WEST COUNTY WASTEWATER DISTRICT
Richmond, CA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2022

Prepared by:
Administrative Services Department

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WEST COUNTY WASTEWATER DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	Page Number
Introductory Section	
Letter of Transmittal	4
Mission Statement, Vision, and Core Values	7
Principal Officials and Management	9
Organization Chart	10
WCW Location and Service Area	11
Financial Section	
Independent Auditors' Report	14
Management's Discussion and Analysis	16
Basic Financial Statements:	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27
Notes to Financial Statements	29
Required Supplementary Information Section	
Schedule of Proportionate Share of the Plan's Net Pension Liability	67
Schedule of Pension Plan Contributions	67
Schedule of Changes in the Net OPEB Liability and Related Ratios	68
Schedule of OPEB Contributions	69
Statistical Section (Unaudited)	
Changes in Net Position and Statement of Net Position	71
Revenues by Type	73
Operating Expense by Function	75
Major Revenue Base and Rates	76
Principal Revenue Sources	77
Property Tax Information	78
Schedule of Capacity Charges	79
Debt Capacity and Loan Repayment Schedule	80
Demographic and Economic Information	81
Operating Information	86
Independent Auditors' 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	90

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<u>INTRODUCTORY SECTION</u>

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WEST COUNTY WASTEWATER

February 9, 2023

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, 2023.

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 District's (District) financial statements for the year ended June 30, 2022. 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 intendent 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 THE DISTRICT

West County Wastewater District (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 101 years to protects 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 unity 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

2910 Hilltop Drive, Richmond, CA 94806 | (510) 222-6700 | www.wcwd.org

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% or 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), continued inflation and associated Federal Reserve interventions, mainly rising interest rates are putting the economic conditions at risk. However, unemployment in Contra Costa County was 3.2% in June 2022 compared to 7% in June 2021 is a marked improvement year over year.

WCW's Board of Directors maintains sound fiscal policies and closely monitors expenses. In FY 2022 WCW's Board of Directors approved a five year sewer rate plan that increased the Environmental Quality (Sewer Use) Charge by 5.5% at $674 per single family residence. At the sewer use charges are over 90% of the WCW revenues, a five year rate plan adds stability into the long term financial planning of WCW.

LONG TERM PLANNING

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 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 and issued its inaugural 2021 Wastewater Revenue Bonds to fund the District's largest ever project, the $80 million Clean and Green project and the for sewer line replacement.

RELEVENT 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 INITATIVES

In FY 2022 the Board of Directors directed staff to negotiate an Energy Services Contract with an Energy Services Company to develop a Comprehensive Sustainability and Energy Upgrades project (the Clean and Green project). This new project plan will be one of the largest infrastructure projects WCW's history and will realize significant operational savings once complete. WCW's conduit financing agency, the West County Facilities Financing Authority issued debt in September 2021 to fund the Clean and Green project.

AWARDS AND ACKNOWLEDGEMENT

We believe that our current annual comprehensive financial report continues to meet the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting certificate of Achievements Program's requirement and we are submitting this document 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 Maria Bagley.

Respectfully submitted,

Justin Lovell

Justin Lovell
Director of Administrative Services

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

Mission Statement

The Mission Statement defines the District'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

The District's Core Values describe our organization's culture. They are the tenets that describe the way the District 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 the District. They define the direction provided by the Board to staff in order to move the District forward. Each strategic goal is a broad statement of what the District hopes to achieve over the next five years. It is more qualitative than quantitative in nature.

The District 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 District.***

2. *Ba 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 WASTEATER DISTRICT
Principal Officials and Management

