



WEST COUNTY WASTEWATER DISTRICT
Richmond, CA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2021**

**Prepared by:
Administrative Services Department**

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**WEST COUNTY WASTEWATER DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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INTRODUCTORY SECTION

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March 25, 2022

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

State statutes require an annual audit by an independent certified public accountant. This report is published to fulfill that requirement for the year ended June 30, 2021.

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 absolute, assurance that the financial statements are free of any material misstatement.

Cropper Accountancy Corporation, Certified Public Accountants, have issued an opinion on the West County Wastewater (WCW) financial statements for the year ended June 30, 2021. 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 auditors 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 WCW

WCW, formerly the San Pablo Sanitary District was organized on December 19, 1921 and reorganized under the Sanitary District Act of 1923. In 1978, WCW changed its name to West Contra Costa County Sanitary District and in 1992 changed the name again to West County Wastewater District. WCW has existed for 100 years to protect public health and the environment by safely and responsibly collecting and treating wastewater - keeping our community safe, while helping to make our planet better for future generations.

WCW is an independent special district and is not financially responsible for any other governmental entity nor is a component unit of another governmental entity.

WCW prepares a Two-Year Comprehensive Budget that is approved by the Board of Directors.

WCW is located in the western section of Contra Costa County approximately 20 miles northeast of San Francisco and 12 miles north of Oakland. WCW's service area encompasses 16.9 square miles all within Contra Costa County. Roughly 6.9 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 within unincorporated areas of Contra Costa County. WCW's service area is fairly hilly, typical of the California coastal region. The population of WCW is approximately 104,000. WCW contains approximately 35,000 parcels. WCW is governed by a five member Board of Directors elected by division for four-year staggered terms. The President is elected by members of the Board, each December, customarily for a one-year term of the office. WCW's daily functions are administered by a General Manager who serves at the pleasure of the Board of Directors.

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

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

LOCAL ECONOMY

According to the State of California's Legislative Analyst's Office's (LAO), revenues are growing at historical rates despite the ongoing global pandemic and its disparate health and economic impacts on Californians. The unemployment rate in Contra Costa County, while at historical highs, was at 7% in June 2021 compared to 12.9% in June 2020 and marked improvement year over year.

In the months following the close of FY 2021, consumer demand met with continued production and transport constraints of many goods has led to higher-than-normal growth in the prices of many goods and services. Since June 2021, annual price inflation has exceeded 5% compared to an average of 2% over the last decade.

WCW's Board of Directors maintains sound fiscal policies and closely monitors expenses. In FY 2021 WCW's Board of Directors maintained the Environmental Quality (Sewer Use) Charge at \$639 per single family residence. In June 2021 the Board adopted a new five year sewer rate plan that would start in FY 2022.

LONG TERM PLANNING

Environmental Quality (Sewer Use) Charge revenues are the main source of revenue for WCW. WCW mostly funds capital replacement costs through operating revenues. WCW has established various reserves including; Insurance Funds Reserve, State Revolving Loan Fund Reserve, and Operating and Capital Reserves. WCW's Board of Directors reviews reserve levels annually as part of the budget process to determine

whether the levels established provide for the financial security required of a fiscally responsible local government.

In addition to the Environmental Quality (Sewer Use) Charge, other sources of revenues include; fees for new connections, permits and inspections, land leases, contract services, property taxes, and interest, any of which may be used to fund capital asset additions and replacements. WCW has secured low interest loans and grants from the State Water Resources Control Board to provide funding for certain capital projects.

RELEVANT FINANCIAL POLICIES

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

MAJOR INITIATIVES

In FY 2021 the Board of Directors directed staff to negotiate and Energy Services Contract with an Energy Services Company to develop a Comprehensive Sustainability and Energy Upgrades project. This new project plan will be one of the largest infrastructure projects WCW's history, totaling nearly \$80 million and will realize significant operational savings once complete. Staff worked on a financing plan and the Board of Directors has taken steps to issue \$90 million in debt to fund the project.

AWARDS AND ACKNOWLEDGEMENT

In recognition of its outstanding work, WCW has achieved Platinum and Gold awards from the National Association of Clean Water Agencies (NACWA) for 17 consecutive years in recognition of compliance with its National Pollutant Discharge Elimination System (NPDES) permit.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to WCW for its annual comprehensive financial report (ACFR) for the fiscal year ending June 30, 2020. This was the 22nd consecutive year that WCW has been recognized for its financial reporting. In order to be awarded, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period on one year only. We believe that our current ACFR continued to meet the certificate of Achievements Program's requirement and we submitting this ACFR to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the members of the Administrative Services Department. Management wishes to express its appreciation to all staff that assisted and contributed to the preparation of this report, especially, Yukiko Schroth and Jessie Kim.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Justin Lovell". The signature is fluid and cursive, with the first name "Justin" and last name "Lovell" clearly distinguishable.

Justin Lovell
Director of Administrative Services

WCW received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement award for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2020.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**West County Wastewater District
California**

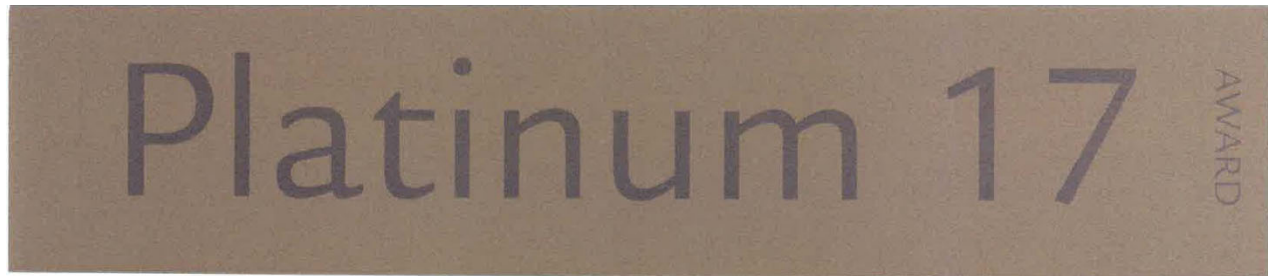
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

WCW received the National Association of Clean Water Agencies (NACWA) Platinum 17 Peak Performance Award in recognition of seventeen years of complete and consistent National Pollutant Discharge Elimination System (NPDES) permit compliance.



The National Association of Clean Water Agencies
is pleased to present this award to

West County Wastewater District, CA
Water Pollution Control Plant

in recognition of seventeen years of complete and consistent National
Pollutant Discharge Elimination System permit compliance.


Adam Krantz, NACWA Chief Executive Officer

October 28, 2020
Date Issued



WEST COUNTY WASTEWATER

Mission Statement, Vision Statement, Core Values and Strategic Goals

Mission Statement

The Mission Statement defines WCW's purpose. It describes what we do, who we are doing it for, and how we do it. It is a path forward toward reaching our vision. It is the foundation of how our organization operates.

Our Mission: Protect public health through safe, responsible wastewater collection and treatment, recovering the water for reuse and promoting environmental stewardship for our community.

Vision

The Vision Statement is the aspirational description of how we see the future of our organization. It harnesses the Board of Directors' foresight into a single statement and inspires staff to be part of something bigger than themselves.

Our Vision: Create a holistic plan for environmental stewardship through efficient wastewater management, extensive community engagement, inspirational leadership and integrated partnerships

Core Values

WCW's Core Values describe our organization's culture. They are the tenets that describe the way WCW will achieve its vision and mission. Our philosophical approach is people over process:

- ***Service*** - Delivering value with humility, agility and reliability
- ***Trust*** - Starts with truth and ends with truth
- ***Collaboration*** - More than the sum of our parts
- ***Leadership*** - Be an example that inspires others
- ***Accountability*** - If it is to be, it's up to me
- ***Sustainability*** - Securing what we have for what will be

Strategic Goals

Strategic goals are informed by the vision and mission of WCW. They define the direction provided by the Board to staff in order to move WCW forward. Each strategic goal is a broad statement of what WCW hopes to achieve over the next five years. It is more qualitative than quantitative in nature.

WCW Goals are supported by Objectives (steps toward the overarching Strategic Goal) and Milestones (measurable accomplishments). Below is the list of Strategic Goals established by the Board of Directors:

- 1. Adopt infrastructure maintenance and modernization strategies that maximize performance, reduce risk and ensure reliable service in collaboration with local, regional and national partners to further the mission of the WCW.***
- 2. Be an environmental steward in our community through a commitment to reducing carbon emissions, maximizing resource recovery, minimizing our***

environmental footprint and making significant strides toward becoming a carbon-neutral enterprise.

- 3. Promote financial policies and practices that support sustainability, integrity, innovation and responsible resource allocation for the organization.*
- 4. Identify and leverage information and data management systems to ensure responsible infrastructure management and promote an effective and innovative organization.*
- 5. Recruit, develop, inspire and retain employees who embrace West County Wastewater's identity, values and culture, while also providing a working environment that supports and rewards their efforts.*
- 6. Engage with our community, enhancing the image of West County Wastewater and building awareness of our role in keeping our community healthy.*

**WEST COUNTY WASTEWATER
Principal Officials and Management
For Fiscal Year Ending June 30, 2021**

BOARD OF DIRECTORS

Cheryl Sudduth
President

Cesar Zepeda
Vice President

Sherry Stanley
Director

Harry Wiener
Director

David Alvarado
Director

General Counsel

Claire Hervey Collins, Partner
Hanson Bridgett LLP

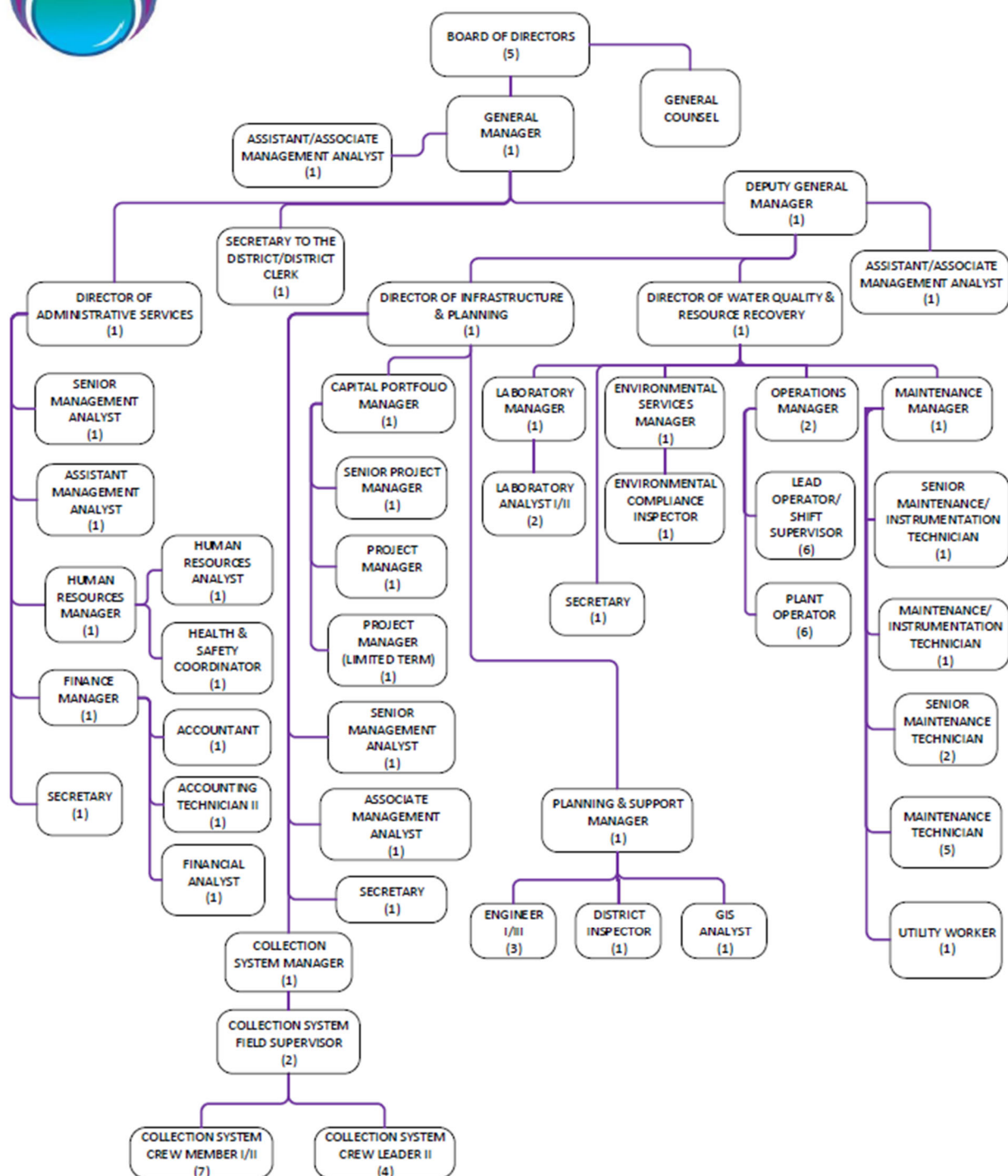
Management

Lisa Malek-Zadeh, General Manager
Andrew Clough, Deputy General Manager
Justin Lovell, Director of Administrative Services
Michael Savannah, Director of Infrastructure & Planning Department
Aaron Winer, Director of Water Quality & Resource Recovery Department



