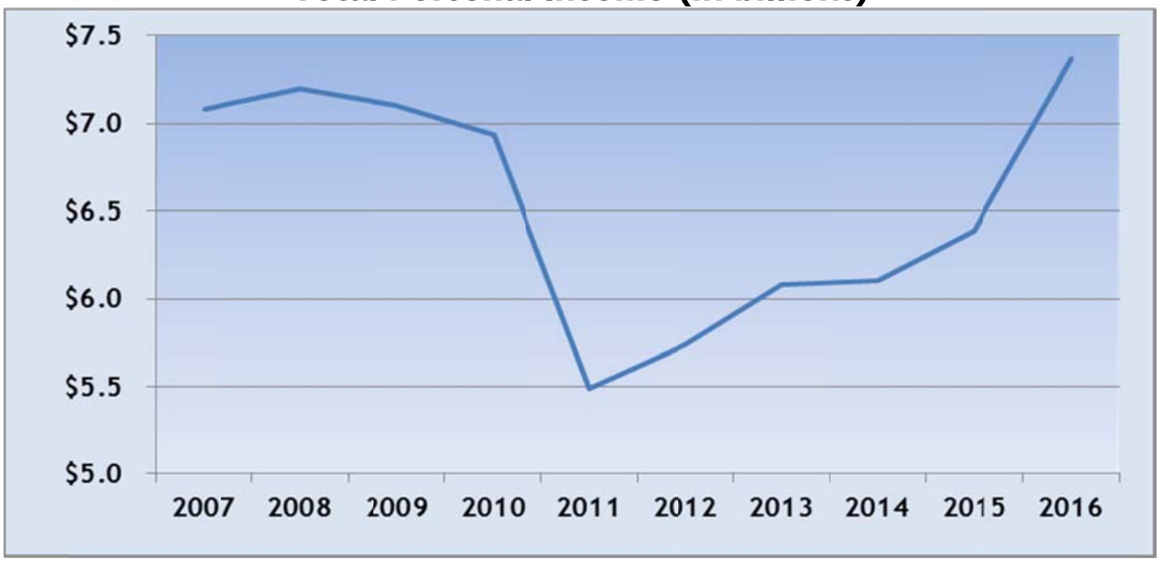


Unemployment Rate

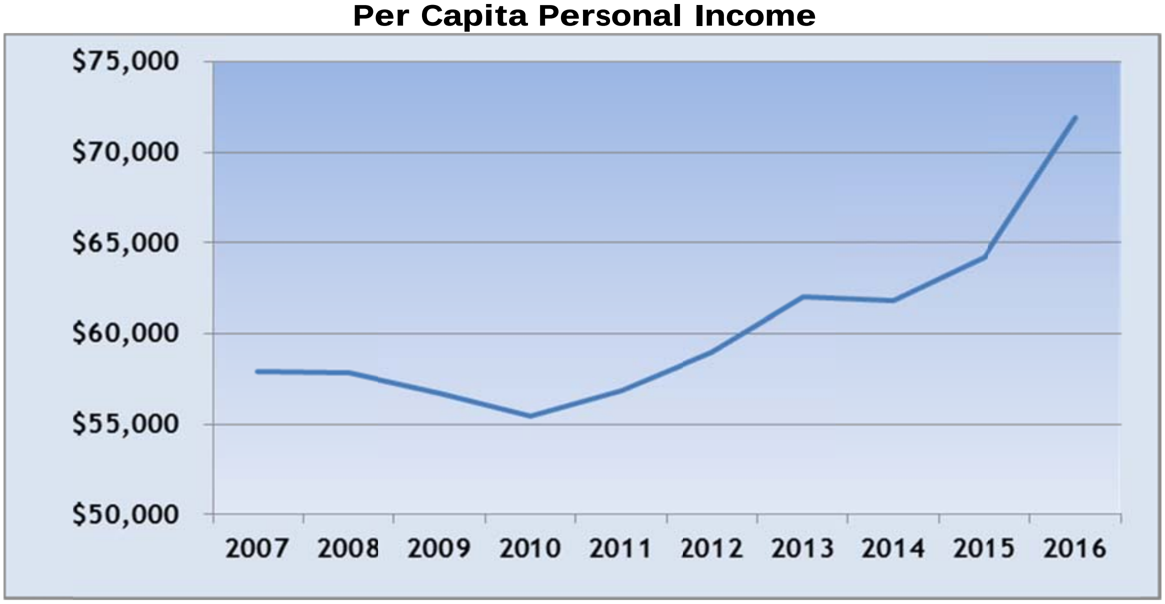


WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC AND ECONOMIC INFORMATION
Ten Fiscal Years

Total Personal Income (in billions)