BOARD OF DIRECTORS

Cesar Zepeda
President

Cheryl Sudduth
Vice President

Annie King-Meredith
Director

Harry Wiener
Director

David Alvarado
Director

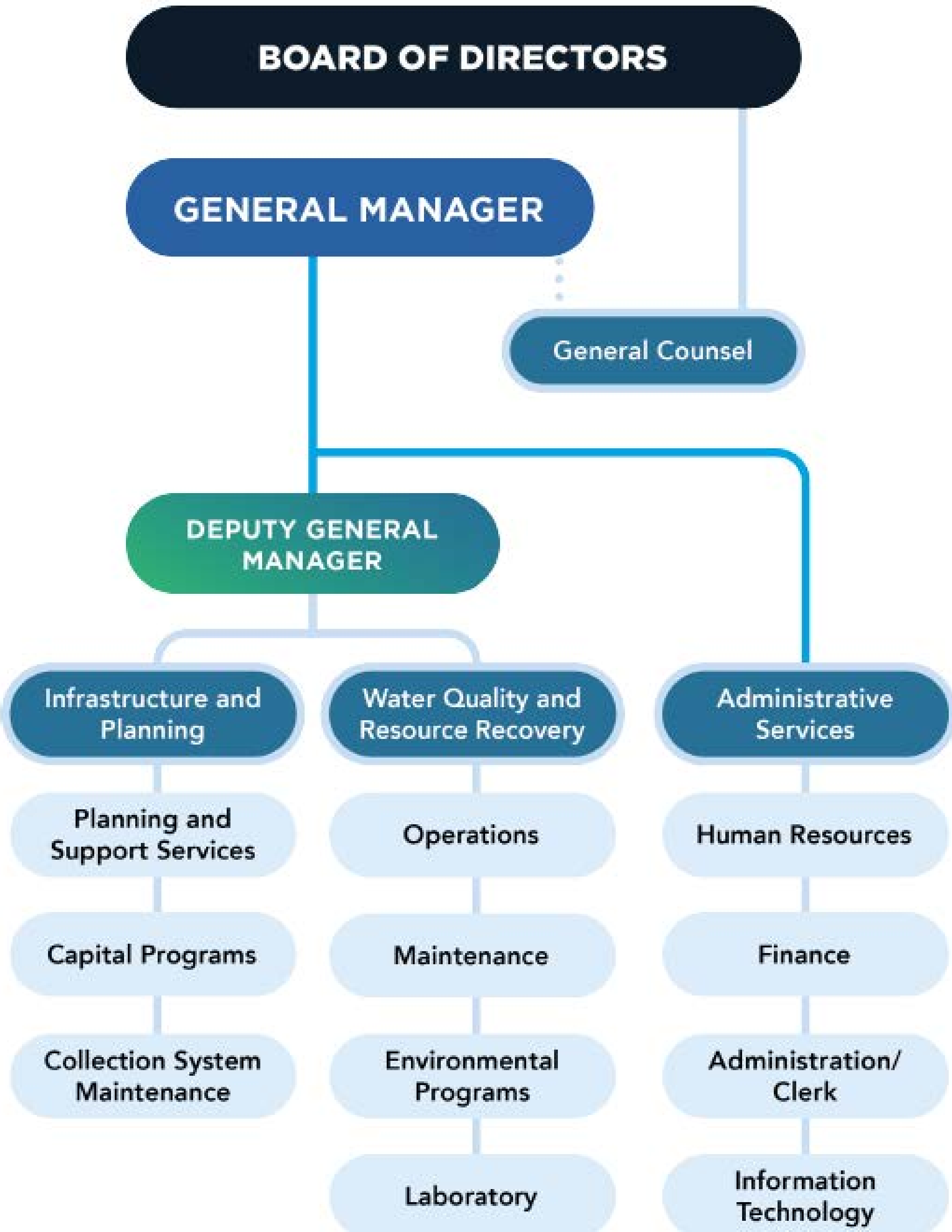
General Counsel

Claire Hervey Collins, Partner
Hanson Bridgett LLP

Management

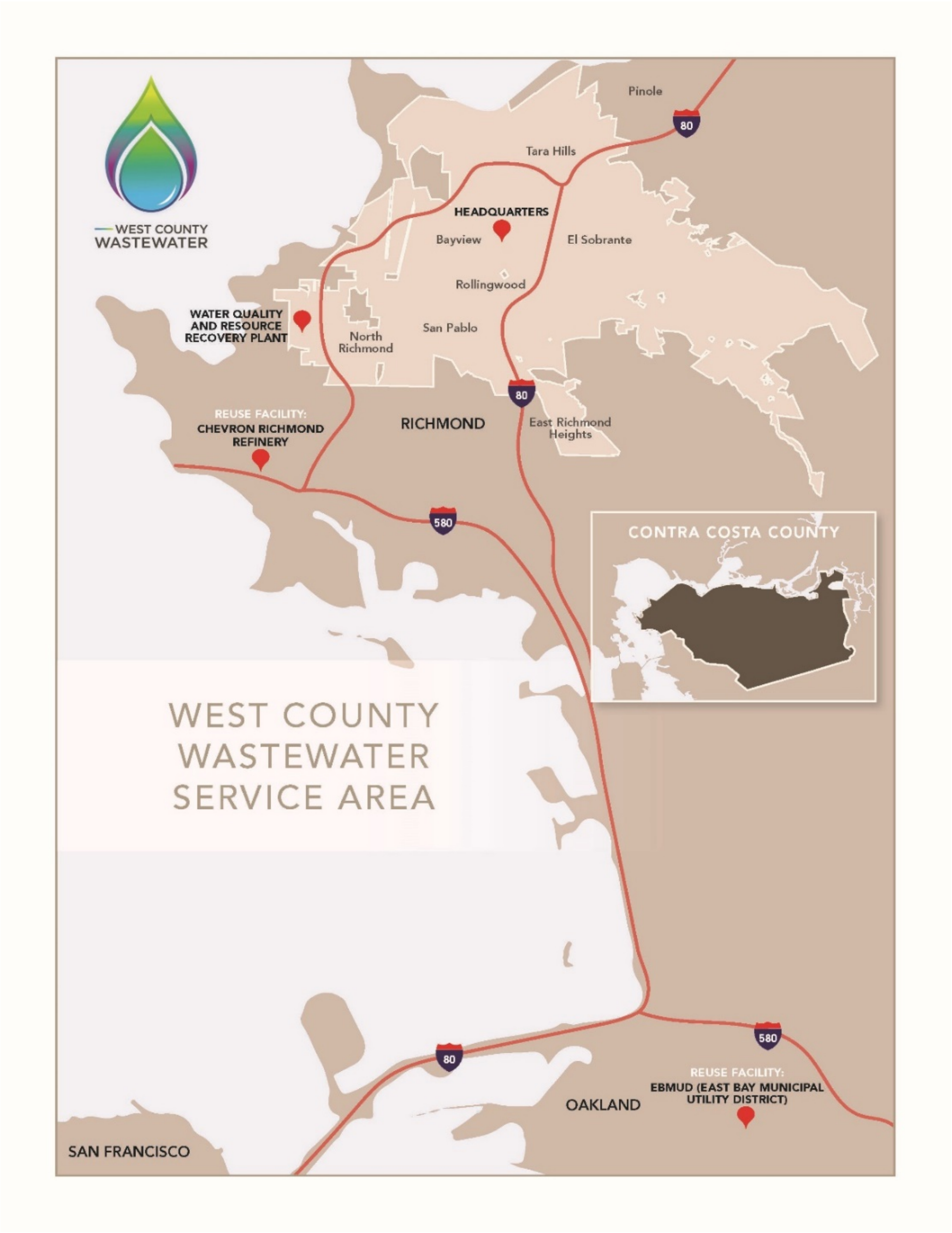
Lisa Malek-Zadeh, General Manager
Andrew Clough, Deputy General Manager
Justin Lovell, Director of Administrative Services
Michael Savannah, Director of Infrastructure & Planning Department
Aaron Winer, Director of Water Quality & Resource Recovery Department

WEST COUNTY WASTEWATER DISTRICT
Organizational Structure Chart



WEST COUNTY WASTEWATER DISTRICT
District Map

The District is located in the western section of Contra Costa County, approximately 20 miles northeast of San Francisco and 12 miles north of Oakland. The District'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. The District's service area is fairly hilly, typical of the California coastal region.



FINANCIAL SECTION

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CROPPER
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

West County Wastewater District
Richmond, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of West County Wastewater District, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise West County Wastewater District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of West County Wastewater District, as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West County Wastewater District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West County Wastewater District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 West County Wastewater District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about West County Wastewater District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as well as the pension and OPEB information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023, on our consideration of 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 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 West County Wastewater District's internal control over financial reporting and compliance.

Cropper Accountancy Corporation

CROPPER ACCOUNTANCY CORPORATION
Walnut Creek, California
February 10, 2023

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

FINANCIAL HIGHLIGHTS

- The District's overall financial net position improved during fiscal year 2022. The District had a net position balance of $115.2 million at June 30, 2022. Total net position was comprised of net invested in capital assets of $83.6 million, restricted for debt service of $2.4 million, and unrestricted net position of $29.2 million. Net position increased by $7.1 million for fiscal year 2022.

- The District's total operating revenues for fiscal year 2022 were $28 million and total operating expenses were $29.8 million, resulting in operating loss of $5.2 million. This compares to operating loss of $1.8 million for fiscal year 2022.

- The District's non-operating revenues for fiscal year 2022 were $2.0 million, consisting of property taxes, redevelopment allocation, rental income, and investment earnings. This compares to $2.1 million for fiscal year 2021. Non-operating expenses for fiscal year 2022 were $(6.6) million, primarily due to $6 million in State Revolving Fund loan proceeds received in fiscal year 2022 for capital assets placed in service in prior fiscal years, which offset $1.6 million in interest expense. This compares to $380,000 for fiscal year 2021, consisting primarily of interest expense on loans.

- Capital contributions were $600,000 for fiscal year 2022, comprised of sewer connection fees. This compares to capital contributions of $1.2 million for fiscal year 2021.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

BASIC FINANCIAL STATEMENTS

The District consists exclusively of one Enterprise (Business type) Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

- <u>Net investment in Capital Assets:</u> This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- 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.

SUMMARY OF THE STATEMENT OF NET POSITION

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

TABLE 1
Statement of Net Position

	2022	2021	2020	% Increase (Decrease) 2022 vs. 2021	% Increase (Decrease) 2021 vs. 2020
Assets:					
Current Assets	$ 135,800,798	$ 41,156,758	$ 47,215,329	229.96%	-12.83%
Capital Assets	132,543,953	122,124,432	115,302,073	8.53%	5.92%
Other Long-Term Assets	972,896	-	-	100.00%	100.00%
Total Assets	269,317,647	163,281,190	162,517,402	64.94%	0.47%
Deferred Outflows of Resources	4,717,872	3,914,008	3,650,038	20.54%	7.23%
Total Assets and Deferred Outflows of Resources	274,035,519	167,195,198	166,167,440	63.90%	0.62%
Liabilities:					
Current Liabilities	7,278,426	9,659,518	8,099,666	-24.65%	19.26%
Non-Current Liabilties	139,714,629	46,068,787	49,064,531	203.27%	-6.11%
Total Liabilties	146,993,055	55,728,305	57,164,197	163.77%	-2.51%
Deferred Inflows of Resources	11,867,416	3,372,115	2,718,489	251.93%	24.04%
Net Position:					
Net Investment in Capital Assets	83,563,169	88,702,556	80,174,152	-5.79%	10.64%
Restricted	2,389,010	2,284,343	2,814,140	4.58%	-18.83%
Unrestricted	29,222,869	17,107,879	23,296,362	70.82%	-26.56%
Total Net Position	115,175,048	108,094,778	106,284,654	6.55%	1.70%
Total Liabilities, Deferred Inflows of Resources, and Net Position	274,035,519	167,195,198	166,167,340	63.90%	0.62%

Major Factors Affecting the Statement of Net Position

- 99.7 % of current assets consist of cash and equivalents at June 30, 2022. Current assets increased by $94.6 million from fiscal year 2021 to 2022, primarily due to issuance of the 2021 Wastewater Revenue Bonds and the final reimbursement of Water Resources Control Board Sewer Revolving Loan funds for capital projects.