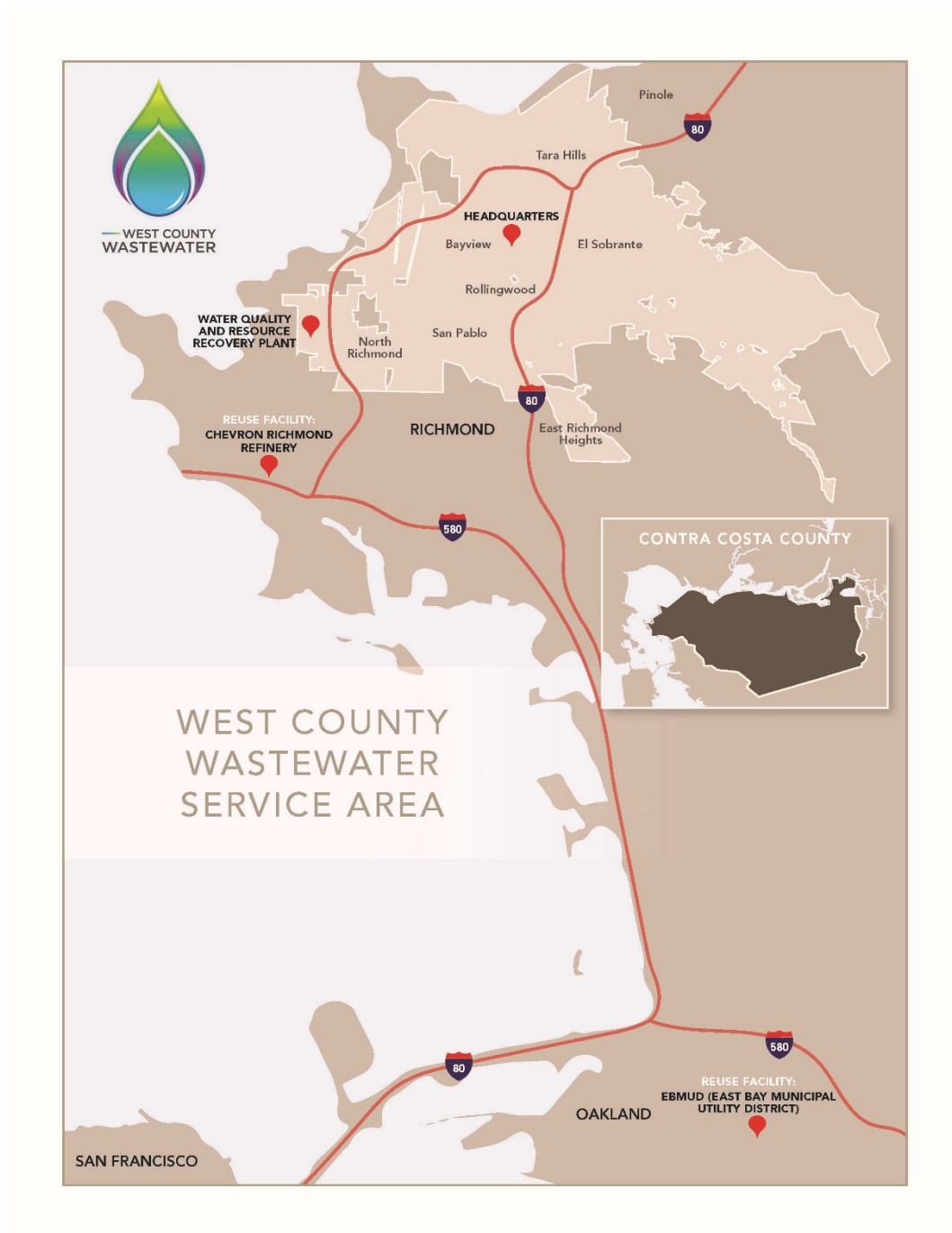
WEST COUNTY WASTEWATER

FY2021 ORGANIZATION CHART



WEST COUNTY WASTEWATER Location and Service Area

WCW is located in the western section of Contra Costa County, approximately 20 miles northeast of San Francisco and 12 miles north of Oakland. WCW's service area encompasses 16.9 square miles. Roughly 6.9 square miles lie within the boundaries of the City of Richmond, 2.5 square miles lie within the City of San Pablo, 0.4 square miles lie within the City of Pinole and the remaining 7.2 square miles are within the unincorporated areas of Contra Costa County. WCW's service area is fairly hilly, typical of the California coastal region.



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
West County Wastewater District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West County Wastewater District, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the West County Wastewater District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the West County Wastewater District, as of June 30, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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 March 25, 2022, on our consideration of the West County Wastewater 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 solely 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 the effectiveness of the West County Wastewater District's 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 West County Wastewater District's internal control over financial reporting and compliance.



CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California

March 25, 2022

WEST COUNTY WASTEWATER
Management's Discussion and Analysis
For the Fiscal Years Ending June 30, 2021 and 2020

USING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

WCW 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.

Statement of Net Position: The Statement of Net Position is designed to report the available assets, deferred outflows, liabilities, deferred inflows, and net position for WCW. Net Position is reported in three broad categories within the Statement of Net Position:

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

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

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

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

FINANCIAL HIGHLIGHTS

- WCW's overall financial net position improved during fiscal year 2021. WCW had a net position balance of \$108.1 million at June 30, 2021. Total net position was comprised of net invested in capital assets of \$88.7 million, restricted for debt service of \$2.2 million, and unrestricted net position of \$17.1 million. Net position increased by \$1.8 million for fiscal year 2021 and \$2.3 million for fiscal year 2020.

WEST COUNTY WASTEWATER

Management's Discussion and Analysis

For the Fiscal Years Ending June 30, 2021 and 2020

- WCW's total operating revenues for fiscal year 2021 were \$26.1 million and total operating expenses were \$27.4 million, resulting in operating loss of \$1.3 million. This compares to operating loss of \$0.8 million for fiscal year 2020 and operating income of \$4.1 million for fiscal year 2019. The Environmental Quality (Sewer Use) Charge, WCW's principle operating revenue stayed the same in fiscal year 2020 and 2021.
- WCW's non-operating revenues for fiscal year 2021 were \$2.2 million, consisting of property taxes, redevelopment allocation, rental income, and investment earnings. This compares to \$3.0 million for fiscal year 2020. Non-operating expenses for fiscal year 2021 were \$430,961, consisting primarily of interest expense on loans and gain on disposal of assets. This compares to \$469,172 for fiscal year 2020, consisting primarily of interest expense on loans.
- Capital contributions were \$1.2 million for fiscal year 2021, comprised of customer connection fees. This compares to capital contributions of \$578,975 for fiscal year 2020. Capital contributions were \$809,080 for fiscal year 2019, comprised of State capital construction grants of \$354,885 and customer connection fees of \$454,195.

SUMMARY OF THE STATEMENT OF NET POSITION

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

TABLE 1
Statement of Net Position

	2021	2020	2019	% Increase (Decrease) 2021 vs. 2020	% Increase (Decrease) 2020 vs. 2019
Assets:					
Current Assets	\$ 41,156,758	\$ 47,215,329	\$ 42,004,508	-12.83%	12.41%
Capital Assets	122,124,432	115,302,073	116,917,945	5.92%	-1.38%
Total Assets	163,281,190	162,517,402	158,922,453	0.47%	2.26%
Deferred Outflows of Resources	3,914,008	3,650,038	3,637,274	7.23%	0.35%
Total Assets and Deferred Outflows of Resources	167,195,198	166,167,440	162,559,727	0.62%	2.22%
Liabilities:					
Current Liabilities	9,659,518	8,099,666	7,624,735	19.26%	6.23%
Non-Current Liabilities	46,068,787	49,064,531	49,724,389	-6.11%	-1.33%
Total Liabilities	55,728,305	57,164,197	57,349,124	-2.51%	-0.32%
Deferred Inflows of Resources	3,372,115	2,718,489	1,234,654	24.04%	120.18%
Net Position:					
Net Investment in Capital Assets	88,702,556	80,174,152	82,260,957	10.64%	-2.54%
Restricted	2,284,343	2,814,140	2,134,873	-18.83%	31.82%
Unrestricted	17,107,879	23,296,362	19,580,119	-26.56%	18.98%
Total Net Position	108,094,778	106,284,654	103,975,949	1.70%	2.22%
Total Liabilities, Deferred Inflows of Resources, and Net Position	167,195,198	166,167,340	162,559,727	0.62%	2.22%

WEST COUNTY WASTEWATER
Management's Discussion and Analysis
For the Fiscal Years Ending June 30, 2021 and 2020

Major Factors Affecting the Statement of Net Position

- 98% of current assets consist of cash and equivalents at June 30, 2021. Current assets decreased by \$6.1 million from fiscal year 2020 to 2021, primarily due to receipts in excess of expenditures. Current assets increased by \$5.2 million from fiscal year 2019 to 2020, primarily due to an increase in Sewer Use Charges without a corresponding increase in capital project construction.
- See Table 3 for a discussion of Capital Asset changes and Table 4 for a discussion of loan activity.
- Deferred outflows of resources increased by \$263,970 from fiscal year 2020 to 2021 and increased by \$12,764 from fiscal year 2019 to 2020, as a result of GASB 68 and 75 deferred outflows. This is discussed in the Notes 7 and 8 to Financial Statements.
- Current liabilities consist of accounts payable, accrued expenses, payroll related liabilities, the current portion of loans, and interest payable. Current liabilities increased \$1.6 million from fiscal year 2020 to 2021 and increased \$474,931 from fiscal year 2019 to 2020, primarily due to capital asset spending.
- Non-current liabilities decreased by \$3.0 million from fiscal year 2020 to 2021, primarily due to a decrease in net loan borrowings and interest payable (\$1.6 million), net decrease in net pension, OPEB and compensated absences liabilities (\$1.4 million). Non-current liabilities decreased from fiscal year 2019 to 2020 by \$659,758, primarily due to an increase in net loan borrowings and interest payable (\$385,000), less decreases in net pension, OPEB and compensated absences liabilities (\$1,045,000).
- WCW had outstanding debt of \$33.4 million at June 30, 2021 and \$35.1 million at June 30, 2020. See Table 4 for a discussion of loan activity.
- Net Position invested in capital assets increased from fiscal year 2020 to 2021 by \$8.5 million due to increased ongoing projects. Net Position invested in capital assets decreased from fiscal year 2019 to 2020 by \$2.1 million due to the decrease in net loan proceeds (\$0.5 million) and depreciation (\$5.7 million) over capital additions (\$4.1 million).
- Unrestricted net position decreased by \$6.2 million from fiscal year 2020 to 2021 due to an increase in capital assets (\$8.5 million), less an excess of revenue over expense (\$1.7 million) and a decrease of restricted net position (\$0.5 million). Unrestricted net position increased by \$3.7million from fiscal year 2019 to 2020.

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

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

WEST COUNTY WASTEWATER
Management's Discussion and Analysis
For the Fiscal Years Ending June 30, 2021 and 2020

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

	2021	2020	2019	% Increase (Decrease) 2021 vs. 2020	% Increase (Decrease) 2020 vs. 2019
Revenues					
Operating Revenues					
Sewer use charge	\$ 25,614,601	\$ 25,625,752	\$ 23,795,768	-0.04%	7.69%
Inspection/permit fees	212,066	192,230	277,981	10.32%	-30.85%
Contract services	67,537	69,193	87,091	-2.39%	-20.55%
Other Revenue	253,064	91,056	48,072	177.92%	89.42%
Total operating revenues	26,147,268	25,978,231	24,208,912	0.65%	7.31%
Non-operating revenues					
Property taxes	1,320,397	1,257,113	1,192,713	5.03%	5.40%
Redevelopment allocation	303,186	339,844	322,356	-10.79%	5.43%
Rental income	523,390	507,694	675,254	3.09%	-24.81%
Investment earnings	(2,867)	922,465	817,201	-100.31%	12.88%
Gain on disposal of fixed assets	50,664	-	-	100.00%	0.00%
Total non-operating revenues	2,194,770.00	3,027,116.00	3,007,524.00	-27.50%	0.65%
Total Revenues	28,342,038	29,005,347	27,216,436	-2.29%	6.57%
Expenses					
Operating expenses	27,409,292	26,806,445	20,079,503	2.25%	33.50%
Non-operating expenses	430,961	469,172	450,741	-8.14%	4.09%
Total expenses	27,840,253	27,275,617	20,530,244	2.07%	32.86%
Increase (decrease) before capital contributions	501,785	1,729,730	6,686,192	-70.99%	-74.13%
Capital contributions:					
State capital grants	-	-	354,885	0.00%	-100.00%
Connection fees	1,176,339	578,975	454,195	103.18%	27.47%
Total capital contributions	1,176,339	578,975	809,080	103.18%	-28.44%
Changes in net position	1,678,124	2,308,705	7,495,272	-27.31%	-69.20%
Net position, beginning	106,284,654	103,975,949	96,480,677	2.22%	7.77%
Prior period adjustments	132,000	-	-	100.00%	0.00%
Net position, ending	\$ 108,094,778	\$ 106,284,654	\$ 103,975,949	1.70%	2.22%

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

- Total operating revenues for fiscal year 2021 were \$26.1 million and total operating expenses were \$27. million, resulting in an operating loss of \$1.3 million. This compares to fiscal year 2020 operating revenues of \$26.0 million and total operating expenses of \$26.8 million, resulting in operating loss of \$0.8 million. Sewer Use Charge (Environmental Quality Charge) revenue decreased \$11,151 from fiscal year 2020 to 2021 and increased \$1.8 million from fiscal year 2019 to 2020 primarily due to decreased water use with commercial customers.

WEST COUNTY WASTEWATER
Management's Discussion and Analysis
For the Fiscal Years Ending June 30, 2021 and 2020

- Operating expenses increased \$0.6 million from fiscal year 2020 to 2021, primarily due to temporary sludge dewatering at the Water Quality and Resource Recovery Plant, less decreases in sewage collection, administration costs, and depreciation. Operating expenses increased \$6.7 million from fiscal year 2019 to 2020, primarily due to increased sewage collection and treatment costs, and depreciation.
- Non-operating revenues decreased \$0.8 million from fiscal year 2020 to 2021 primarily due to a decrease investment earnings. Non-operating revenues increased \$19,592 from fiscal year 2019 to 2020 primarily due to increased investment earnings and property taxes, less decreased rental income.
- WCW's non-operating expenses of \$0.4 million for fiscal year 2021, \$0.5 million for fiscal year 2020 and \$0.5 million for fiscal year 2019 consisted primarily of loan interest expense.
- Capital contributions were \$1.2 million for fiscal year 2021, comprised of customer connection fees. This compares to \$0.6 million for fiscal year 2020, comprised of customer connection fees. This compares to \$0.8 million for fiscal year 2019, comprised of State capital construction grants of \$354,885 and customer connection fees of \$454,195.

SUMMARY OF CAPITAL ASSETS

Table 3 presents a summary of WCW 's capital assets as of June 30, 2021, 2020, and 2019. More detailed information on capital asset activity is provided in Note 4 to the financial statements.

TABLE 3
Summary of Capital Assets

	2021	2020	2019	% Increase (Decrease) 2021 vs. 2020	% Increase (Decrease) 2020 vs. 2019
Land	\$ 2,451,806	\$ 2,451,806	\$ 2,451,806	0.00%	0.00%
Construction in process	13,838,564	3,746,165	2,538,816	269.41%	47.56%
Sewage collection and treatment facilities	182,264,427	181,656,516	179,084,775	0.33%	1.44%
Equipment	6,274,453	5,695,760	5,677,394	10.16%	0.32%
Vehicles	3,793,625	3,678,643	3,343,337	3.13%	10.03%
Subtotal	208,622,875	197,228,890	193,096,128	5.78%	2.14%
Less accumulated depreciation	(86,498,443)	(81,926,817)	(76,178,183)	5.58%	7.55%
Total capital assets, net	\$ 122,124,432	\$ 115,302,073	\$ 116,917,945	5.92%	-1.38%

Capital Asset Highlights:

Capital Assets increased \$6.8 million net, from fiscal year 2020 to 2021, due to net capital asset additions of \$11.4 million, less depreciation expense of \$4.6 million. Capital Assets decreased \$1.6 million net, from fiscal year 2019 to 2020, due to net capital asset additions of \$4.1 million, less depreciation expense of \$5.7 million. Capital Assets decreased \$1.6 million, from fiscal year 2019 to 2020, due to net capital asset additions of \$4.6 million, less depreciation expense of \$5.7 million. Additions for fiscal years 2020, 2019, and 2018 were primarily water pollution control plant upgrades and sewer pipe replacements.