Per Capita Personal Income



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

	FYE 6/30/15			FYE 6/30/06		
Employer	**Number of Employees**	**Rank**	**% of Total District Employment**	**Number of Employees**	**Rank**	**% of Total District Employment**
Chevron Refinery	3,456	1	3.0%	2,461	1	2.2%
West Contra Costa USD	1,962	2	1.7%			
Social Security Administration	1,276	3	1.1%			
U. S. Postal Service	1,050	4	0.9%			
Contra Costa County	850	5	0.7%			
City of Richmond	703	6	0.6%			
Permanente Medical Group	698	7	0.6%	732	3	0.6%
Kaiser Foundation Hospitals	607	8	0.5%			
Casino San Pablo	500	9	0.4%	534	4	0.5%
Contra Costa College	478	10	0.4%	486	5	0.4%
Doctors Medical Center				1,098	2	1.0%
Berlex, Inc.				413	6	0.4%
Costco Wholesale #482				325	7	0.3%
Macy's Hilltop				261	8	0.2%
CA Autism Foundation				250	9	0.2%
Palecek Imports, Inc.				220	10	0.2%
Subtotal	11,580		10.1%	6,780		5.9%
All Others	102,535		89.9%	107,501		94.1%
Total workforce	114,115		100.0%	114,281		100.0%

Source: Comprehensive Annual Financial Reports for Fiscal Year Ending June 30, 2015 for City of Richmond, City of San Pablo and City of Pinole. Data is not available for the fiscal year ending June 30, 2016.

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business Services										
Administration	8	8	9	9	9	11	11	11	8	8
Finance									4	4
Subtotal- Business Services	8	8	9	9	9	11	11	11	12	12
Engineering Services										
Engineering	6	6	6	6	6	6	8	9	9	9
Collection Systems	10	12	12	12	12	12	12	12	12	13
Subtotal- Engineering Services	16	18	18	18	18	18	20	21	21	22
Water Pollution Control Plant										
Enviornmental Compliance	5	5	5	5	5	5	5	5	4	4
Operations	13	13	12	12	12	12	11	11	11	11
Maintenance	10	10	10	10	10	9	9	9	9	9
Subtotal- WPCP	28	28	27	27	27	26	25	25	24	24
Total District	52	54	54	54	54	55	56	57	57	58

Source: West County Wastewater District Budget

WEST COUNTY WASTEWATER DISTRICT
OPERATING INFORMATION
Ten Fiscal Years

Engineering Permits Completed

Fiscal Year	Repairs	Single Family	Multi-Family	Commercial	Industrial	Misc.	Total
2007	132	190	-	-	1	5	328
2008	215	116	136	-	-	6	473
2009	534	27	-	13	-	-	574
2010	429	17	-	2	-	1	449
2011	186	-	-	1	-	-	187
2012	357	5	1	1	-	1	365
2013	328	2	-	3	1	1	335
2014	378	5	-	1	-	6	390
2015	445	15	-	2	-	2	464
2016	413	15	-	2	-	2	432

Collection System Activity

Fiscal Year	Pipeline Cleaning (1,000 Feet)	Video Inspections (1,000 Feet)	Number of Service Calls	Number of Main Stoppages	Number of Repairs
2007	1,698	163.1	226	13	64
2008	2,129	240.6	150	12	113
2009	2,223	227.4	157	19	78
2010	2,176	232.4	116	14	54
2011	2,410	271.7	141	11	59
2012	2,077	295.9	122	13	72
2013	2,101	326.4	136	11	121
2014	2,030	372.4	163	15	99
2015	2,175	345.5	154	15	101
2016	1,861	158.3	131	14	45

WEST COUNTY WASTEWATER DISTRICT
OPERATING INFORMATION
Ten Fiscal Years

Treatment Plant Activity

Fiscal Year	Effluent Flow (Million Gallons)	Effluent BOD (mg/L)	Effluent TSS (mg/L)	Electricity Used (MWh)	Gas Produced (k ft3)
2007	3,058	6.5	8.0	5,280	52,765
2008	3,020	6.5	11.0	5,779	40,265
2009	2,793	7.9	11.2	4,831	33,793
2010	2,957	7.5	10.2	4,919	37,342
2011	3,258	6.6	8.5	5,218	42,798
2012	3,001	7.6	11.7	5,143	45,044
2013	2,898	6.1	8.0	5,156	45,532
2014	3,124	8.7	13.9	5,042	39,388
2015	2,763	7.3	9.8	5,446	41,332
2016	2,820	9.3	13.0	5,710	38,973

Facility Capacity Data

Fiscal Year	Sewer Gravity Pipeline Miles	Sewer Force Mains Miles	Pump Stations	Treatment Plant Permitted Capacity (ADWF) MGD*	Treatment Plant Amount in Use (ADWF) MGD*
2007	246.1	11.0	18	12.5	7.4
2008	246.1	10.9	18	12.5	**6.7
2009	246.1	10.9	18	12.5	**6.7
2010	246.1	10.9	18	12.5	**6.7
2011	248.9	10.3	18	12.5	7.1
2012	248.9	***5.5	17	12.5	7.7
2013	248.9	5.5	17	12.5	**6.8
2014	248.9	5.5	17	12.5	6.5
2015	248.9	5.5	17	12.5	6.3
2016	250.0	5.5	17	12.5	**5.9

Note: * ADWF=Average Dry Weather Flow; MGD=Millions of Gallons per Day

** Decrease due to drought conditions and water conservation imposed by East Bay Municipal Utility District.

*** The decrease in miles for force mains is due to a change in the interpretation of the definition of force main. The variance accounts for the removal of the outfall from the force main calculation.

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of the West County Wastewater District (District) as of June 30, 2016 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

The Pun Group, LLP

Walnut Creek, California
December 20, 2016