- 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 $804,000 from fiscal year 2021 to 2022, 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 decreased $2.4 million from fiscal year 2021 to 2022, primarily due to capital asset spending.

- Non-current liabilities increased by $93.6 million from fiscal year 2021 to 2022, primarily due to bond issuance of $95.6 million and an increase in net loan borrowings and interest payable ($385,000), less decreases in net pension, OPEB and compensated absences liabilities ($1,045,000).

- The District had outstanding debt of $132.5 million at June 30, 2022 and $33.4 million at June 30, 2021. The increase in debt is due from bond issuance in September 2021 of $79.6 million and a bond premium of $16 million. See Table 4 for a discussion of loan activity.

- Net Position invested in capital assets decreased from fiscal year 2021 to 2022 by $4.7 million due to capital costs funded by debt.

- Unrestricted net position increased by $11.7 million from fiscal year 2021 to 2022, due to loan proceeds for prior year expenses and reimbursements from the 115 trust for Other Post-Employment Benefits payments in prior fiscal years.

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

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

TABLE 2

Statement of Revenues, Expenses, and Changes in Net Position

	2022	2021	% Increase (Decrease) 2022 vs. 2021
Revenues			
Operating revenues			
Sewer use charge	$26,501,120	$25,614,601	3.46%
Inspection/permit fees	320,155	212,066	50.97%
Contract services	74,234	67,537	9.92%
Other revenue	1,102,724	253,064	335.75%
Total operating revenues	27,998,233	26,147,268	7.08%
Non-operating revenues			
Property taxes	1,521,549	1,320,397	15.23%
Redevelopment allocation	185,480	303,186	-38.82%
Rental income	672,829	523,390	28.55%
Investment earnings	(355,101)	(2,867)	12285.80%
Total non-operating revenues	2,024,757	2,144,106	-5.57%
Total revenues	30,022,990	28,291,374	6.12%
Expenses			
Operating expenses	29,795,419	27,409,292	8.71%
Non-operating expenses	(6,247,963)	380,297	-1742.92%
Total expenses	23,547,456	27,789,589	-15.27%
Increase (decrease) before capital contributions	6,475,534	501,785	1190.50%
Capital contributions:			
State capital grants			0.00%
Connection fees	599,269	1,176,339	-49.06%
Total capital contributions	599,269	1,176,339	-49.06%
Change in net position	7,074,803	1,678,124	321.59%
Net position, beginning	108,094,778	106,284,654	1.70%
Prior period adjustments	5,467	132,000	-
Net position, ending	$115,175,048	$108,094,778	6.55%

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

- Total operating revenues for fiscal year 2022 were $28.0 million and total operating expenses were $29.8. million, resulting in an operating loss of $1.8 million. This compares to fiscal year 2021 operating revenues of $26.1 million and total operating expenses of $27.4 million, resulting in an operating loss of $1.3 million.

- Sewer Use Charge (Environmental Quality Charge) revenue increased $900,000 million from the fiscal year 2021 to 2022. The increase is primarily due to the 5.5% rate increase in fiscal year 2022.

- Operating expenses increased $2.4 million from fiscal year 2022 to 2021, primarily due to increased sewage collection and treatment costs, and depreciation.

- Non-operating revenues decreased $120,000 from fiscal year 2021 to 2022 primarily due to increased net investment earnings and offset by increased property taxes and rental income.

- The District's non-operating expenses of ($6.3) million for fiscal year 2022, consisted primarily of loan proceeds received in fiscal year 2022 for capital facilities placed in service in prior fiscal years.

- Capital contributions were $600,000 for fiscal year 2022, comprised of sewer connection fees. This compares to $1.2 million for fiscal year 2021.

SUMMARY OF CAPITAL ASSETS

Table 3 presents a summary of the District's capital assets as of June 30, 2022 and 2021. More detailed information on capital asset activity is provided in Note 4 to the financial statements.

TABLE 3

Summary of Capital Assets

	2022	2021	% Increase (Decrease) 2022 vs. 2021
Land	$2,451,806	$2,451,806	0.00%
Construction in process	16,507,914	13,838,564	19.29%
Sewage collection and treatment facilities	194,835,488	182,264,428	6.90%
Equipment	6,559,039	6,274,453	4.54%
Vehicles	3,793,624	3,793,624	0.00%
Subtotal	224,147,871	208,622,875	5.78%
Less accumulated depreciation	(91,603,918)	(86,498,443)	5.58%
Total capital assets, net	$132,543,953	$122,124,432	5.92%

Capital Asset Highlights:
Capital Assets increased $10.4 million net, from fiscal year 2022 to 2021, due to net capital asset additions of $15.2 million, less depreciation expense of $4.8 million. The $80 million Clean and Green project started construction in fiscal year 2022. The Clean and Green project consists of energy efficiency and sustainability projects which include the replacement of influent pumps, a carbon reduction system, a new grit system, primary sludge pumps and other sludge upgrades, high-efficiency aeration blowers, new digesters, a cogeneration system, solar panels, electric vehicle charging stations and LED lighting upgrades. Additional projects in construction include the replacement of sections of the sewer collection system.

SUMMARY OF DEBT OUTSTANDING

Table 4 presents a summary of the District's loans payable as of June 30, 2022, 2021, and 2020. More detailed information on loan activity is provided on Note 6 to the basic financial statements.

TABLE 4

Debt Outstanding

	2022	2021	% Increase (Decrease) 2022 vs. 2021
Current portion	$2,171,828	$1,710,662	26.96%
Non-current portion	130,369,473	31,711,214	311.11%
Loans Payable	$132,541,301	$33,421,876	1.36%

Debt Highlights:
Loans payable increased $99.1 million net from fiscal year 2022 to 2021. This increase was primarily driven by $95.6 million in bond issuance debt (less $900,000 payment) coupled with a net increase of $4.4 million in State Water Control Resource loans. These loans and bonds 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. The sewer rates will increase 5.5% in fiscal year 2023.

- In the 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

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BASIC FINANCIAL STATEMENTS

WEST COUNTY WASTEWATER DISTRICT
Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Current assets		
Cash and investments (Note 2)	$ 134,096,242	$ 40,255,886
Accrued interest receivable	62,308	30,307
Accounts receivable, net (Note 3)	669,320	523,754
Lease receivable - current (Note 14)	561,690	-
Materials and supplies inventory	136,199	129,579
Prepaid items and deposits	275,039	217,232
Total current assets	135,800,798	41,156,758
Noncurrent assets		
Right-to-use lease asset (Note 14)	8,941	-
Lease receivable - long term (Note 14)	963,955	-
Capital assets, net of accumulated depreciation (Note 4)	132,543,953	122,124,432
Total noncurrent assets	133,516,849	122,124,432
Total assets	269,317,647	163,281,190
Deferred outflows		
Other post-employment benefits (Note 7)	1,386,000	304,000
Pension (Note 8)	3,331,872	3,610,008
Total deferred outflows	4,717,872	3,914,008
Current liabilities		
Accounts payable and accrued expenses	3,696,211	6,521,453
Accrued salaries and benefits	412,524	287,501
Accrued interest payable	660,741	216,655
Current portions of long-term liabilities		
Compensated absences (Note 5)	335,337	923,247
Lease liability (Note 14)	1,785	-
Loans payable (Note 6)	2,171,828	1,710,662
Bonds payable (Note 6)	-	-
Total current liabilities	7,278,426	9,659,518
Noncurrent liabilities		
Compensated absences (Note 5)	1,341,346	542,224
Lease liability (Note 14)	7,275	-
Loans payable (Note 6)	35,657,742	31,711,214
Bonds payable, net of premium (Note 6)	94,711,731	-
Net OPEB liability (asset) (Note 7)	(668,000)	(1,352,000)
Net pension liability (Note 8)	8,664,535	15,167,349
Total noncurrent liabilities	139,714,629	46,068,787
Total liabilities	146,993,055	55,728,305
Deferred inflows		
Leases (Note 14)	1,492,479	-
Other post-employment benefits (Note 7)	2,186,000	2,519,000
Pension (Note 8)	8,188,937	853,115
Total deferred inflows	11,867,416	3,372,115
Net position		
Net investment in capital assets (Note 9)	83,563,169	88,702,556
Restricted	2,389,010	2,284,343
Unrestricted	29,222,869	17,107,879
Total Net Position	$ 115,175,048	$ 108,094,778