WEST COUNTY WASTEWATER

Management's Discussion and Analysis

For the Fiscal Years Ending June 30, 2021 and 2020

SUMMARY OF DEBT OUTSTANDING

Table 4 presents a summary of WCW's loans payable as of June 30, 2021, 2020, and 2019. More detailed information on loan activity is provided on Note 6 to the basic financial statements.

TABLE 4
Debt Outstanding

	2021	2020	2019	% Increase (Decrease) 2021 vs. 2020	% Increase (Decrease) 2020 vs. 2019
Current portion	\$ 1,710,662	\$ 1,782,859	\$ 1,696,526	-4.05%	5.09%
Non-current portion	31,711,214	33,345,062	32,960,462	-4.90%	1.17%
Loan Payable	\$ 33,421,876	\$ 35,127,921	\$ 34,656,988	-4.86%	1.36%

Debt Highlights:

Loans payable decreased \$1.7 million net from fiscal year 2020 to 2021, increased \$0.5 million net from fiscal year 2019 to 2020, due to State Water Control Resource loans used to fund capital asset additions. These loans will be repaid using the additional sewer use charge revenue resulting from rate increases. See Note 6 to the basic financial statements for future principal and interest payments on loans payable.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- In June 2021, the Board of Directors approved a five-year Sewer Use Charge rate plan of 5.5% annual sewer service charge rate increases for fiscal years beginning July 1, 2021 through June 30, 2025 and a 3% increase beginning July 1, 2025 through June 30, 2026 in order to fund capital improvement costs identified by the 2021 10-Year Capital Improvement Plan.
- In fiscal year 2022, WCW formed a Joint Powers Agreement with California Statewide Community Development Authority creating the West County Facilities Financing Authority, which issued \$79.5 million of 2021 wastewater revenue bonds plus \$16.1 million net premium with revenue to fund its Comprehensive Energy and Sustainability Upgrades and other various capital projects. Proceeds from the bond will be allocated to reduce carbon emissions, maximize resource recovery, and engage the community on important water quality issues and upgrade gravity sewer pipes and force mains. The upgrades are expected to save more than \$43.8 million over 20 years.
- WCW is committed to expending resources needed to treat wastewater to meet the environmental quality required by its permit. WCW 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 Justin Lovell, Director of Administrative Services, West County Wastewater District, 2910 Hilltop Drive, Richmond, CA 94806-1974 or jlovell@wcwd.org or (510) 222-6700.

BASIC FINANCIAL STATEMENTS

WEST COUNTY WASTEWATER DISTRICT

Statements of Net Position

June 30, 2021 and 2020

	2021	2020
Current assets		
Cash and investments (Note 2)	\$ 40,255,886	\$ 46,158,316
Accrued interest receivable	30,307	158,167
Accounts receivable, net (Note 3)	523,754	659,210
Materials and supplies inventory	129,579	145,325
Prepaid items and deposits	217,232	94,311
Total current assets	<u>41,156,758</u>	<u>47,215,329</u>
Noncurrent assets		
Capital assets, net of accumulated depreciation (Note 4)	122,124,432	115,302,073
Total noncurrent assets	<u>122,124,432</u>	<u>115,302,073</u>
Total assets	<u>163,281,190</u>	<u>162,517,402</u>
Deferred outflows		
Other post-employment benefits (Note 7)	304,000	63,000
Pension (Note 8)	3,610,008	3,587,038
Total deferred outflows	<u>3,914,008</u>	<u>3,650,038</u>
Current liabilities		
Accounts payable and accrued expenses	6,521,453	4,917,275
Accrued salaries and benefits	287,501	290,923
Accrued interest payable	216,655	226,420
Current portions of long-term liabilities		
Compensated absences (Note 5)	923,247	882,189
Loans payable (Note 6)	1,710,662	1,782,859
Total current liabilities	<u>9,659,518</u>	<u>8,099,666</u>
Noncurrent liabilities		
Compensated absences (Note 5)	542,224	518,111
Loans payable (Note 6)	31,711,214	33,345,062
Net OPEB liability (asset) (Note 7)	(1,352,000)	1,290,000
Net pension liability (Note 8)	15,167,349	13,911,458
Total noncurrent liabilities	<u>46,068,787</u>	<u>49,064,631</u>
Total liabilities	<u>55,728,305</u>	<u>57,164,297</u>
Deferred inflows		
Other post-employment benefits (Note 7)	2,519,000	1,499,000
Pension (Note 8)	853,115	1,219,489
Total deferred inflows	<u>3,372,115</u>	<u>2,718,489</u>
Net position		
Net investment in capital assets (Note 9)	88,702,556	80,174,152
Restricted	2,284,343	2,814,140
Unrestricted	17,107,879	23,296,362
Total Net Position	<u>108,094,778</u>	<u>106,284,654</u>

The accompanying notes are an integral part of these financial statements

WEST COUNTY WASTEWATER DISTRICT
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Operating revenues		
Sewer use charge	\$ 25,614,601	\$ 25,625,752
Inspection/permit fees	212,066	192,230
Contract services	67,537	69,193
Other revenue	253,064	91,056
Total operating revenues	<u>26,147,268</u>	<u>25,978,231</u>
Operating expenses		
Sewage collection	5,103,216	5,351,979
Sewage treatment	12,042,302	9,453,524
Administration	5,055,290	5,677,700
Contract services	81,216	31,311
West County Agency	8,095	537,834
Total operating expenses before depreciation	<u>22,290,119</u>	<u>21,052,348</u>
Operating income before depreciation	3,857,149	4,925,883
Depreciation expense	<u>(5,119,173)</u>	<u>(5,754,097)</u>
Operating income	<u>(1,262,024)</u>	<u>(828,214)</u>
Non-operating revenues		
Property taxes	1,320,397	1,257,113
Redevelopment allocation	303,186	339,844
Rental income	523,390	507,694
Investment earnings	(2,867)	922,465
Interest expense	(430,961)	(463,090)
Student scholarship	-	(5,000)
Gain (loss) on disposal of assets	50,664	(1,597)
Other non-operating revenue (expense)	-	515
Total non-operating revenues, net	<u>1,763,809</u>	<u>2,557,944</u>
Net income before capital contributions	<u>501,785</u>	<u>1,729,730</u>
Capital contributions		
State capital grants	-	-
Connection fees	1,176,339	578,975
Total capital contributions	<u>1,176,339</u>	<u>578,975</u>
Change in net position	<u>1,678,124</u>	<u>2,308,705</u>
Net position, beginning - as previously stated	106,284,654	103,975,949
Prior period adjustment	<u>132,000</u>	<u>-</u>
Net position, beginning - as restated	<u>106,416,654</u>	<u>103,975,949</u>
Net position, ending	<u><u>\$ 108,094,778</u></u>	<u><u>\$ 106,284,654</u></u>

The accompanying notes are an integral part of these financial statements

WEST COUNTY WASTEWATER DISTRICT
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Cash receipts from customers and others	\$ 28,542,292	\$ 26,268,648
Cash paid to employees for salaries and wages	(6,335,901)	(5,816,420)
Cash paid to vendors and suppliers for materials and services	(16,996,097)	(14,487,364)
Net cash provided by operating activities	<u>5,210,294</u>	<u>5,964,864</u>
Cash flows from non-capital financing activities		
Property taxes	1,320,397	1,257,113
Redevelopment allocation	303,186	339,844
Net cash provided by non-capital financing activities	<u>1,623,583</u>	<u>1,596,957</u>
Cash flows from capital and related financing activities		
Net acquisition and construction of capital assets	(11,941,532)	(4,138,225)
Gain (loss) on sale of assets	50,664	(1,597)
Proceeds from capital contributions	1,176,339	578,975
Principal paid	(3,873,504)	(1,696,526)
Interest paid	(440,725)	(438,346)
Proceeds from loan issue	2,167,458	2,167,458
Net cash provided by (used in) capital and related financing activities	<u>(12,861,300)</u>	<u>(3,528,261)</u>
Cash flows from investing activities		
Student scholarships	-	(5,000)
Investment earnings	124,993	998,029
Net cash provided by investing activities	<u>124,993</u>	<u>993,029</u>
Net change in cash and investments	(5,902,430)	5,026,589
Cash and investments, beginning of the year	46,158,316	41,131,727
Cash and investments, end of the year	<u>\$ 40,255,886</u>	<u>\$ 46,158,316</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (1,262,024)	\$ (828,214)
Depreciation	5,119,173	5,754,097
Rental income	523,390	507,694
Other revenue (expense), net	-	515
Effect of GASB 68 on net pension liability	866,547	1,440,166
Effect of GASB 75 on net OPEB liability	(1,863,000)	(1,248,000)
(Increase) decrease in assets		
Accounts receivable	135,456	(234,449)
Inventory	15,746	(38,725)
Prepays	(122,921)	13,378
Note receivable	-	-
(Decrease) increase in liabilities		
AP and accrued expenses	1,736,178	17,172
Accrued salaries and wages	(3,422)	151,536
Compensated absences	65,171	429,694
Net cash provided by operating activities	<u>\$ 5,210,294</u>	<u>\$ 5,964,864</u>

The accompanying notes are an integral part of these financial statements

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 1. Reporting Entity and Summary of Significant Accounting Policies

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected government board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable for a component (West County Agency) in which (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

Basis of Presentation

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the "economic resources" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses and recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Current assets and current liabilities are those amounts expected to be received in cash, consumed, utilized, or paid within the next fiscal year.

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

In accordance with U.S. GAAP, the Statements of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

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

Deferred Inflows of Resources represent inflows of resources (acquisition of Net Position) that apply to future periods and that, therefore, will not be recognized as revenue until that time.

Cash and Cash Equivalents

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

Investments

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

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

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

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

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

Receivables

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

Materials and Supplies Inventory

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

Prepaid Items

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

Capital Assets

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

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

Major outlays for capital assets are capitalized as construction in progress, and repairs and maintenance costs are expensed.

Compensated Absences

The District has a policy whereby an employee can accumulate unused sick leave, compensatory time and vacation. Employees are paid for unused vacation and compensatory time upon termination. Immediately prior to retirement, employees with a satisfactory record of service who otherwise qualify for retirement may be granted time off from the job, with full compensation, for a period of time not to exceed the amount of their accumulated sick leave time, or 60 work days, whichever is shorter. Management estimates that most employees will use sick leave or work until qualified for retirement and has accrued for 100% of accumulated sick leave balances, in addition to full accrual of accumulated compensatory time and vacation leave.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans (see Note 7). For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

<u>PARS</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Valuation date	June 30, 2019	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Measurement period	July 1, 2020 – June 30, 2021	July 1, 2019 – June 30, 2020

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (see Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Measurement period	July 1, 2019 – June 30, 2020	July 1, 2018 – June 30, 2019

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

Net Position

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

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

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

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

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

Use of Estimates

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

Sewer Use Charge Revenue

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

The County remits sewer use charges and property tax revenue to the District in three installments as follows:

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

Property Tax Revenue

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

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

Subsequent Events

Management has evaluated subsequent events through the date of the audit opinion, which is the date on which the financial statements were available to be issued. WCW formed a JPA, the West County Facilities Financing Authority and issued \$90 million in 2021 wastewater revenue bonds primarily for the Comprehensive Energy Savings and Sustainability Upgrades Project and other various capital projects.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

New Pronouncements

For the year ended June 30, 2020, the District implemented the following GASB pronouncement:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

For the year ended June 30, 2021, the District implemented the following GASB pronouncement:

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The implementation of this Statement did not have a material affect on the financial statements of the District.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

New Pronouncements (continued)

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

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

The District was originally required to implement the provisions of this Statement for the fiscal year ending June 30, 2020 (effective for periods beginning after December 15, 2018) but implementation has been postponed one year by GASB 95. The implementation of this pronouncement did not have a material impact on the financial statements.

Future Pronouncements

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

GASB Statement No. 87, *Leases*

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

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model.

This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

Future Pronouncements (continued)

The District was originally required to implement the provisions of this Statement for the fiscal year ending June 30, 2021 (effective for periods beginning after December 15, 2019), however the implementation has been delayed 18 months by GASBS No. 95. The District has not yet determined the impact of this Statement on the financial statements.

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

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

The District was originally required to implement the provisions of this Statement for the fiscal year ending June 30, 2021 (effective for periods beginning after December 15, 2019), however the implementation has been delayed one year by GASBS No. 95. The District has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

The District was originally required to implement the provisions of this Statement for the fiscal year ended June 30, 2022 (effective for reporting periods beginning after December 15, 2020), however implementation has been delayed one year by GASBS No. 95. Earlier application is encouraged. The District has not yet determined the impact of this Statement on the financial statements.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

Future Pronouncements (continued)

GASB Statement No. 92, *Omnibus 2020*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

This Statement addresses a variety of topics and includes specific provisions. The topics include but are not limited to leases, intra-entity transfers between a primary government and a post-employment benefit plan component unit, accounting for pensions and OPEB related assets, measurement of liabilities related to asset retirement obligations, and nonrecurring fair value measurements of assets or liabilities. The requirements of this Statement were originally effective for reporting periods beginning after June 15, 2021 (fiscal 2022) but have been postponed one year by GASBS No. 95. The District has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offer Rate (IBOR). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

The removal of London IBOR as an appropriate benchmark interest rate were originally effective for reporting periods ending after December 31, 2021 (fiscal year 2022-23). All other requirements of this Statement were to be effective for reporting periods beginning after June 15, 2020 (fiscal year 2020-21). The effective date for all provisions of this Statement were postponed one year by GASBS No. 95. The District does not believe that the implementation of this Pronouncement will have an impact on the financial statements.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

Future Pronouncements (continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPP.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The District has not yet determined whether the implementation of this Pronouncement will have a material impact on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

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

Future Pronouncements (continued)

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (fiscal year 2022-23), and all reporting periods thereafter. The District has not yet determined whether the implementation of this Pronouncement will have a material impact on the financial statements.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (fiscal year 2021-22). For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021 (fiscal year 2021-22).