The accompanying notes are an integral part of these financial statements

WEST COUNTY WASTEWATER DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2022 and 2021

	2022	2021
Operating revenues		
Sewer use charge	$ 26,501,120	$ 25,614,601
Inspection/permit fees	320,155	212,066
Contract services	74,234	67,537
Other revenue	1,102,724	253,064
Total operating revenues	27,998,233	26,147,268
Operating expenses		
Sewage collection	5,586,282	5,103,216
Sewage treatment	12,408,672	12,042,302
Administration	6,473,292	5,055,290
Contract services	40,552	81,216
West County Agency	304,712	8,095
Total operating expenses before depreciation	24,813,510	22,290,119
Operating income before depreciation	3,184,723	3,857,149
Depreciation expense	(4,981,909)	(5,119,173)
Operating income	(1,797,186)	(1,262,024)
Non-operating revenues		
Property taxes	1,521,549	1,320,397
Redevelopment allocation	185,480	303,186
Rental income	672,829	523,390
Investment earnings	(355,101)	(2,867)
Interest expense	(2,216,142)	(430,961)
Bond proceeds, net of issuance costs	8,443,865	-
Gain (loss) on disposal of assets	20,240	50,664
Other non-operating revenue (expense)	-	-
Total non-operating revenues, net	8,272,720	1,763,809
Net income before capital contributions	6,475,534	501,785
Capital contributions		
Connection fees	599,269	1,176,339
Total capital contributions	599,269	1,176,339
Change in net position	7,074,803	1,678,124
Net position, beginning - as previously stated	108,094,778	106,284,654
Prior period adjustment (Note 13)	5,467	132,000
Net position, beginning - as restated	108,100,245	106,416,654
Net position, ending	$ 115,175,048	$ 108,094,778

The accompanying notes are an integral part of these financial statements

WEST COUNTY WASTEWATER DISTRICT
Statements of Cash Flows
June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Cash receipts from customers and others	$ 25,705,721	$ 28,542,292
Cash paid to employees for salaries and wages	(6,061,415)	(6,335,901)
Cash paid to vendors and suppliers for materials and services	(18,133,190)	(16,996,097)
Net cash provided by operating activities	1,511,116	5,210,294
Cash flows from non-capital financing activities		
Property taxes	1,521,549	1,320,397
Redevelopment allocation	185,480	303,186
Net cash provided by non-capital financing activities	1,707,029	1,623,583
Cash flows from capital and related financing activities		
Net acquisition and construction of capital assets	(15,401,430)	(11,941,532)
Gain (loss) on sale of assets	20,240	50,664
Proceeds from capital contributions	599,269	1,176,339
Proceeds from bond issuance	103,155,596	-
Principal paid	4,407,693	(1,706,046)
Interest paid	(1,772,055)	(440,725)
Proceeds from loan issue	-	-
Net cash provided by (used in) capital and related financing activities	91,009,313	(12,861,300)
Cash flows from investing activities		
Investment earnings	(387,102)	124,993
Net cash provided by investing activities	(387,102)	124,993
Net change in cash and investments	93,840,356	(5,902,430)
Cash and investments, beginning of the year	40,255,886	46,158,316
Cash and investments, end of the year	$ 134,096,242	$ 40,255,886

WEST COUNTY WASTEWATER DISTRICT
Statements of Cash Flows
June 30, 2022 and 2021

	2022	2021
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	$ (1,797,186)	$ (1,262,024)
Depreciation	4,981,909	5,119,173
Rental income	672,829	523,390
Other revenue (expense), net	-	-
Effect of GASB 68 on net pension liability	1,111,144	866,547
Effect of GASB 75 on net OPEB liability	(731,000)	(1,863,000)
(Increase) decrease in assets		
Accounts receivable	(145,566)	135,456
Inventory	(6,620)	15,746
Lease-related assets	(1,534,586)	-
Prepaids	(57,807)	(122,921)
Note receivable	-	-
(Decrease) increase in liabilities		
AP and accrued expenses	(2,819,775)	1,736,178
Accrued salaries and wages	125,023	(3,422)
Lease-related liabilities	1,501,539	-
Compensated absences	211,212	65,171
Net cash provided by operating activities	$ 1,511,116	$ 5,210,294

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 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 basic financial statements include the financial activities of the District and the West County Facilities Financing Authority (the Authority).

The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the District. *Blended component units* are component units that are so intertwined with the primary government that they are, in substance, the same as the primary government and are presented as part of the primary government. All other component units that don't fall under the blended category should be discretely presented. A *discretely presented component unit* is reported in a separate column(s) from the financial data of the primary government.

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, by and between the District and the California Statewide Communities Development Authority (CSCDA). It was created by the District in 2021 with the primary purpose of issuing bonded obligations to provide financing for public capital improvements jointly owned and operated by the District or CSCDA. Despite being legally separate, the District is solely responsible for the financial burden of the debt issued by the Authority. Accordingly, the balances and transactions of this component unit were reported within the funds of the District as a blended component unit.

West County Agency (the Agency) is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, by and between the District, the City of Richmond, and the Richmond Municipal Sewer District. It was created with the primary purpose to plan, acquire, construct, manage, maintain, operate, and control certain joint sewerage facilities. The board members are appointed by the member agencies and serve at the pleasure of the appointing agency. While the District maintains operational responsibility for the Agency, it remains a legally separate entity, and the financial statements are available at the District's website at www.wcwd.org.

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.

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

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.

> ***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.

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

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.

Prepaid Items

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

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

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their 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.

Leases

West County Wastewater District as Lessee: The District is a lessee for an equipment lease. The District recognizes a lease liability and an intangible right-to-use asset (lease asset) in its financial statements. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses its estimated state revolving fund loan borrowing rate as the discount rate for leases.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as intangible right-to-use asset and lease liability is reported with long-term liabilities on the statement of net position.

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

Leases (continued)

West County Wastewater District as Lessor: The District is a lessor for two ground/property leases. The lessees retain the option to terminate the lease agreement by providing a thirty-day written notice to the District. The District recognizes a lease receivable and a deferred inflows of resources.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The District uses the California Local Agency Investment Fund (LAIF) rates as the discount rate for leases with adjustment for applicable lease terms.

Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

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

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:

PARS	June 30, 2022	June 30, 2021
Valuation date	June 30, 2021	June 30, 2019
Measurement date	June 30, 2022	June 30, 2021
Measurement period	July 1, 2021 – June 30, 2022	July 1, 2020 – June 30, 2021

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:

CalPERS	June 30, 2022	June 30, 2021
Valuation date	June 30, 2020	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

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.

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

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.

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

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

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. No events came to management's attention that would require additional adjustment or disclosure.

New Pronouncements

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 effect on the financial statements of the District.

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

New Pronouncements

For the year ended June 30, 2022, the District implemented the following GASB pronouncements:

GASB Statement No. 87, *Leases*

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

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

This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The implementation of this pronouncement had a material impact on the District's financials.

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 implementation of this pronouncement did not have a material impact on the District's financials.

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.

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

New Pronouncements (continued)

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 implementation of this pronouncement did not have a material impact on the District's financials.

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 is effective for reporting periods ending after December 31, 2022 (fiscal year 2022-23). All other requirements of this Statement were effective in the current fiscal year, and the implementation of these provisions of this pronouncement did not have a material impact on the District's financials.

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.*

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

New Pronouncements (continued)

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 implementation of this pronouncement had a material impact on the District's financials.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of this Statement did not have a material effect on the District's 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. 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.

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 current fiscal year, however implementation was delayed one year by GASBS No. 95, and is now to be implemented for the 2022/23 fiscal year. Earlier application is encouraged. The District has not yet determined the impact of this Statement on the financial statements.

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.

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. 99, *Omnibus 2022*

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and (2) application of certain GASB Statements and accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public- public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government

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

Future Pronouncements (continued)

- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended*, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective for the current fiscal year and did not have a material impact on the District's financial statements.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 (fiscal 2022-23), and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 (fiscal 2023-24), and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections–An Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (fiscal 2023-24), and all reporting periods thereafter. Implementation of this Statement may have a material effect on the financial statements of the District.

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

Future Pronouncements (continued)

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (fiscal 2025), and all reporting periods thereafter. Earlier application is encouraged. The District does not anticipate that the Statement will have a material effect on the financial statements.

Note 2. Cash and Investments

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

Deposit or Investment	June 30, 2022	June 30, 2021
Cash on-hand or in banks	$ 2,120,116	$ 4,572,708
Local Agency Investment Fund	38,763,497	35,683,178
Restricted cash held with trustee	93,212,629	-
Total Cash and Investments	$ 134,096,242	$ 40,255,886

Note 2. Cash and Investments (Continued)

Cash Deposits

At June 30, 2022 and 2021, the carrying amount of the District's demand deposits, including petty cash, were $2,120,116 and $4,572,708, respectively, and the financial institution balances were $2,674,868 and $5,582,395, respectively. The differences of $554,752 at June 30, 2022 and $1,009,687 at June 30, 2021 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 charted banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agency of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of the local government.

Custodial Credit Risk

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

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

As of June 30, 2022 and 2021, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

Note 2. Cash and Investments (continued)

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, 2022	Uncategorized	N/A	$ 38,763,498	$38,763,498
June 30, 2021	Uncategorized	N/A	$ 35,683,178	$35,683,178

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, 2022 and 2021. The District does not plan to liquidate the investments before maturity and intends to hold the investments to maturity.

Authorized Deposits and Investments

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

Investment in State Investment Pool

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

The District's investments with LAIF at June 30, 2022 and 2021 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.

Note 2. Cash and Investments (continued)

Investment in State Investment Pool (continued)

The District had $38,763,498 and $35,683,178 invested with LAIF at June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021 LAIF had invested 1.88% and 2.31%, respectively, of the pooled investment funds in structured notes and asset-backed securities. The fair value factors of 0.987125414 and 1.00008297 were used to calculate the fair value of the investments in LAIF as of June 30, 2022 and 2021, 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.

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Note 3. Accounts Receivable

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

	2022	2021
EBMUD	$ 177,545	$ 473,763
Internal Revenue Service	377,896	-
Chevron	60,610	30,201
Clean Water Program	49,530	-
Crockett Sanitary Department	15,634	8,164
Sampling	7,014	6,110
Permits and trucked waste	5,788	7,595
All other	7,440	1,605
Subtotal	701,457	527,438
Allowance for doubtful accounts	(32,137)	(3,684)
Net Accounts Receivable	$ 669,320	$ 523,754

Note 4. Capital Assets

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

	Balance July 1, 2021	Additions	Deletions	Reclasses	Balance June 30, 2022
Non-depreciable assets:					
Land	$ 2,451,806	$ -	$ -	$ -	$ 2,451,806
Construction in progress	13,838,564	15,245,434	(5,024)	(12,571,060)	16,507,914
Total non-depreciable assets	16,290,370	15,245,434	(5,024)	(12,571,060)	18,959,720
Depreciable assets					
Sewage collection & treatment facilities	182,264,428	-	-	12,571,060	194,835,488
Equipment	6,274,453	284,586	-	-	6,559,039
Vehicles	3,793,624	-	-	-	3,793,624
Total depreciable capital assets	192,332,505	284,586	-	12,571,060	205,188,151
Less accumulated depreciation:					
Sewage collection & treatment facilities	(83,348,634)	(4,571,945)	-	-	(87,920,579)
Equipment	(2,823,221)	(267,892)		-	(3,091,113)
Vehicles	(326,588)	(265,638)	-	-	(592,226)
Total accumulated depreciation	(86,498,443)	(5,105,475)	-	-	(91,603,918)
Depreciable capital assets, net	105,834,062	(4,820,889)	-	12,571,060	113,584,233
Total capital assets, net	$122,124,432	$10,424,545	$ (5,024)	$ -	$132,543,953

Note 4. Capital Assets (continued)

	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	$115,302,073	$ 6,822,359	$ -	$ -	$122,124,432

Note 5. Accrued Compensated Absences

The accrued liabilities for compensated absences for the fiscal years ending June 30, 2022 and 2021 were as follows:

Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2021	Current Portion	Non-current portion
$ 1,465,471	$ 799,122	$ (587,910)	$ 1,676,683	$ 335,337	$ 1,341,346

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

Note 6. Long-term Debt

Summary changes in long-term debt balances for the years ended June 30, 2022 and 2021 were as follows:

Description	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Interest Payable
Loans Payable:						
SRF Loan – Phase I, Segment 1	$ 1,162,219	$ -	$ (67,693)	$ 1,094,526	$ 68,979	$ 3,134
SRF Loan – Phase I, Segment 2	2,253,766	6,118,356	-	8,372,122	437,708	57,250
SRF Loan – Phase I, Segment 3	12,663,122	-	(638,049)	12,025,073	650,172	190,397
SRF Loan – Recycled Water Upgrades	17,342,769	-	(1,004,920)	16,337,849	1,014,969	12,086
2021 Wastewater Revenue Bonds	-	79,575,000	-	79,575,000	-	397,875
Premium on 2021 Revenue Bonds	-	16,027,096	(890,365)	15,136,731	-	
Total loans payable	$ 33,421,876	$101,720,452	$(2.601,027)	$ 132,541,301	$2,171,828	$ 660,741

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

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, 2022, this loan is outstanding in the amount of $8,372,122.

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.

Note 6. Long-term Debt (continued)

2021 Revenue Bonds

During the year 2021, the District issued $79,575,000 in revenue bonds at a premium of $16,027,096, of which $890,364 has been amortized as of June 30, 2022. The bond proceeds will be used to finance capital improvements to the District's wastewater system and will mature on June 1, 2051, bearing interest at 4.00% annually. The issuance included $40.845 million in serial bonds, a $17.475 million term bond due on June 1, 2046, and a $21.255 million in term bond due at final maturity date.

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

Fiscal Year	Principal	Interest		Total
2023	$ -	$ 3,183,000	*	$ 3,183,000
2024	1,595,000	3,183,000		4,778,000
2025	1,655,000	3,119,200		4,774,200
2026	1,725,000	3,053,000		4,778,000
2027	1,790,000	2,984,000		4,774,000
Thereafter	72,810,000	41,797,000		114,607,000
Total	$ 79,575,000	$ 57,319,200		$ 136,890,200

*Capitalized interest to be deposited into a reserve fund with the trustee in May 2023.

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.