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2. Cash and Investments

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

<u>Deposit or Investment</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash on-hand or in banks	\$ 4,572,708	\$ 2,600,130
Local Agency Investment Fund	<u>35,683,178</u>	<u>43,558,186</u>
Total Cash and Investments	<u>\$ 40,255,886</u>	<u>\$ 46,158,316</u>

Cash Deposits

At June 30, 2021 and 2020, the carrying amount of the District's demand deposits, including petty cash, were \$4,572,708 and \$2,600,130, respectively, and the financial institution balances were \$5,582,395 and \$2,764,334, respectively. The differences of \$1,009,687 at June 30, 2021 and \$164,204 at June 30, 2020 represent outstanding checks, deposits-in-transit, and/or other reconciling items.

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

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

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of the depository institution, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2. Cash and Investments (continued)

Custodial Credit Risk (continued)

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

As of June 30, 2021, and 2020, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

Investments

The District's investments were in the Local Agency Investment Fund (LAIF) as follows:

	Measurement Input	Credit Rating	Fair Value	Maturity 12 months or Less
June 30, 2021	Uncategorized	N/A	\$35,683,178	\$35,683,178
June 30, 2020	Uncategorized	N/A	\$43,558,186	\$43,558,186

Cash balances are invested to the extent possible pursuant to the District's approved Investment Policy and Guidelines and State Government Code. Investments are stated at the current fair value. Fair value information is provided as quoted on June 30, 2021 and 2020. The District does not plan to liquidate the investments before maturity and intends to hold the investments to maturity.

Authorized Deposits and Investments

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

Investment in State Investment Pool

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2. Cash and Investments (continued)

Investment in State Investment Pool (continued)

The District's investments with LAIF at June 30, 2021 and 2020 included a portion of the pool funds invested in structured notes and asset-backed securities.

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

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

The District had \$35,683,178 and \$43,558,186 invested with LAIF at June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020 LAIF had invested 2.31% and 3.37%, respectively, of the pooled investment funds in structured notes and asset-backed securities. The fair value factors of 1.00008297 and 1.004912795 were used to calculate the fair value of the investments in LAIF as of June 30, 2021 and 2020, respectively.

Fair Value Measurement Input

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 3. Accounts Receivable

At June 30, accounts receivable is comprised of the following:

	<u>2021</u>	<u>2020</u>
EBMUD	\$ 473,763	\$ 448,693
Chevron	30,201	16,129
Crockett Sanitary Department	8,164	-
Sampling	6,110	-
Permits and trucked waste	7,595	47,732
West County Agency	-	62,581
All other	1,605	85,610
Subtotal	527,438	660,745
Allowance for doubtful accounts	(3,684)	(1,535)
Net Accounts Receivable	<u>\$ 523,754</u>	<u>\$ 659,210</u>

Note 4. Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Reclasses	Balance June 30, 2021
Non-depreciable assets:					
Land	\$ 2,451,806	\$ -	\$ -	\$ -	\$ 2,451,806
Construction in progress	3,746,165	10,343,456	-	(251,057)	13,838,564
Total non-depreciable assets	6,197,971	10,343,456	-	(251,057)	16,290,370
Depreciable assets					
Sewage collection & treatment facilities	181,656,516	356,855	-	251,057	182,264,428
Equipment	5,695,760	578,693	-	-	6,274,453
Vehicles	3,678,643	662,528	(547,547)	-	3,793,624
Total depreciable capital assets	191,030,919	1,598,076	(547,547)	251,057	192,332,505
Less accumulated depreciation:					
Sewage collection & treatment facilities	(72,206,753)	(4,652,335)	-	(6,489,546)	(83,348,634)
Equipment	(7,190,003)	(234,544)	-	4,601,326	(2,823,221)
Vehicles	(2,530,061)	(232,294)	547,547	1,888,220	(326,588)
Total accumulated depreciation	(81,926,817)	(5,119,173)	547,547	-	(86,498,443)
Depreciable capital assets, net	109,104,102	(3,521,097)	-	251,057	105,834,062
Total capital assets, net	<u>\$115,302,073</u>	<u>\$ 6,822,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$122,124,432</u>

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 4. Capital Assets (continued)

	Balance July 1, 2019	Additions	Deletions	Transfers and Reclasses	Balance June 30, 2020
Non-depreciable assets:					
Land	\$ 2,451,806	\$ -	\$ -	\$ -	\$ 2,451,806
Construction in progress	2,538,816	3,790,626	(2,583,277)	-	3,746,165
Total non-depreciable assets	4,990,622	3,790,626	(2,583,277)	-	6,197,971
Depreciable assets					
Sewage collection & treatment facilities	179,084,775	3,043,910	(472,169)	-	181,656,516
Equipment	5,677,394	26,291	(7,925)	-	5,695,760
Vehicles	3,343,337	339,842	(4,536)	-	3,678,643
Total depreciable capital assets	188,105,506	3,410,043	(484,630)	-	191,030,919
Less accumulated depreciation:					
Sewage collection & treatment facilities	(68,603,676)	(5,087,926)	-	1,484,849	(72,206,753)
Equipment	(5,690,782)	(429,860)	5,463	(1,074,824)	(7,190,003)
Vehicles	(1,883,725)	(236,311)	-	(410,025)	(2,530,061)
Total accumulated depreciation	(76,178,183)	(5,754,097)	5,463	-	(81,926,817)
Depreciable capital assets, net	111,927,323	(2,344,054)	(479,167)	-	109,104,102
Total capital assets, net	\$116,917,945	\$ 1,446,572	\$(3,062,444)	\$ -	\$115,302,073

Note 5. Accrued Compensated Absences

The accrued liabilities for compensated absences for the fiscal years ending June 30, 2021 and 2020 were as follows:

Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Current Portion	Non-current portion
\$ 1,400,300	\$ 113,582	\$ (48,411)	\$ 1,465,471	\$ 923,247	\$ 542,224

Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Current Portion	Non-current portion
\$ 970,606	\$ 1,036,447	\$ (606,753)	\$ 1,400,300	\$ 882,189	\$ 518,111

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6. Loans Payable

Summary changes in long-term debt balances for the years ended June 30, 2021 and 2020 were as follows:

Description	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year	Interest Payable
Loans Payable:						
SRF Loan – Phase I, Segment 1	\$ 1,228,650	\$ -	\$ (66,431)	\$ 1,162,219	\$ 67,693	\$ 3,327
SRF Loan – Phase I, Segment 2	2,271,368	-	(17,602)	2,253,766	-	-
SRF Loan – Phase I, Segment 3	13,290,164	-	(627,041)	12,663,122	638,049	200,499
SRF Loan – Recycled Water Upgrades	18,337,739	-	(994,970)	17,342,769	1,004,920	12,829
Total loans payable	\$ 35,127,921	\$ -	\$ (1,706,044)	\$ 33,421,876	\$ 1,710,662	\$ 216,655

Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Interest Payable
Loans Payable:						
SRF Loan – Phase I, Segment 1	\$ 1,293,841	\$ -	\$ (65,191)	\$ 1,228,650	\$ 66,431	\$ 3,454
SRF Loan – Phase I, Segment 2	284,736	1,986,632	-	2,271,368	94,417	-
SRF Loan – Phase I, Segment 3	13,755,553	180,826	(646,216)	13,290,164	627,041	42,201
SRF Loan – Recycled Water Upgrades	19,322,858	-	(985,119)	18,337,739	994,970	13,560
Total loans payable	\$ 34,656,988	\$ 2,167,458	\$ (1,696,526)	\$ 35,127,921	\$ 1,782,859	\$ 59,215

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

In 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$1,654,505 with an interest rate of 1.90% per annum for capital projects.

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

In 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$2,881,758 with an interest rate of 1.90% per annum for capital projects.

In 2016 Amendment 3 was issued, the amendment was executed in February 2021, increasing the total loan amount to \$8,918,272. As of June 30, 2021, this loan is outstanding in the amount of \$2,253,766.

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

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$14,593,521 with an interest rate of 1.90% per annum for capital projects.

SRF Loan Payable - Recycled Water Reliability Upgrades

In fiscal year 2015, the District entered into an agreement with the California State Water Resources Control Board (SWRCB) for a 20-year State Revolving Fund (SRF) loan in an amount not-to-exceed \$30,457,093 with an interest rate of 1.00% per annum for capital projects.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6. Loans Payable (continued)

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

Fiscal Year	Principal	Interest	Total
2022	\$ 1,710,661	\$ 436,109	\$ 2,146,770
2023	1,829,815	456,391	2,286,206
2024	1,855,446	430,759	2,286,205
2025	1,881,474	404,732	2,286,206
2026	1,907,904	378,303	2,286,207
Thereafter	24,236,576	2,349,378	26,585,954
Total	<u>\$ 33,421,876</u>	<u>\$ 4,455,672</u>	<u>\$ 37,877,548</u>

Note 7. Net Other Post-Employment Benefits

Plan Description

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

A minimum of ten years of CalPERS service is required to receive 50% of the defined benefit. Five of those ten years must be at the District. The benefit increases by 5% for every year above ten. At twenty years, the beneficiary is eligible for 100% of the benefit. An employee who performs twenty years of service solely with the District is eligible for 100% of the benefit, even if they do not retire within 120 days of separation from the District.

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7. Net Other Post-Employment Benefits (continued)

Employees Covered

The following current and former employees were covered by the benefit terms under the Plan:

Actuarial measurement date	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Active employees	61	56
Inactive employees or beneficiaries currently receiving benefits	54	48
Inactive employees entitled to, but not yet receiving benefits	4	1
Total	<u>119</u>	<u>105</u>

Contributions

The District's plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. The District's contributions were as follows:

	Fiscal year ended <u>June 30, 2021</u>	Fiscal year ended <u>June 30, 2020</u>
Cash contributions to the trust	\$ 1,162,000	\$ 1,231,000
Benefit payments	528,000	475,000
Implied subsidy	118,000	99,000
Administrative expenses paid	1,000	-
Total contributions	<u>\$ 1,809,000</u>	<u>\$ 1,805,000</u>

Net OPEB Liability

The District's Net OPEB Liability was measured on June 30, 2021, using a measurement period of July 1, 2020 to June 30, 2021. Update procedures were used to roll forward the Total Pension Liability from the valuation date (June 30, 2019) to the measurement date (June 30, 2021), based on the following actuarial methods and assumptions:

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WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7. Net Other Post-Employment Benefits (continued)

Net OPEB Liability (continued)

Actuarial Assumptions:

Measurement date	June 30, 2021
Actuarial valuation date	June 30, 2019
Contribution policy	District contributes full ADC
Discount rate	5.50% at June 30, 2021 6.00% at June 30, 2020
Expected long-term rate of return on investments	Expected District contributions projected to be sufficient to accumulate sufficient plan assets to pay all benefits from the trust
General inflation	2.50% per annum
Mortality, retirement, disability, termination	CalPERS 1997 – 2015 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-2018
Salary increases	<ul style="list-style-type: none"> • Aggregate – 2.75% annually • Merit – CalPERS 1997-2015 Experience Study
Medical trend	<ul style="list-style-type: none"> • Non-Medicare – 7.0% for 2021, decreasing to an ultimate rate of 3.75% in 2076 • Medicare – 6.05% for 2021, decreasing to an ultimate rate of 3.75% in 2076
Participation at retirement	100%
Medical plan at retirement	<ul style="list-style-type: none"> • Pre-Medicare: <ul style="list-style-type: none"> Anthem Select – 10% Anthem Traditional – 10% Blue Shield Access+ – 10% Health Net SmartCare – 10% Kaiser – 60% • Post-Medicare: <ul style="list-style-type: none"> Kaiser – 45% UnitedHealthcare – 15% PERSCare – 30% PERS Choice – 10%

Changes since June 30, 2020 Measurement Date

	June 30, 2021 Measurement Date
Changes of assumptions	<ul style="list-style-type: none"> • Discount rate was updated based on newer capital market assumptions. • Inflation was decreased from 2.75% to 2.50%, also decreasing the discount rate, medical trend and aggregate salary increases.
Change of benefit terms	<ul style="list-style-type: none"> • None

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7. Net Other Post-Employment Benefits (continued)

Discount Rate

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

Changes in the OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Obligation (Asset) = (a) – (b)
Balance at June 30, 2019 (Measurement date June 30, 2019)	\$ 12,918,000	\$ 9,115,000	\$ 3,803,000
Changes recognized for the measurement period			
Service cost	750,000	-	750,000
Interest	803,000	-	803,000
Actual vs. expected experience	(1,547,000)	-	(1,547,000)
Assumption changes	(310,000)	-	(310,000)
Employer contributions	-	1,805,000	(1,805,000)
Employee contributions	-	68,000	(68,000)
Net investment income	-	360,000	360,000
Benefit payments to retirees	(574,000)	(574,000)	-
Administrative expense	-	(24,000)	24,000
Net changes	(878,000)	1,635,000	(2,513,000)
Balance at June 30, 2020 (Measurement date June 30, 2020)	\$ 12,040,000	\$10,750,000	\$ 1,290,000
Changes recognized for the measurement period			
Service cost	593,000	-	593,000
Interest	739,000	-	739,000
Assumption changes	377,000	-	377,000
Employer contributions		1,809,000	(1,809,000)
Employee contributions		80,000	(80,000)
Net investment income		2,493,000	(2,493,000)
Benefit payments to retirees	(646,000)	(646,000)	-
Administrative expense	-	(31,000)	31,000
Net changes	1,063,000	3,705,000	(2,642,000)
Balance at June 30, 2021 (Measurement date June 30, 2021)	\$ 13,103,000	\$14,455,000	\$(1,352,000)

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7. Net Other Post-Employment Benefits (continued)

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

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

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
	<hr/>	<hr/>	<hr/>
June 30, 2021	\$ 440,000	\$ (1,352,000)	\$ (2,813,000)
June 30, 2020	\$ 2,900,000	\$ 1,290,000	\$ (26,000)

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

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

	1% Decrease	Current Trend Rate	1% Increase
	<hr/>	<hr/>	<hr/>
June 30, 2021	\$ (3,181,000)	\$(1,352,000)	\$ 928,000
June 30, 2020	\$ 260,000	\$ 1,290,000	\$ 3,208,000

OPEB Plan Fiduciary Net Position

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7. Net Other Post-Employment Benefits (continued)

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

For the years ended June 30, 2021 and 2020, the District recognized actuarial OPEB expense (income) of (\$54,000) and \$557,000, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Year Ended June 30, 2021</u>		
Differences between expected and actual experiences	\$ -	\$ (951,000)
Changes in assumptions	304,000	-
Net differences between projected and actual earnings on plan investments	-	(1,378,000)
Total	<u>\$ 304,000</u>	<u>\$ (2,519,000)</u>
 <u>Year Ended June 30, 2020</u>	 Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$(1,249,000)
Changes in assumptions	-	(250,000)
Net differences between projected and actual earnings on plan investments	63,000	-
Total	<u>\$ 63,000</u>	<u>\$(1,499,000)</u>