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	June 30, 2022	June 30, 2021
Active employees	64	61
Inactive employees or beneficiaries currently receiving benefits	51	54
Inactive employees entitled to, but not yet receiving benefits	1	4
Total	116	119

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 June 30, 2022	Fiscal year ended June 30, 2021
Cash contributions to the trust	$ 983,000	$ 1,162,000
Benefit payments	559,000	528,000
Benefit payments reimbursed by trust	(794,000)	-
Implied subsidy	132,000	118,000
Administrative expenses paid	1,000	1,000
Total contributions	$ 881,000	$ 1,809,000

Net OPEB Liability (Asset)

Amounts in thousands (000s)	Fiscal Year Ended June 30	
	2022	2021
Total OPEB Liability (TOL)	12,119	13,103
Fiduciary Net Position (FNP)	12,787	14,455
Net OPEB Liability (NOL)	(668)	(1,352)
Funded status (FNP/TOL)	105.5%	110.3%

The District's Net OPEB Liability was measured on June 30, 2022, using a measurement period of July 1, 2021 to June 30, 2022. Update procedures were used to roll forward the Total Pension Liability from the valuation date (June 30, 2021) to the measurement date (June 30, 2022), based on the following actuarial methods and assumptions:

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

Net OPEB Liability (continued)

Actuarial Assumptions:

Measurement date	June 30, 2022
Actuarial valuation date	June 30, 2021
Contribution policy	District contributes full ADC
Discount rate	5.50% at June 30, 2022 5.50% at June 30, 2021
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% annually
Mortality, retirement, disability, termination	CalPERS 1997 – 2015 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-2021
Salary increases	• Aggregate – 2.75% annually • Merit – CalPERS 1997-2015 Experience Study
Medical trend	• Non-Medicare – 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 • Medicare (Non-Kaiser) – 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076 • Medicare (Kaiser) – 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076.
Participation at retirement	100%
Medical plan at retirement	• Pre-Medicare: Anthem Traditional – 10% Blue Shield Access+ – 10% Health Net SmartCare – 10% Kaiser – 70% • Post-Medicare: Kaiser – 50% UnitedHealthcare – 10% PERS Platinum – 40%

Changes since June 30, 2021 Measurement Date

	June 30, 2022 Measurement Date
Changes of assumptions	• Decreased medical trend rate for Kaiser Senior Advantage. • Mortality improvement scale was updated to Scale MP-2021. • Updated claims cost aging assumptions • Medicare Advantage implied subsidy removed • Updated medical plan election at retirement assumption
Change of benefit terms	• None

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

Changes in the OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Obligation (Asset) = (a) – (b)
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
Actual vs. expected experience	377,000	-	377,000
Assumption changes		-	(1,809,000)
Employer contributions		1,809,000	(80,000)
Employee contributions		80,000	(2,493,000)
Net investment income	(646,000)	2,493,000	-
Benefit payments to retirees	-	(646,000)	31,000
Administrative expense	593,000	(31,000)	377,000
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)
Changes recognized for the measurement period			
Service cost	643,000	-	643,000
Interest	737,000	-	737,000
Actual vs. expected experience	(847,000)	-	(847,000)
Assumption changes	(826,000)	-	(826,000)
Employer contributions	-	881,000	(881,000)
Employee contributions	-	78,000	(78,000)
Net investment income	-	(1,901,000)	1,901,000
Benefit payments to retirees	(691,000)	(691,000)	-
Administrative expense	-	(35,000)	35,000
Net changes	(984,000)	(1,668,000)	684,000
Balance at June 30, 2022 (Measurement date June 30, 2022)	$ 12,119,000	$12,787,000	$ (668,000)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.50 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.

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

Expected Long-Term Rate of Return

	Target Allocation PARS-Moderate	Expected Real Rate of Return
Asset Class Component		
• Global Equity	50%	4.56%
• Fixed Income	45%	0.78%
• Cash	5%	(0.50)%
Assumed long-term rate of inflation		2.50%
Expected long-term net rate of return, rounded		5.50%

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%)
June 30, 2022	$ 862,000	$ (668,000)	$ (1,933,000)
June 30, 2021	$ 440,000	$ (1,352,000)	$ (2,813,000)

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
June 30, 2022	$ (2,183,000)	$ (668,000)	$ 1,198,000
June 30, 2021	$ (3,181,000)	$(1,352,000)	$ 928,000

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.

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

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

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

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

For the years ended June 30, 2022 and 2021, the District recognized actuarial OPEB expense (income) of $150,000 and ($54,000), respectively. The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Year Ended June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ -	$ (1,363,000)
Changes in assumptions	231,000	(823,000)
Net differences between projected and actual earnings on plan investments	1,155,000	-
Total	$ 1,386,000	$ (2,186,000)

Year Ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (951,000)
Changes in assumptions	304,000	(190,000)
Net differences between projected and actual earnings on plan investments	-	(1,378,000)
Total	$ 304,000	$(2,519,000)

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

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

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

Fiscal Year Ending:	Deferred Outflows/ (Inflows) of Resources
2023	(341,000)
2024	(332,000)
2025	(88,000)
2026	284,000
2027	(270,000)
Thereafter	(53,000)

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.

Note 8. Defined Benefit Pension Plan (continued)

General Information about the Pension Plans (continued)

The Plan provisions and benefits in effect at June 30, 2022 and 2021, 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 2022	15.250%	7.590%
Required employer contribution rates 2021	15.445 %	7.732%

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.

For the years ended June 30, 2022 and 2021, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous		
	Classic	PEPRA	Total
Employer contributions 2022	$ 1,691,421	$ 289,385	$ 1,980,806
Employer contributions 2021	$ 1,555,714	$ 267,186	$ 1,822,900

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:

	Miscellaneous Plan	
	June 30, 2022	June 30, 2021
Proportionate share of the net pension liability	$ 8,664,535	$ 15,167,349

Note 8. Defined Benefit Pension Plan (continued)

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

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2021, 2020, and 2019 measurement dates was as follows:

	PERF C
Proportion – June 30, 2020	0.13940%
Proportion – June 30, 2021	0.16021%
Change in Proportions	0.02081%

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

For the years ended June 30, 2022, and 2021 the District recognized actuarial pension expense of $3,091,950 and $2,689,447 respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Year Ended June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement	$ 1,980,806	$ -
Changes in assumptions	-	-
Differences between expected and actual experiences	971,635	-
Change in employer's proportion	379,431	-
Differences between the employer's contributions and employer's proportionate share of contributions	-	(625,256)
Net differences between projected and actual earnings on plan investments	-	(7,563,681)
Total	$ 3,331,872	$ (8,188,937)

Note 8. Defined Benefit Pension Plan (continued)

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

Year Ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
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	$ 3,610,008	$ (853,115)

Of the $3,331,872 reported as deferred outflows of resources at June 30, 2022, $1,980,806 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, 2023.

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
2023	$ (1,485,702)
2024	(1,549,576)
2025	(1,712,382)
2026	(2,090,211)

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

Note 8.Defined Benefit Pension Plan (continued)

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

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021
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 2.50% until Purchasing Power Protection allowance floor on purchasing power applies

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.

Note 8.Defined Benefit Pension Plan (continued)

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

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.

Allocation by Asset Class	New Strategic Allocation	Real Return Years 1 – 10 (a)	Real Return Years 11+ (b)
Public 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	100.00%		

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, 2022	$ 17,086,374	$ 8,664,535	$ 1,702,321
June 30, 2021	$ 23,429,417	$ 15,167,349	$ 8,340,661

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	2022	2021
Net investment in capital assets:		
Capital assets not being depreciated	$ 18,959,720	$ 16,290,370
Capital assets being depreciated, net	113,584,233	105,834,062
Bond proceeds spent to date	(11,151,214)	-
Loans payable – current	(2,171,828)	(1,710,662)
Loans payable – noncurrent	(35,657,742)	(31,711,214)
Total net investment in capital assets	$ 83,563,169	$ 88,702,556

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.

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.

Note 11. Risk Management (continued)

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 District 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, 2022, and 2021, the Agency had an unrestricted net position of $347,004 (unaudited) and $57,258 (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.

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, 2022 and 2021.

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 was required to submit a final force main condition report to the Regional Board. By April 30, 2022, the District developed procedures to complete pipeline repair and replacements, develop a financing plan, and prioritize capital projects, and submitted this report to the Regional Board. A technical report ordered by the NOV was also submitted to the Regional Board during the year ended June 30, 2022, however the Regional Board has not yet responded to the District's submissions.

Note 13. Prior Period Adjustment

Prior period adjustments shown on the Statements of Revenues, Expenses, and Changes in Net Position are as follows:

	FY 2022	FY 2021
Net position, beginning – as previously stated	$ 108,094,778	$ 106,284,654
Insurance claim booked twice in 2021	-	132,000
Implementation of GASB No. 87, *Leases*	5,467	-
Net position, beginning – as restated	$ 108,100,245	$ 106,416,654

Note 14. Leases

Lessor Activities

The District has accrued a receivable for a ground lease and a property lease. The remaining receivables for these leases at June 30, 2022 was $1,525,645. Deferred inflows related to these leases were $1,492,479 at June 30, 2022. Lease revenue and interest revenue of $672,829 and $0, respectively was recognized for the year ended June 30, 2022.