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

Fiscal Year Ending:	Deferred Outflows/ (Inflows) of Resources
2022	(656,000)
2023	(611,000)
2024	(602,000)
2025	(358,000)
2026	12,000

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8. Defined Benefit Pension Plan

General Information about the Pension Plans

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

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

The Plan provisions and benefits in effect at June 30, 2021 and 2020, are summarized as follows:

	Tier 1	PEPRA
Benefit formula	3.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50 – 67 & up	52 – 67 & up
Monthly benefits as a % of eligible compensation	2.0 – 3.0%	1.0 – 2.5%
Required employer contribution rates 2021	15.445 %	7.732%
Required employer contribution rates 2020	14.398%	6.985%

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8. Defined Benefit Pension Plan (continued)

General Information about the Pension Plans (continued)

For the years ended June 30, 2021 and 2020, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>		
	<u>Classic</u>	<u>PEPRA</u>	<u>Total</u>
Employer contributions 2021	\$ 1,555,714	\$ 267,186	\$ 1,822,900
Employer contributions 2020	\$ 1,355,733	\$ 191,139	\$ 1,546,872

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

The District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Miscellaneous Plan</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Proportionate share of the net pension liability	<u>\$ 15,167,349</u>	<u>\$ 13,911,458</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2020, 2019, and 2018 measurement dates was as follows:

	<u>PERF C</u>
Proportion – June 30, 2019	0.13576%
Proportion – June 30, 2020	<u>0.13940%</u>
Change in Proportions	<u>0.00364%</u>

	<u>PERF C</u>
Proportion – June 30, 2018	0.13156%
Proportion – June 30, 2019	<u>0.13576%</u>
Change in Proportions	<u>0.00420%</u>

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8. Defined Benefit Pension Plan (continued)

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

For the years ended June 30, 2021, and 2020 the District recognized actuarial pension expense of \$2,689,447 and \$2,987,038 respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended June 30, 2021		
Pension contributions subsequent to measurement	\$ 1,822,900	\$ -
Changes in assumptions	-	(108,180)
Differences between expected and actual experiences	781,619	-
Change in employer's proportion	554,919	-
Differences between the employer's contributions and employer's proportionate share of contributions	-	(744,935)
Net differences between projected and actual earnings on plan investments	450,570	-
Total	<u>\$ 3,610,008</u>	<u>\$ (853,115)</u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year Ended June 30, 2020		
Pension contributions subsequent to measurement	\$ 1,546,872	\$ -
Changes in assumptions	663,363	(235,157)
Differences between expected and actual experiences	966,209	(74,862)
Change in employer's proportion	410,597	-
Differences between the employer's contributions and employer's proportionate share of contributions	-	(666,255)
Net differences between projected and actual earnings on plan investments	-	(243,215)
Total	<u>\$ 3,587,038</u>	<u>\$ (1,219,489)</u>

Of the \$3,610,008 reported as deferred outflows of resources at June 30, 2021, \$1,822,900 related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8. Defined Benefit Pension Plan (continued)

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

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

Fiscal Year Ending:	Deferred Outflows (Inflows) of Resources
2022	\$ 66,199
2023	346,617
2024	305,071
2025	216,106

Actuarial Assumptions - The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
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 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website
Post-retirement benefit increase	Contract COLA up to 2.5 % until Purchasing Power Protection allowance floor on purchasing power applies

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8. Defined Benefit Pension Plan (continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

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

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

<u>Allocation by Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 – 10 (a)</u>	<u>Real Return Years 11+ (b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	—	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	—	-0.92%
Total	<u>100.00%</u>		

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8. Defined Benefit Pension Plan (continued)

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

	Discount Rate – 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
June 30, 2021	\$ 23,429,417	\$ 15,167,349	\$ 8,340,661
June 30, 2020	\$ 21,851,106	\$ 13,911,458	\$ 7,537,839

Pension Plan Fiduciary Net Position

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

Note 9. Net Investment in Capital Assets

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

Description	2021	2020
Net investment in capital assets:		
Capital assets not being depreciated	\$ 16,290,370	\$ 6,197,971
Capital assets being depreciated, net	105,834,062	109,104,102
Loans payable – current	(1,710,662)	(1,782,859)
Loans payable – noncurrent	(31,711,214)	(33,345,062)
Total net investment in capital assets	<u>\$ 88,702,556</u>	<u>\$ 80,174,152</u>

Note 10. Deferred Compensation Savings Plan

For the benefit of its employees, The District participates in IRC No. 457 Deferred Compensation Programs. The purpose of these programs is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

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

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11. Risk Management

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

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

Note 12. Commitments and Contingencies

West County Agency – A Joint Venture

The West County Agency (the Agency) operates under a joint exercise of powers agreement (JPA) between the District, the City of Richmond, and the Richmond Municipal Sewer District. The Agency is a joint venture, which is legally separate from its participants and is governed by a Board of Directors appointed by and from the governing boards of its member agencies. The Board of Directors establishes the Agency's operating budget, which sets the contributions required from each of the member agencies and exercises the other powers specified in the JPA agreement. Expenses consist of pipeline and outfall operations and maintenance costs. Agency assets are held separately from the District's assets, and the Agency does not hold any significant assets or liabilities at this time. As of June 30, 2021, and 2020, the Agency had an unrestricted net position of \$58,407 (unaudited) and \$60,138 (audited), respectively. For more detail, the financial statements of the Agency are available at the District's office.

Grant Awards

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

WEST COUNTY WASTEWATER DISTRICT
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2021 and 2020

Note 12. Commitments and Contingencies (continued)

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. The District has reviewed all potential and pending litigation and provided for these liabilities and potential liabilities as part of accounts payable at June 30, 2021 and 2020.

During the year ended June 30, 2021, the District was issued a Notice of Violation (NOV) from the Regional Water Quality Control Board related to untreated sewage discharge between February 2019 and January 2021. As part of the NOV, the District is required to submit a final force main condition report to the Regional Board. By April 30, 2022, the District will develop procedures to complete pipeline repair and replacements, develop a financing plan, and prioritize capital projects. The District will submit a progress report on this work to the Regional Board by April 20, 2022. A technical report ordered by the NOV is due for submission to the Regional Board by June 30, 2022.

Note 13. Prior Period Adjustment

During the year, accounting staff reviewed accounts payable and discovered that one item related to insurance claims for \$132,000 had been booked twice in fiscal 2019. As a result, a prior period adjustment was made as follows:

Net position, beginning – as previously stated	\$ 106,284,654
Prior period adjustment	<u>132,000</u>
Net position, beginning – as restated	<u><u>\$ 106,416,654</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

WEST COUNTY WASTEWATER DISTRICT
Required Supplementary Information
June 30, 2021

Schedule of Proportionate Share of Net Pension Liability
Last 10 Years¹

	Fiscal Year End June 30,						
	2021	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of net pension liability	0.139400%	0.135760%	0.131560%	0.130457%	0.127600%	0.120987%	0.116172%
Proportionate share of the net pension liability	\$ 15,167,349	\$ 13,911,458	\$ 12,677,363	\$ 12,937,710	\$ 11,041,346	\$ 8,304,443	\$ 7,228,755
Covered payroll	\$ 6,442,006	\$ 5,637,238	\$ 6,127,535	\$ 5,941,774	\$ 5,722,480	\$ 5,320,757	\$ 4,275,865
Proportionate share of the net pension liability as a percentage of covered payroll	235.44%	246.78%	206.89%	217.74%	192.95%	156.08%	169.06%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

Schedule of Pension Plan Contributions
Last 10 Years¹

Fiscal year ended	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions (actuarially determined)	\$ 1,822,900	\$ 1,546,872	\$ 1,332,090	\$ 1,206,117	\$ 1,145,214	\$ 978,212	\$ 808,084	\$ 809,429
Contributions in relation to actuarially determined contributions ²	(1,822,900)	(1,546,872)	(1,332,090)	(1,206,117)	(1,145,214)	(978,212)	(808,084)	(809,429)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered payroll	\$ 7,396,005	\$ 6,442,006	\$ 5,637,238	\$ 6,127,335	\$ 5,941,774	\$ 5,722,480	\$ 5,320,757	\$ 4,275,865
Contributions as a percentage of covered payroll	24.65%	24.01%	23.63%	19.68%	19.27%	17.09%	15.19%	18.93%

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

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

Actuarially Determined Contribution Assumptions:

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of pay, direct rate smoothing
Remaining amortization periods	Differs by employer rate plan but not more than 30 years
Asset valuation method	Market value of assets
Inflation	2.500%
Salary increases	Varies by entry age and service
Discount rate**	7.00% (net of administrative expenses)
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries

WEST COUNTY WASTEWATER DISTRICT
Schedule of Changes in the Net OPEB Liability and Related Ratios
for the Measurement Period Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 593,000	\$ 750,000	\$ 1,435,000	\$ 686,000
Interest on the OPEB liability	739,000	803,000	1,430,000	626,000
Actual vs. expected experience	-	(1,547,000)	-	-
Changes in assumptions	377,000	(310,000)	-	-
Benefits paid to retirees	(646,000)	(574,000)	(854,000)	(304,000)
Net change in total OPEB liability	<u>1,063,000</u>	<u>(878,000)</u>	<u>2,011,000</u>	<u>1,008,000</u>
Total OPEB Liability - beginning	<u>12,040,000</u>	<u>12,918,000</u>	<u>10,907,000</u>	<u>9,899,000</u>
Total OPEB Liability - ending	(a) \$ 13,103,000	\$ 12,040,000	\$ 12,918,000	\$ 10,907,000
Plan Fiduciary Net Position				
Employer contributions	\$ 1,809,000	\$ 1,805,000	\$ 2,473,000	\$ 1,119,000
Employee contributions	80,000	68,000	-	-
Net investment income	2,493,000	360,000	962,000	553,000
Benefits paid to retirees	(646,000)	(574,000)	(854,000)	(304,000)
Administrative expense	(31,000)	(24,000)	(39,000)	(14,000)
Net change in plan fiduciary position	<u>3,705,000</u>	<u>1,635,000</u>	<u>2,542,000</u>	<u>1,354,000</u>
Plan fiduciary net position- beginning	<u>10,750,000</u>	<u>9,115,000</u>	<u>6,573,000</u>	<u>5,219,000</u>
Plan fiduciary net position- ending	(b) \$ 14,455,000	\$ 10,750,000	\$ 9,115,000	\$ 6,573,000
Net OPEB liability (asset) - ending	(a) - (b) \$ (1,352,000)	\$ 1,290,000	\$ 3,803,000	\$ 4,334,000
Plan fiduciary net position as a percentage of the total OPEB liability	110.32%	89.29%	70.56%	60.26%
Covered employee payroll	\$ 8,389,000	\$ 7,242,000	\$ 6,318,000	\$ 6,590,000
Net OPEB liability as a percentage of covered payroll	-16.12%	17.81%	60.19%	65.77%

Notes to Schedule:

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

WEST COUNTY WASTEWATER DISTRICT
Schedule of OPEB Contributions
Last Ten Fiscal Years¹

Fiscal Year Ended June 30,	2021	2020	2019	2018
Actuarially determined contributions (ADC)	\$ 1,242,000	\$ 1,312,000	\$ 1,118,000	\$ 962,000
Contributions in relation to the ADC	(1,809,000)	(1,805,000)	(1,282,000)	(1,191,000)
Contribution deficiency (excess)	\$ (567,000)	\$ (493,000)	\$ (164,000)	\$ (229,000)
Covered-employee payroll	8,389,000	7,242,000	6,318,000	6,625,000
Contributions as a percentage of covered-employee payroll	21.56%	24.92%	20.29%	17.98%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021 were selected by the District after consultation with the actuary.

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

Method and assumptions used to determine contribution:

Valuation date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of payroll
Amortization Period	19-year fixed period for 2020/21
Asset valuation method	Market value of assets
Discount rate	6.00%
General inflation	2.75%
Medical trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2018

STATISTICAL INFORMATION

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WEST COUNTY WASTEWATER ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021

STATISTICAL SECTION TABLE OF CONTENTS

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

WEST COUNTY WASTEWATER STATISTICAL SECTION - INTRODUCTION

This section of WCW's the annual comprehensive 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 WCW's overall financial health.

Financial Trends

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

Revenue Capacity

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

Debt Capacity

This schedule contains trend information to help the reader assess WCW'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 WCW's financial activities take place.