The City of Richmond (COR) and Richmond Municipal Sewer District (RMSD) entered into an operating lease with the District, effective January 1, 2017, to lease real property in Contra Costa County for biosolids lagoons. The base rent for the leased land started at $184,324 per year and is set to escalate 6% every calendar year. The current rate is $246,666 per calendar year. The agreement terminates December 31, 2025. Minimum future rentals total $945,877 at June 30, 2022. The lessees, COR and RMSD, retain an option to terminate the lease agreement by providing a one-year written notice to the District.

Shimmick Construction and Danny's Construction entered into an joint operating lease with the District, effective February 1, 2018, to lease 90,000 square feet of District property. The base rent for the leased property at the most recent amendment dated February 1, 2021 was $25,076 monthly and is set to increase 3% each year during the term. As of June 30, 2022, monthly rent was $25,828. The agreement terminates on April 30, 2024.

The total remaining minimum future rental receipts for the two leasing arrangements are as follows:

Fiscal Year	Minimum Receipts
2023	$ 561,690
2024	534,129
2025	283,577
2026	146,249
Total	$ 1,525,645

Note 14. Leases (continued)

Lessee Activities

The District has accrued liabilities for one equipment lease. The discount rate used in the calculation of the lease liability was 3.5%. The remaining liability for the lease is $9,060 as of June 30, 2022. Right to use assets, net of amortization, for the lease is $8,941 as of June 30, 2022. The District is required to make quarterly principal and interest payments of $520. Principal payments of $520 were recognized in the year ended June 30, 2022. Final payment on this lease is expected in fiscal year 2027.

The District's schedule of future payments included in the measurement of the lease liability is as follows:

Fiscal Year	Principal	Interest	Total Payment
2023	$ 1,785	$ 294	$ 2,079
2024	1,848	231	2,079
2025	1,914	165	2,079
2026	1,981	97	2,079
2027	1,532	27	1,559
	$ 9,060	$ 813	$ 9,874

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability
Last 10 Years[1]

	Fiscal Year End June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	6/30/2021	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	0.160210%	0.139400%	0.135760%	0.131560%	0.130457%	0.127600%	0.120987%	0.116172%
Proportionate share of the net pension liability	$ 8,664,535	$ 15,167,349	$ 13,911,458	$ 12,677,363	$ 12,937,710	$ 11,041,346	$ 8,304,443	$ 7,228,755
Covered payroll	$ 7,396,002	$ 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	117.15%	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	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

Schedule of Pension Plan Contributions
Last 10 Years[1]

Fiscal year ended	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions (actuarially determined)	$ 1,980,806	$ 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]	(1,980,806)	(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	$ 7,861,885	$ 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	25.20%	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, 2019
Actuarial cost method	Entry age normal cost method
Amortization method	Varies by date established and source. May be level dollar or level percent of pay and may include direct rate smoothing.
Remaining amortization periods	Differs by employer rate plan but not more than 29 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, 2022

		2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost		$ 643,000	$ 593,000	$ 750,000	$ 1,435,000	$ 686,000
Interest on the OPEB liability		737,000	739,000	803,000	1,430,000	626,000
Actual vs. expected experience		(847,000)	-	(1,547,000)	-	-
Changes in assumptions		(826,000)	377,000	(310,000)	-	-
Benefits paid to retirees		(691,000)	(646,000)	(574,000)	(854,000)	(304,000)
Net change in total OPEB liability		(984,000)	1,063,000	(878,000)	2,011,000	1,008,000
Total OPEB Liability - beginning		13,103,000	12,040,000	12,918,000	10,907,000	9,899,000
Total OPEB Liability - ending	**(a)**	$ 12,119,000	$ 13,103,000	$ 12,040,000	$ 12,918,000	$ 10,907,000
Plan Fiduciary Net Position						
Employer contributions		$ 881,000	$ 1,809,000	$ 1,805,000	$ 2,473,000	$ 1,119,000
Employee contributions		78,000	80,000	68,000	-	-
Net investment income		(1,901,000)	2,493,000	360,000	962,000	553,000
Benefits paid to retirees		(691,000)	(646,000)	(574,000)	(854,000)	(304,000)
Administrative expense		(35,000)	(31,000)	(24,000)	(39,000)	(14,000)
Net change in plan fiduciary position		(1,668,000)	3,705,000	1,635,000	2,542,000	1,354,000
Plan fiduciary net position- beginning		14,455,000	10,750,000	9,115,000	6,573,000	5,219,000
Plan fiduciary net position- ending	**(b)**	$ 12,787,000	$ 14,455,000	$ 10,750,000	$ 9,115,000	$ 6,573,000
Net OPEB liability (asset) - ending	**(a) - (b)**	$ (668,000)	$ (1,352,000)	$ 1,290,000	$ 3,803,000	$ 4,334,000
Plan fiduciary net position as a percentage of the total OPEB liability		105.51%	110.32%	89.29%	70.56%	60.26%
Covered employee payroll		$ 8,609,000	$ 8,389,000	$ 7,242,000	$ 6,318,000	$ 6,590,000
Net OPEB liability as a percentage of covered payroll		-7.76%	-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 Years[1]

Fiscal Year Ended June 30,	2022	2021	2020	2019	2018
Actuarially determined contributions (ADC)	$ 1,272,000	$ 1,242,000	$ 1,312,000	$ 1,118,000	$ 962,000
Contributions in relation to the ADC	(881,000)	(1,809,000)	(1,805,000)	(1,282,000)	(1,191,000)
Contribution deficiency (excess)	**$ 391,000**	**$ (567,000)**	**$ (493,000)**	**$ (164,000)**	**$ (229,000)**
Covered-employee payroll	8,609,000	8,389,000	7,242,000	6,318,000	6,625,000
Contributions as a percentage of covered-employee payroll	10.23%	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.

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

Method and assumptions used to determine contribution:

Valuation date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of payroll
Amortization Period	18-year fixed period for 2021/22
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