Operating Information

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

FINANCIAL TRENDS

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

Change in Net Position	2021	2020	2019	2018	2017	2016
<u>Operating revenues:</u>						
Sewer use charge	\$ 25,614,601	\$ 25,625,752	\$ 23,795,768	\$ 21,047,634	\$ 19,780,211	\$ 17,290,831
Inspection/permit fees	212,066	192,230	277,981	231,481	300,183	248,888
Contract services	67,537	69,193	87,091	106,279	221,643	300,737
Other revenue	253,064	91,056	48,072	194,610	170,067	221,698
Total operating revenues	26,147,268	25,978,231	24,208,912	21,580,004	20,472,104	18,062,154
<u>Operating expenses:</u>						
Sewage collection	5,101,056	5,351,979	2,197,399	4,236,904	3,783,288	3,815,139
Sewage treatment	12,042,302	9,453,524	7,197,285	7,298,501	6,784,087	5,976,699
Administration	5,055,289	5,677,700	5,718,627	4,553,523	3,899,443	2,631,540
Contract services	81,216	31,311	64,076	84,834	147,060	272,421
West County Agency	8,095	537,834	268,066	121,698	174,212	148,541
Depreciation expense	5,119,173	5,754,097	4,634,050	3,198,839	3,071,113	3,119,615
Total operating expenses	27,407,131	26,806,445	20,079,503	19,494,299	17,859,203	15,963,955
Operating Income (loss)	(1,259,863)	(828,214)	4,129,409	2,085,705	2,612,901	2,098,199
<u>Non-operating revenues (expenses):</u>						
Property taxes	1,320,397	1,257,113	1,192,713	1,082,059	1,057,151	977,876
Redevelopment allocation	303,186	339,844	322,356	312,470	160,943	141,994
Rental income	523,390	507,694	675,254	311,948	90,941	353,536
Investment earnings	207,119	922,465	817,201	298,133	61,556	70,451
Interest expense	(430,961)	(463,090)	(450,324)	(390,000)		
Other revenue (expense), net	50,664	(6,082)	(417)	(97,276)	(109,312)	
Total non-operating revenues (expenses), net	1,973,795	2,557,944	2,556,783	1,517,334	1,261,279	1,543,857
Net income before capital contributions	713,932	1,729,730	6,686,192	3,603,039	3,874,180	3,642,056
<u>Capital contributions:</u>						
State capital grants			354,885	2,034,947	6,966,498	
Connection fees	1,176,339	578,975	454,195	1,423,356	970,975	453,178
Contributed sewer lines						
Total capital contributions	1,176,339	578,975	809,080	3,458,303	7,937,473	453,178
Change in net position	1,890,271	2,308,705	7,495,272	7,061,342	11,811,653	4,095,234
Net position						
Beginning of year	106,284,654	103,975,949	96,480,677	93,344,056	81,532,403	77,437,169
Prior period adjustments	132,000			(3,924,721)		
Net Position - End of year	\$ 108,306,925	\$ 106,284,654	\$ 103,975,949	\$ 96,480,677	\$ 93,344,056	\$ 81,532,403
Net position						
Invested in Capital Assets	\$ 80,174,152	\$ 80,174,152	\$ 82,260,957	\$ 85,238,747	\$ 79,395,085	\$ 80,006,751
Restricted	2,284,343	2,284,343	2,134,873	1,861,014	918,426	
Unrestricted	25,848,430	23,826,159	19,580,119	9,380,916	13,030,545	1,525,652
Total Net Position	\$ 108,306,925	\$ 106,284,654	\$ 103,975,949	\$ 96,480,677	\$ 93,344,056	\$ 81,532,403

Source: West County Wastewater Audited Financial Statements
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FINANCIAL TRENDS

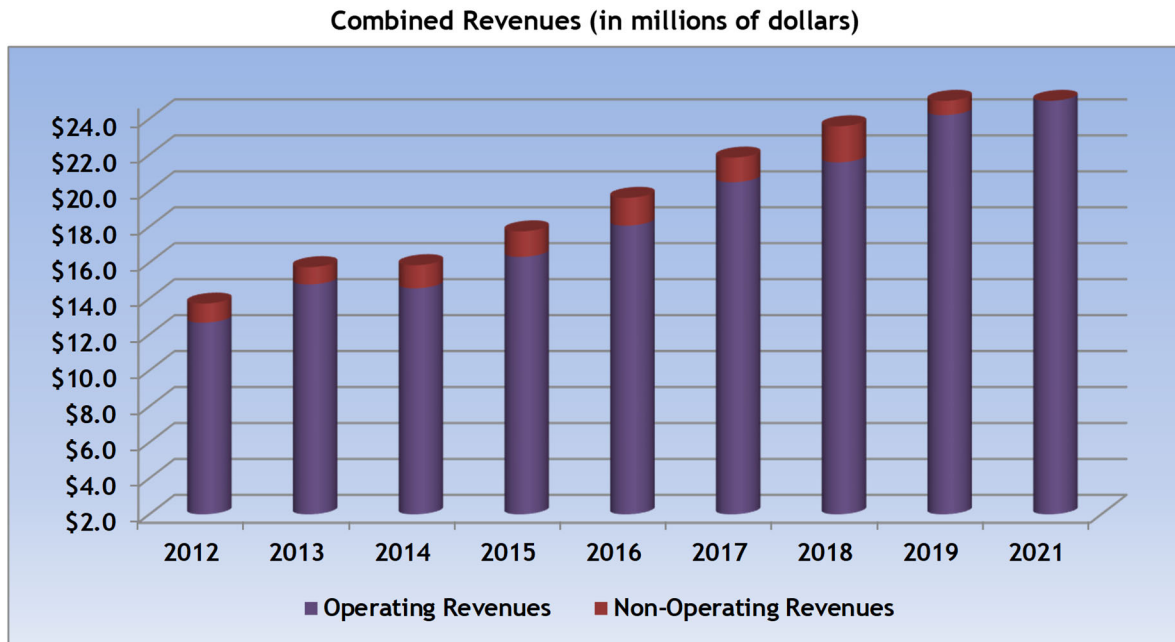
WEST COUNTY WASTEWATER CHANGES IN NET POSITION AND STATEMENT OF NET POSITION Last Ten Fiscal Years (continued)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Operating revenues:</u>					
Sewer use charge	\$ 15,650,703	\$ 14,038,949	\$ 13,854,746	\$ 12,239,921	\$ 12,182,304
Inspection/permit fees	316,476	192,139	189,166	45,645	46,062
Contract services	329,339	316,961	551,075	332,037	339,517
Other revenue	25,302	24,182	194,429	45,097	64,979
Total operating revenues	<u>16,321,820</u>	<u>14,572,231</u>	<u>14,789,416</u>	<u>12,662,700</u>	<u>12,632,862</u>
<u>Operating expenses:</u>					
Sewage collection	3,768,123	3,639,837	3,372,341	2,908,773	3,176,367
Sewage treatment	5,704,464	5,208,478	6,798,874	5,712,477	5,940,831
Administration	2,740,638	2,868,589	2,935,722	2,554,171	2,515,705
Contract services	303,888	269,874	474,623	287,977	239,973
West County Agency	107,463	133,670	172,391	105,041	148,273
Depreciation expense	3,222,967	2,940,249	2,921,783	2,735,155	2,856,717
Total operating expenses	<u>15,847,543</u>	<u>15,060,697</u>	<u>16,675,734</u>	<u>14,303,594</u>	<u>14,877,866</u>
Operating Income (loss)	<u>474,277</u>	<u>(488,466)</u>	<u>(1,886,318)</u>	<u>(1,640,894)</u>	<u>(2,245,004)</u>
<u>Non-operating revenues (expenses):</u>					
Property taxes	900,157	790,139	749,228	737,902	834,524
Redevelopment allocation	215,512	120,307	23,864	70,857	
Rental income	258,827	341,007	155,448	199,974	246,948
Investment earnings	43,743	34,712	30,257	49,106	64,645
Other revenue (expense), net	(2,275,124)			(256,871)	(108,804)
Total non-operating revenues (expenses), net	<u>(856,885)</u>	<u>1,286,165</u>	<u>958,797</u>	<u>800,968</u>	<u>1,037,313</u>
Net income before capital contributions	<u>(382,608)</u>	<u>797,699</u>	<u>(927,521)</u>	<u>(839,926)</u>	<u>(1,207,691)</u>
<u>Capital contributions:</u>					
State capital grants					
Connection fees	816,533	202,478	167,916	192,636	1,068,927
Contributed sewer lines					
Total capital contributions	<u>816,533</u>	<u>202,478</u>	<u>167,916</u>	<u>192,636</u>	<u>1,068,927</u>
Change in net position	<u>433,925</u>	<u>1,000,177</u>	<u>(759,605)</u>	<u>(647,290)</u>	<u>(138,764)</u>
Net position					
Beginning of year	86,070,895	85,070,718	85,830,323	86,477,613	86,616,377
Prior period adjustments	<u>(9,067,651)</u>				
Net Position - End of year	<u><u>\$ 77,437,169</u></u>	<u><u>\$ 86,070,895</u></u>	<u><u>\$ 85,070,718</u></u>	<u><u>\$ 85,830,323</u></u>	<u><u>\$ 86,477,613</u></u>
Net Position					
Invested in Capital Assets	\$ 67,486,623	\$ 70,302,862	\$ 69,404,267	\$ 69,725,812	\$ 69,663,380
Unrestricted	<u>9,950,546</u>	<u>15,768,033</u>	<u>15,666,451</u>	<u>16,104,511</u>	<u>16,814,233</u>
Total Net Position	<u><u>\$ 77,437,169</u></u>	<u><u>\$ 86,070,895</u></u>	<u><u>\$ 85,070,718</u></u>	<u><u>\$ 85,830,323</u></u>	<u><u>\$ 86,477,613</u></u>

Source: West County Wastewater Audited Financial Statements
Continued from previous page

FINANCIAL TRENDS

WEST COUNTY WASTEWATER REVENUES BY TYPE Last Ten Fiscal Years



Source: West County Wastewater Audited Financial Statements

FINANCIAL TRENDS

WEST COUNTY WASTEWATER REVENUES BY TYPE Last Ten Fiscal Years

OPERATING REVENUES

FYE June 30	Sewer Use Charge	Inspection/ Permit fees	Contract Services	Other Revenue	Total Operating
2012	12,239,921	45,645	332,037	45,097	12,662,700
2013	13,854,746	189,166	551,075	194,429	14,789,416
2014	14,038,949	192,139	316,961	24,182	14,572,231
2015	15,650,703	316,476	329,339	25,302	16,321,820
2016	17,290,831	248,888	300,737	221,698	18,062,154
2017	19,780,211	300,183	221,643	170,067	20,472,104
2018	21,047,634	231,481	106,279	194,610	21,580,004
2019	23,664,880	277,981	87,091	178,960	24,208,912
2020	25,522,924	192,230	69,193	193,884	25,978,231
2021	25,614,601	212,066	67,537	253,064	26,147,268

Source: West County Wastewater Audited Financial Statements

NON-OPERATING REVENUES

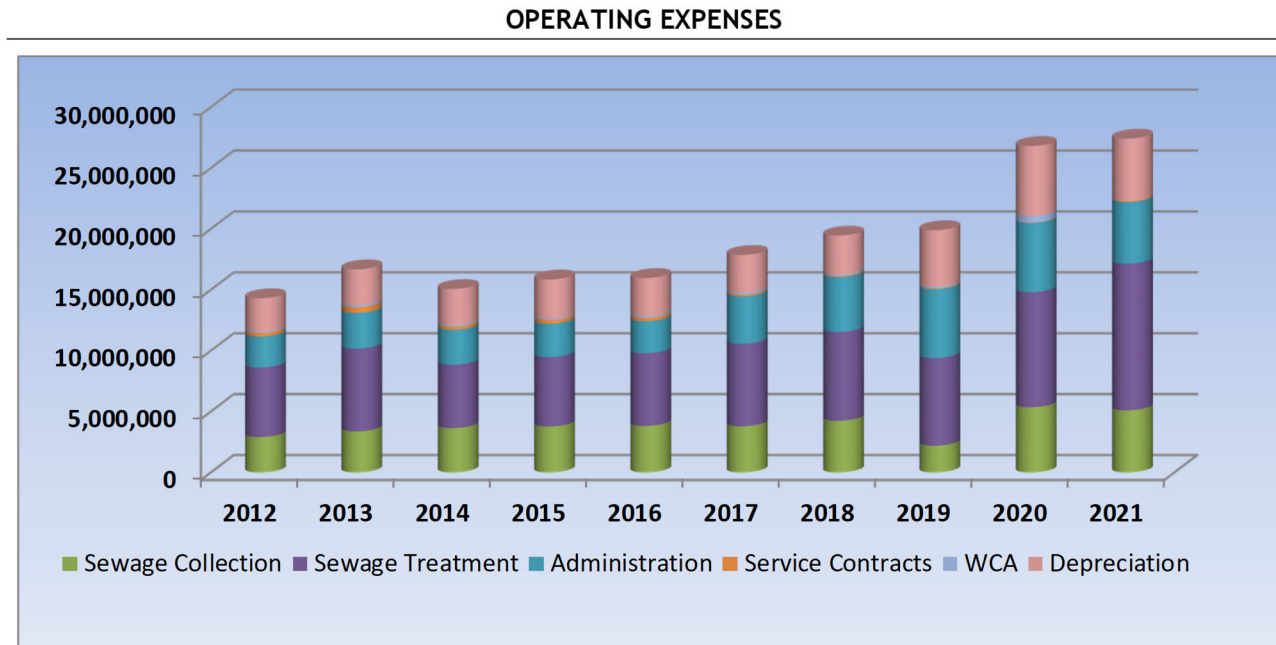
FYE June 30	Property Taxes	Investment Earnings	Rental Income	Other	Total Non- Operating
2012	808,759	49,106	199,974		1,057,839
2013	773,092	30,257	155,448		958,797
2014	910,446	34,712	341,007		1,286,165
2015	1,115,669	43,743	258,827		1,418,239
2016	1,119,870	70,451	353,536		1,543,857
2017	1,218,094	61,556	90,941		1,370,591
2018	1,394,529	298,133	311,947		2,004,609
2019	1,515,069	817,201	675,254		3,007,524
2020	1,596,957	922,465	507,694		3,027,116
2021	1,623,583	207,119	523,390		2,354,092

Source: West County Wastewater Audited Financial Statements

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

FINANCIAL TRENDS

WEST COUNTY WASTEWATER OPERATING EXPENSES BY FUNCTION Last Ten Fiscal Years



Source: West County Wastewater Audited Financial Statements

OPERATING EXPENSES

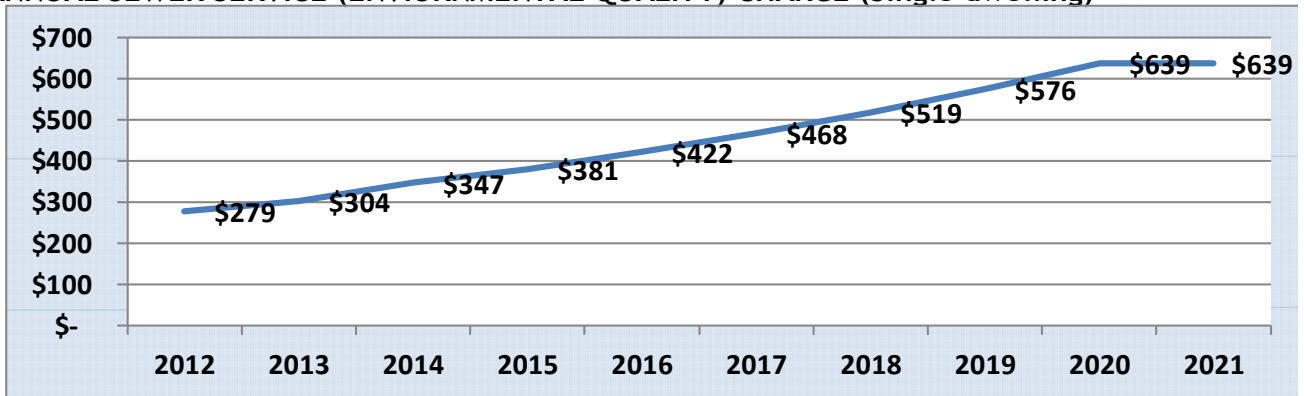
FYE June 30	Sewage Collection	Sewage Treatment	Administration	Service Contracts	WCA	Depreciation	Total
2012	2,908,773	5,712,477	2,554,171	287,977	105,041	2,735,155	14,303,594
2013	3,372,341	6,798,874	2,935,722	474,623	172,391	2,921,783	16,675,734
2014	3,639,837	5,208,478	2,868,589	269,874	133,670	2,940,249	15,060,697
2015	3,768,123	5,704,464	2,740,638	303,888	107,463	3,222,967	15,847,543
2016	3,815,139	5,976,699	2,631,540	272,421	148,541	3,119,615	15,963,955
2017	3,783,288	6,784,087	3,899,443	147,060	174,212	3,071,113	17,859,203
2018	4,236,904	7,298,501	4,507,522	84,834	121,698	3,198,839	19,448,298
2019	2,197,399	7,197,285	5,661,627	64,076	138,066	4,634,050	19,892,503
2020	5,351,979	9,453,524	5,677,700	31,311	537,834	5,754,097	26,806,445
2021	5,101,056	12,042,302	5,055,289	81,216	8,095	5,119,173	27,407,131
	19%	44%	18%	0%	0%	19%	100%

Source: West County Wastewater Audited Financial Statements

Revenue Capacity

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

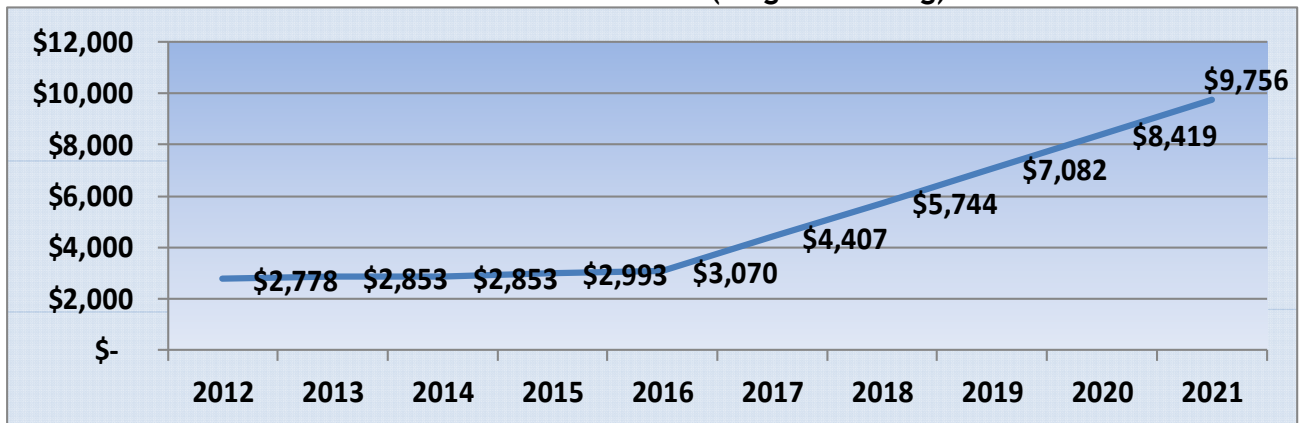
ANNUAL SEWER SERVICE (ENVIRONMENTAL QUALITY) CHARGE (Single dwelling)



Source: West County Wastewater Schedule of User Fees

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

CONNECTION FEE (Single dwelling)



Source: West County Wastewater Schedule of User Fees

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

Revenue Capacity
WEST COUNTY WASTEWATER
PRINCIPAL REVENUE SOURCES
Current and Ten Years Ago

WEST COUNTY WASTEWATER
PRINCIPAL EMPLOYERS
Current and Nine Years Ago

Employer	FY 2021			FY 2012		
	Number of Employees	Rank	% of Total District Employment	Number of Employees	Rank	% of Total District Employment
Chevron Refinery	3,264	1	2.7%	1,950	1	1.5%
West Contra Costa Unified School District	2,293	2	1.9%	1,857	2	
Social Security Administration	1,259	3	1.0%	1,259	3	
Amazon.com Services	1,055	4	0.9%			
U. S. Postal Service	1,047	6	0.9%	1,047	4	
Contra Costa College	690	9	0.6%	693	8	0.5%
City of Richmond	860	7	0.7%	771	7	
Permanente Medical Group	1,051	5	0.9%	-		0.0%
Contra Costa County	844	8	0.7%	844	6	
Casino San Pablo	396	10	0.3%	475	9	0.4%
Doctors Medical Center				973	5	0.8%
Vale Care Center	275			261		0.2%
Walmart Store 3455				400	10	0.3%
Target	178			136		0.1%
Subtotal	13,212		10.5%	10,666		3.8%
All Others	108,117		89.1%	118,564		91.7%
Total workforce	121,329		100.0%	129,230		100.0%

Source: Comprehensive Annual Financial Reports or Fiscal Year Ending June 30, 2019 for City of Richmond, City of San Palo and City of Pinole. Data is not available for June 30, 2020.

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

Sewer Use Charge Customer Type	FY 2021		FY 2011	
	Sewer Revenue	% of Total	Sewer Revenue	% of Total
Residential	\$ 20,901,544	82%	\$ 8,877,750	72%
Commercial	3,308,082	13%	2,237,898	18%
Industrial	1,404,975	5%	1,278,350	10%
Total	\$ 25,614,601	100%	\$ 12,393,998	100%

Source: West County Wastewater Audited Financial Statements.

Revenue Capacity

WEST COUNTY WASTEWATER PROPERTY TAX INFORMATION Last Ten Fiscal Years

Assessed Valuation of Taxable Property within WCW

FYE June 30	County Secured	County Unsecured	Total	% Change
2011	6,190,398,465	192,496,264	6,382,894,729	
2012	6,555,576,933	195,169,554	6,750,746,487	5.8%
2013	6,135,176,625	232,644,475	6,367,821,100	-5.7%
2014	5,967,088,206	179,265,098	6,146,353,304	-3.5%
2015	6,747,353,358	184,879,011	6,932,232,369	12.8%
2016	7,355,374,837	204,228,652	7,559,603,489	9.1%
2017	7,907,856,769	199,944,749	8,107,801,518	7.3%
2018	8,484,774,635	197,601,420	8,682,376,055	7.1%
2019	9,029,026,935	210,535,422	9,239,562,357	6.4%
2020	9,666,121,527	216,671,679	9,882,793,206	7.0%
2021	10,201,041,929	228,053,649	10,429,095,578	12.9%

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

Property Tax and Sewer Service Charge Fees Collected

FYE June 30	Property Tax	Sewer Service Charges
2012	808,759	12,239,921
2013	773,092	13,854,746
2014	910,446	14,038,949
2015	1,115,669	15,650,703
2016	1,119,870	17,290,831
2017	1,218,094	19,780,211
2018	1,394,529	21,047,634
2019	1,515,069	23,664,880
2020	1,596,957	25,522,924
2021	1,623,583	25,614,601

Source: West County Wastewater Audited Financial Statements

Revenue Capacity

WEST COUNTY WASTEWATER SCHEDULE OF CAPACITY CHARGES

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>
Beginning Balance July 1	149,089	214,703	270,363	-	-	677,564
Capacity charge fee revenue received:						
Connection fees	216,821	56,061	80,289	255,343	175,260	82,111
Flow zone fees	67,300	70,329	52,752	114,041	50,206	33,237
Toll zone 6	24,883			14,767	45,729	544
Toll zone 22	50				551	
Capacity charge revenue for the Fiscal Year	309,054	126,391	133,041	384,151	271,745	115,893
Interest earned on investments						2,039
Capacity construction project cost incurred:						
Market Street sewer replacement Project 14CS204 (1)					(146,216)	(795,495)
Church Lane to Road 20 sewer replacement Project				(113,789)	(125,529)	
Pipe bursting of sanitary sewers (18CS202) (3)			(188,700)			
Priority Sewer Replacements Project 15CS201	(458,143)	(192,005)				
Ending Balance	-	149,089	214,703	270,363	-	-

Source: West County Wastewater District accounting records.

(1) Total cost of Project 14CS204 was \$941,711 as of 6/30/16.

(2) Total cost of Project 14CS214 was \$239,318 as of 6/30/17.

(3) Bid item 2- 370 linear feet of 8" pipe at \$510/foot.

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

Debt Capacity

WEST COUNTY WASTEWATER DEBT CAPACITY AND LOAN REPAYMENT SCHEDULE

Debt Capacity

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

<u>Fiscal Year</u>	<u>Ratio of Debt to</u>	
	<u>Personal</u>	<u>Debt per</u>
	<u>Income</u>	<u>Capita</u>
2015	0.00%	\$ 0.75
2016	0.04%	\$ 25.01
2017	0.35%	\$ 247.03
2018	0.42%	\$ 305.40
2019	0.44%	\$ 333.15
2020	0.45%	\$ 337.62

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

<u>Loan</u>	<u>Repayment Dates</u>		<u>Interest Rate</u>	<u>Loan Offered</u>	<u>Loan Amount</u>	<u>Loan Available</u>
	<u>Agreement #</u>	<u>Start</u>	<u>End</u>			
	7876-110	5/6/2017	5/6/2036	1.90%	1,654,505	1,228,650
	7876-120	5/31/2020	5/31/2039	1.90%	2,881,758	2,271,368
	7876-130	8/30/2018	8/30/2037	1.90%	14,593,521	13,290,164
	8043-110 (1)	6/3/2018	6/3/2037	1.00%	30,457,093	18,337,739

Total as of 6/30/20

49,586,877 35,127,921 2,795,450

Repayment Schedule (2):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FYE 6/30/21	1,782,859	501,484	2,284,343
FYE 6/30/22	1,806,872	477,471	2,284,343
FYE 6/30/23	1,832,158	452,185	2,284,343
FYE 6/30/24	1,857,834	426,508	2,284,342
FYE 6/30/25	1,883,907	400,436	2,284,343
FYE 6/30/26	1,910,383	373,960	2,284,343
FYE 6/30/27	1,937,269	347,074	2,284,343
FYE 6/30/28	1,964,571	319,772	2,284,343
FYE 6/30/29	1,992,297	292,046	2,284,343
FYE 6/30/30	2,020,454	263,889	2,284,343
Thereafter	16,139,317	1,052,673	17,191,990
Total	35,127,920	4,907,498	40,035,418

(1) Loan Offered amount is before grants awarded under Proposition 1 of \$5,356,330 and Proposition 13 of \$4,000,000. In the fiscal year ending June 30, 2018, grant proceed of \$9,001,445 were received. In the fiscal year ending June 30, 2019, grant proceed of \$354,885 were received.

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

Demographic Data

WEST COUNTY WASTEWATER DEMOGRAPHIC AND ECONOMIC INFORMATION Last Ten Fiscal Years

WCW AREA 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
2010	125,096	6,938,449,640	55,465	11.2%	1,049,025	11.9%
2011	96,597	5,492,228,784	56,857	11.0%	1,059,495	9.1%
2012	97,296	5,740,526,109	59,001	9.4%	1,069,977	9.1%
2013	97,998	6,077,955,966	62,022	7.7%	1,083,340	9.0%
2014	98,724	6,104,627,626	61,835	6.1%	1,097,172	9.0%
2015	99,511	6,388,349,816	64,198	4.9%	1,111,143	9.0%
2016	102,481	6,932,319,943	67,645	4.9%	1,123,429	9.1%
2017	103,759	7,277,795,116	70,141	4.2%	1,139,513	9.1%
2018	104,027	7,530,056,393	72,386	3.5%	1,147,879	9.1%
2019	104,027	7,771,018,197	74,702	3.1%	1,150,621	9.0%
2020	104,045	7,812,252,006	77,092	3.2%	1,153,561	9.0%
2021	106,376	8,164,733,459	76,753	6.9%	1,165,927	9.1%

Sources: * Population: State of California Department of Finance, Demographic Research Unit, including adjustments, as of January 1019, 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

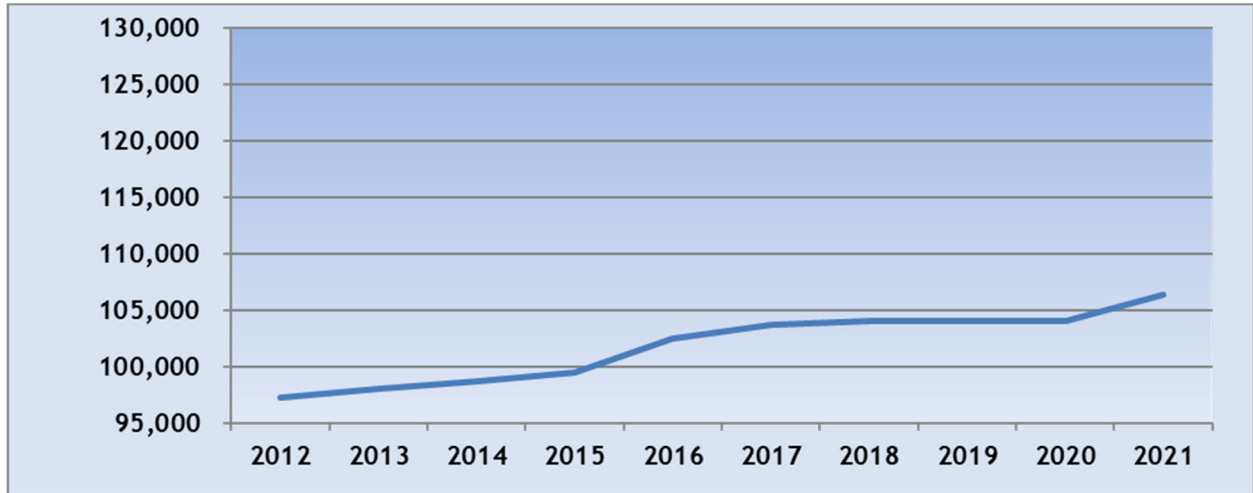
* Unemployment Rate: State of California, Economic Development Department, as of June 2021.

Notes: (A) Data calculated by multiplying District Population by Per Capita Personal ncome .

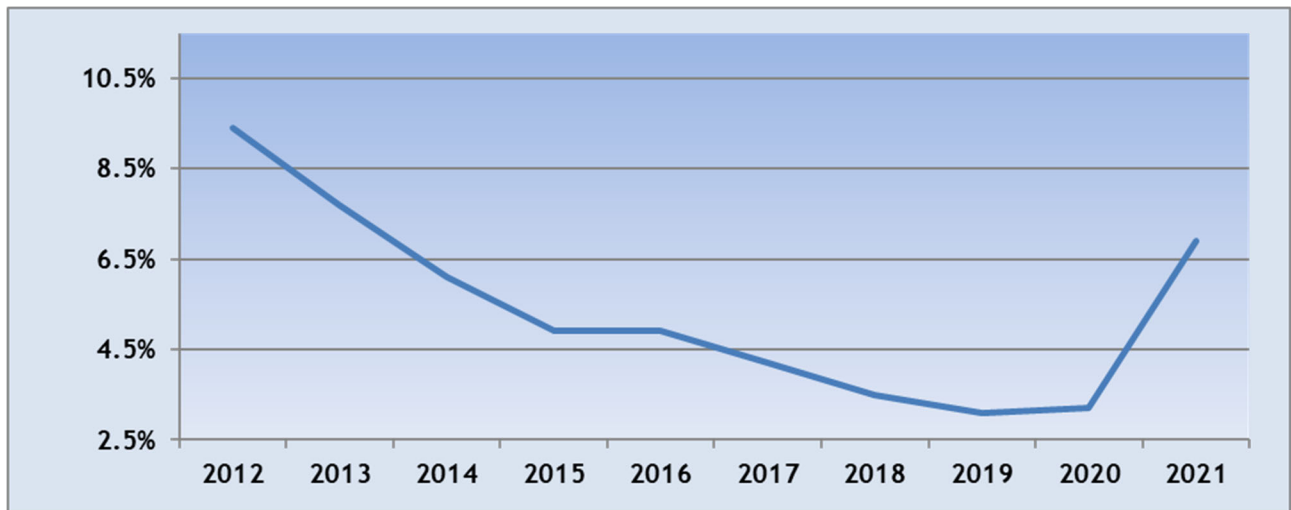
(B) Data presented for Contra Costa County - data not available at the District level.

Demographic Data
WEST COUNTY WASTEWATER DISTRICT
DEMOGRAPHIC AND ECONOMIC INFORMATION
Last Ten Fiscal Years

Population Served

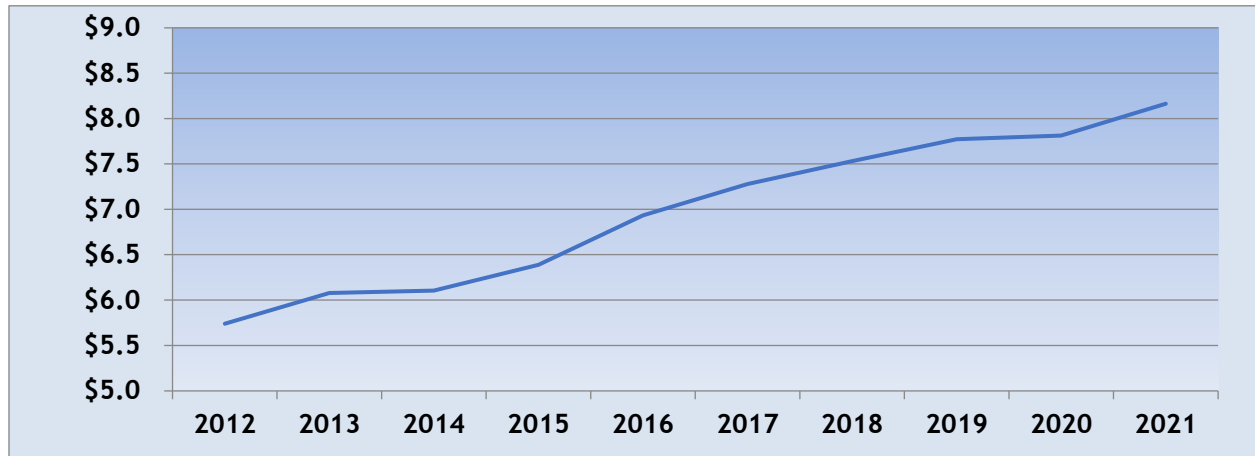


Unemployment Rate - Contra Costa County

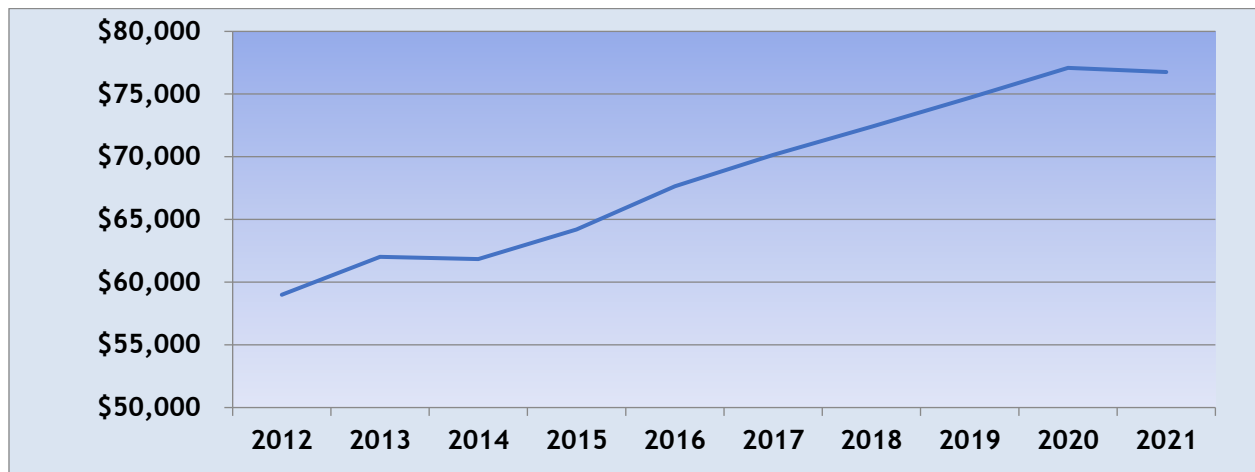


**WEST COUNTY WASTEWATER
DEMOGRAPHIC AND ECONOMIC INFORMATION
Last Ten Fiscal Years**

Total Personal Income (Billions)



Per Capita Personal Income



Demographic Data

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

Principal Employers Current and Nine Years Ago

Employer	FY 2021			FY 2012		
	Number of Employees	Rank	% of Total District Employment	Number of Employees	Rank	% of Total District Employment
Chevron Refinery	3,264	1	2.7%	1,950	1	1.5%
West Contra Costa Unified School District	2,293	2	1.9%	1,857	2	
Social Security Administration	1,259	3	1.0%	1,259	3	
Amazon.com Services	1,055	4	0.9%			
U. S. Postal Service	1,047	6	0.9%	1,047	4	
Contra Costa College	690	9	0.6%	693	8	0.5%
City of Richmond	860	7	0.7%	771	7	
Permanente Medical Group	1,051	5	0.9%	-		0.0%
Contra Costa County	844	8	0.7%	844	6	
Casino San Pablo	396	10	0.3%	475	9	0.4%
Doctors Medical Center				973	5	0.8%
Vale Care Center	275			261		0.2%
Walmart Store 3455				400	10	0.3%
Target	178			136		0.1%
Subtotal	13,212		10.5%	10,666		3.8%
All Others	108,117		89.1%	118,564		91.7%
Total workforce	121,329		100.0%	129,230		100.0%

Source: Comprehensive Annual Financial Reports for Fiscal Year Ending June 30, 2019 for City of Richmond, City of San Pablo and City of Pinole. Data is not available for June 30, 2020.

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

Demographic Data

WEST COUNTY WASTEWATER DEMOGRAPHIC AND ECONOMIC INFORMATION FULLTIME EQUIVALENT EMPLOYEES - BUDGETED Last Ten Fiscal Years

Full-Time Equivalent Employees- Budgeted Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Administration Services										
Administration	11	11	11	8	8	6	8	8	13	12
Finance				4	4	4	4	4	4	4
Subtotal- Administration Services	11	11	11	12	12	10	12	12	17	16
Infrastructure and Planning										
Capital Programs	6	8	9	9	9	9	9	9	6	6
Collection Systems	12	12	12	12	13	14	14	14	13	14
Planning and Program Support									6	8
Subtotal- Infrastructure and Planning	18	20	21	21	22	23	23	23	25	28
Water Quality and Resource Recovery Plant										
Environmental Services and Laboratory	5	5	5	4	4	4	4	4	5	5
Plant Operations	12	11	11	11	11	13	14	14	16	16
Maintenance	9	9	9	9	9	10	11	11	11	11
Subtotal- Water Quality and Recovery	26	25	25	24	24	27	29	29	32	32
Total District	55	56	57	57	58	60	64	64	74	76

Source: West County Wastewater District Budget.

Operating Information

WEST COUNTY WASTEWATER OPERATING INFORMATION Last Ten Fiscal Years

Engineering Permits Completed

Fiscal Year	Repairs	Single Family	Multi-Family	Commercial	Industrial	Misc.	Total
2012	357	5	1	1	-	1	365
2013	328	2	-	3	1	1	335
2014	378	5	-	1	-	6	390
2015	445	15	-	2	-	2	464
2016	413	15	-	2	-	2	432
2017	353	21	1	3	-	6	384
2018	310	16	1	-	-	-	327
2019	177	9	-	1	-	5	192
2020	282	12	-	1	-	1	296
2021	268	2	-	-	-	-	270

Source: West County Wastewater District operating information from monitoring systems.

Collection System Activity

Fiscal Year	Pipeline Cleaning (1,000 Feet)	Video Inspections (1,000 Feet)	Number of Service Calls	Number of Main Stoppages	Total
2012	2,077	295.9	122	13	2,508
2013	2,101	326.4	136	11	2,574
2014	2,030	372.4	163	15	2,580
2015	2,175	345.5	154	15	2,690
2016	1,861	158.3	131	14	2,164
2017	1,588	154.0	131	11	1,884
2018	1,809	104.9	122	9	2,045
2019	1,638	123.3	133	13	1,907
2020	1,363	86.7	121	12	1,583
2021	1,789	217.3	57	10	2,073

Source: West County Wastewater District operating information from monitoring systems.

Operating Information

WEST COUNTY WASTEWATER OPERATING INFORMATION Last Ten Fiscal Years

Treatment Plant Activity						
Fiscal Year	Effluent Flow (Millions of Gallons)	Recycled Water Produced (Millions of Gallons)	Effluent BOD (mg/L)	Effluent TSS (mg/L)	Electricity Used (MWh)	Gas Produced (k ft3)
2012	3,001		7.6	11.7	5,143	45,044
2013	2,898		6.1	8.0	5,156	45,532
2014	3,124	1,547	8.7	13.9	5,042	39,388
2015	2,763	1,669	7.3	9.8	5,446	41,332
2016	2,820	1,884	9.3	13.0	5,710	38,973
2017	3,675	1,394	12.0	15.0	5,840	47,533
2018	2,884	1,279	8.0	10.0	4,313	32,269
2019	3,247	887	6.7	5.5	4,892	45,575
2020	2,670	2,265	7.6	5.3	5,609	22,743
2021*	2,837	2,358	6.8	5.4	6,121	0

Source: West County Wastewater District operating information from monitoring systems.

* The elevated electrical consumption for 2020 and 2021 is a result of Synagro using PG&E to power belt press(es) for sludge dewater. Reduced digester gas (down to zero in 2021) is due to digesters taken off line in mid 2020. The recycled water production has increased the past two years as a result of EBMUD's capacity expansion. EBMUD can now polish more of WCW's effluent for supplying the refinery.

Operating Information

WEST COUNTY WASTEWATER OPERATING INFORMATION Last Ten Fiscal Years

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*
2012	248.9	***5.5	17	12.5	7.7
2013	248.9	5.5	17	12.5	**6.8
2014	248.9	5.5	17	12.5	6.5
2015	248.9	5.5	17	12.5	6.3
2016	250.0	5.5	17	12.5	**5.9
2017	249.0	6.0	17	12.5	6.9
2018	249.0	6.0	17	12.5	7.0
2019	249.0	6.0	17	12.5	6.2
2020	249.0	6.0	17	12.5	6.4
2021	249.0	6.0	17	12.5	7.1

* 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.

Source: West County Wastewater District operating information from monitoring systems.

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

To the Board of Directors
West County Wastewater District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the West County Wastewater District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the West County Wastewater District's basic financial statements and have issued our report thereon dated March 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West County Wastewater District's internal control over financial reporting (internal control) as a basis for designing 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 West County Wastewater District's internal control. Accordingly, we do not express an opinion on the effectiveness of the West County Wastewater District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses: 2021-001.

Compliance and Other Matters

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

West County Wastewater District's Response to Findings

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

Purpose of this Report

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


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
March 25, 2022

WEST COUNTY WASTEWATER DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS

We issued reports, dated March 25, 2022, on internal control over financial reporting and on compliance and other matters based on our audit of financial statements performed in accordance with *Government Auditing Standards*.

Our report on compliance indicated no instances of noncompliance.

Our report on internal control over financial reporting indicated a material weakness as described below:

Finding 2021-001

Criteria: According to Committee of Sponsoring Organizations (COSO), which is applicable to *Generally Accepted Government Auditing Standards* (Yellow Book) District should maintain an internal control environment in which:

- a) The organization demonstrates a commitment to integrity and ethical values.
- b) The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
- c) Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
- d) The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- e) The organization hold individuals accountable for their internal control responsibilities in the pursuit of objectives.

Specifically for the District, the audit noted significant issues related to: pooled cash, accrued expenses, and accrued wages and benefits.

Condition: During the year ended June 30, 2021, there were continuity of personnel issues related to key employees, particularly within the finance department.

Cause: COVID-19 related staffing issues combined with unclear written procedures for accounting staff.

Effect: It took longer than usual to provide the audit team with a complete and final trial balance, and a second trial balance was provided after the auditor had begun audit fieldwork. This caused duplication of work and further audit delays.

Additionally, new staff was not familiar with all of the required year-end closing procedures needed in the general ledger software. This resulted in material audit adjusting entries.

Recommendation: We recommend that management and the board of directors familiarize themselves with the internal control principles described in the Yellow Book, and implement additional policies and procedures to shore up the control environment.

WEST COUNTY WASTEWATER
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Views of Responsible Officials and Planned Corrective Action

West County Wastewater District
Response to Finding 2021-001

FY 2021 brought significant changes to the West County Wastewater District Finance Division. A key position turned over shortly before the close of the fiscal year, while at the same time recruitments for Accountant and Financial Analyst were underway. As new staff came on board, management secured outside consultants to assist with the financial operations including fiscal year 2021 audit. At the same time, the WCW was in the middle of implementing a new payroll system, which required additional setup to record and reconcile the payroll transactions in the general ledger.

Management is actively working to ensure that year end accounting procedures are clearly documented and that staff within the Finance Division are trained in the year end processes of the finance system. Management hired an outside CPA to conduct an accounting and financial controls assessment, which resulted in several recommendations that staff is actively implementing. Management has taken great strides to ensure that for the fiscal year 2022 year end closing, that year end processes are communicated to impacted staff and that the Finance Division can complete its processes and produce a final trial balance to the auditors in order to complete the final audit within six months of the close of the fiscal year.