FINANCIAL TRENDS

WEST COUNTY WASTEWATER

CHANGES IN NET POSITION AND STATEMENT OF NET POSITION

Last Ten Fiscal Years

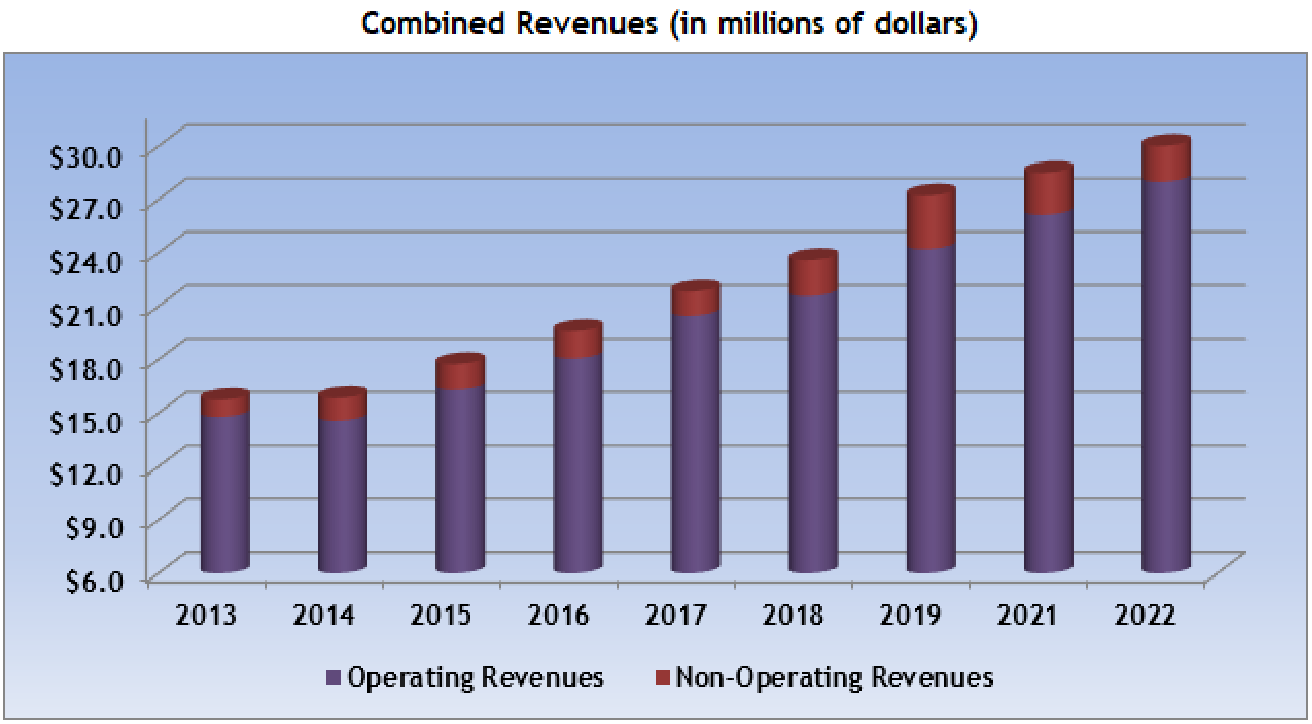
Change in Net Position	**2022**	**2021**	**2020**	**2019**	**2018**
Operating revenues:					
Sewer use charge	$ 26,501,120	$ 25,614,601	$ 25,625,752	$ 23,795,768	$ 21,047,634
Inspection/permit fees	320,155	212,066	192,230	277,981	231,481
Contract services	74,234	67,537	69,193	87,091	106,279
Other revenue	1,102,724	253,064	91,056	48,072	194,610
Total operating revenues	27,998,233	26,147,268	25,978,231	24,208,912	21,580,004
Operating expenses:					
Sewage collection	5,586,282	5,103,216	5,351,979	2,197,399	4,236,904
Sewage treatment	12,408,672	12,042,302	9,453,524	7,197,285	7,298,501
Administration	6,473,292	5,055,290	5,677,700	5,718,627	4,553,523
Contract services	40,552	81,216	31,311	64,076	84,834
West County Agency	304,712	8,095	537,834	268,066	121,698
Depreciation expense	4,981,909	5,119,173	5,754,097	4,634,050	3,198,839
Total operating expenses	29,795,419	27,409,292	26,806,445	20,079,503	19,494,299
Operating Income (loss)	(1,797,186)	(1,262,024)	(828,214)	4,129,409	2,085,705
Non-operating revenues (expenses):					
Property taxes	1,521,549	1,320,397	1,257,113	1,192,713	1,082,059
Redevelopment allocation	185,480	303,186	339,844	322,356	312,470
Rental income	672,829	523,390	507,694	675,254	311,948
Investment earnings	(355,101)	(2,867)	922,465	817,201	298,133
Interest expense	(2,216,142)	(430,961)	(463,090)	(450,324)	(390,000)
Other revenue (expense), net	8,464,105	50,664	(6,082)	(417)	(97,276)
Total non-operating revenues (expenses), net	8,272,720	1,763,809	2,557,944	2,556,783	1,517,334
Net income before capital contributions	6,475,534	501,785	1,729,730	6,686,192	3,603,039
Capital contributions:					
State capital grants				354,885	2,034,947
Connection fees	599,269	1,176,339	578,975	454,195	1,423,356
Contributed sewer lines					
Total capital contributions	599,269	1,176,339	578,975	809,080	3,458,303
Change in net position	7,074,803	1,678,124	2,308,705	7,495,272	7,061,342
Net position					
Beginning of year	108,094,778	106,284,654	103,975,949	96,480,677	93,344,056
Prior period adjustments	5,467	132,000			(3,924,721)
Net Position - End of year	**$ 115,175,048**	**$ 108,094,778**	**$ 106,284,654**	**$ 103,975,949**	**$ 96,480,677**
Net position					
Invested in Capital Assets	$ 83,563,169	$ 88,702,556	$ 80,174,152	$ 82,260,957	$ 85,238,747
Restricted	2,284,343	2,284,343	2,284,343	2,134,873	1,861,014
Unrestricted	29,327,536	17,107,879	23,826,159	19,580,119	9,380,916
Total Net Position	**$ 115,175,048**	**$ 108,094,778**	**$ 106,284,654**	**$ 103,975,949**	**$ 96,480,677**

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

	2017	2016	2015	2014	2013
Operating revenues:					
Sewer use charge	$ 19,780,211	$ 17,290,831	$ 15,650,703	$ 14,038,949	$ 13,854,746
Inspection/permit fees	300,183	248,888	316,476	192,139	189,166
Contract services	221,643	300,737	329,339	316,961	551,075
Other revenue	170,067	221,698	25,302	24,182	194,429
Total operating revenues	20,472,104	18,062,154	16,321,820	14,572,231	14,789,416
Operating expenses:					
Sewage collection	3,783,288	3,815,139	3,768,123	3,639,837	3,372,341
Sewage treatment	6,784,087	5,976,699	5,704,464	5,208,478	6,798,874
Administration	3,899,443	2,631,540	2,740,638	2,868,589	2,935,722
Contract services	147,060	272,421	303,888	269,874	474,623
West County Agency	174,212	148,541	107,463	133,670	172,391
Depreciation expense	3,071,113	3,119,615	3,222,967	2,940,249	2,921,783
Total operating expenses	17,859,203	15,963,955	15,847,543	15,060,697	16,675,734
Operating Income (loss)	2,612,901	2,098,199	474,277	(488,466)	(1,886,318)
Non-operating revenues (expenses):					
Property taxes	1,057,151	977,876	900,157	790,139	749,228
Redevelopment allocation	160,943	141,994	215,512	120,307	23,864
Rental income	90,941	353,536	258,827	341,007	155,448
Investment earnings	61,556	70,451	43,743	34,712	30,257
Other revenue (expense), net	(109,312)		(2,275,124)		
Total non-operating revenues (expenses), net	1,261,279	1,543,857	(856,885)	1,286,165	958,797
Net income before capital contributions	3,874,180	3,642,056	(382,608)	797,699	(927,521)
Capital contributions:					
State capital grants	6,966,498				
Connection fees	970,975	453,178	816,533	202,478	167,916
Contributed sewer lines					
Total capital contributions	7,937,473	453,178	816,533	202,478	167,916
Change in net position	11,811,653	4,095,234	433,925	1,000,177	(759,605)
Net position					
Beginning of year	81,532,403	77,437,169	86,070,895	85,070,718	85,830,323
Prior period adjustments			(9,067,651)		
Net Position - End of year	**$ 93,344,056**	**$ 81,532,403**	**$ 77,437,169**	**$ 86,070,895**	**$ 85,070,718**
Net Position					
Invested in Capital Assets	$ 79,395,085	$ 80,006,751	$ 67,486,623	$ 70,302,862	$ 69,404,267
Restricted	918,426				
Unrestricted	13,030,545	1,525,652	9,950,546	15,768,033	15,666,451
Total Net Position	**$ 93,344,056**	**$ 81,532,403**	**$ 77,437,169**	**$ 86,070,895**	**$ 85,070,718**

Source: West County Wastewater District Audited Financial Statements

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 (continued)

OPERATING REVENUES

FYE June 30	Sewer Use Charge	Inspection/ Permit fees	Contract Services	Other Revenue	Total Operating
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
2022	26,501,120	320,155	74,234	1,102,724	27,998,233

Source: West County Wastewater District Audited Financial Statements

NON-OPERATING REVENUES

FYE June 30	Property Taxes	Investment Earnings	Rental Income	Other	Total Non-Operating
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
2022	1,707,029	(355,101)	672,829		2,024,757

Source: West County Wastewater District Audited Financial Statements
Property Taxes include reductions due to the shift in property taxes related to the San Pablo Redevelopment Allocation and ERAF.

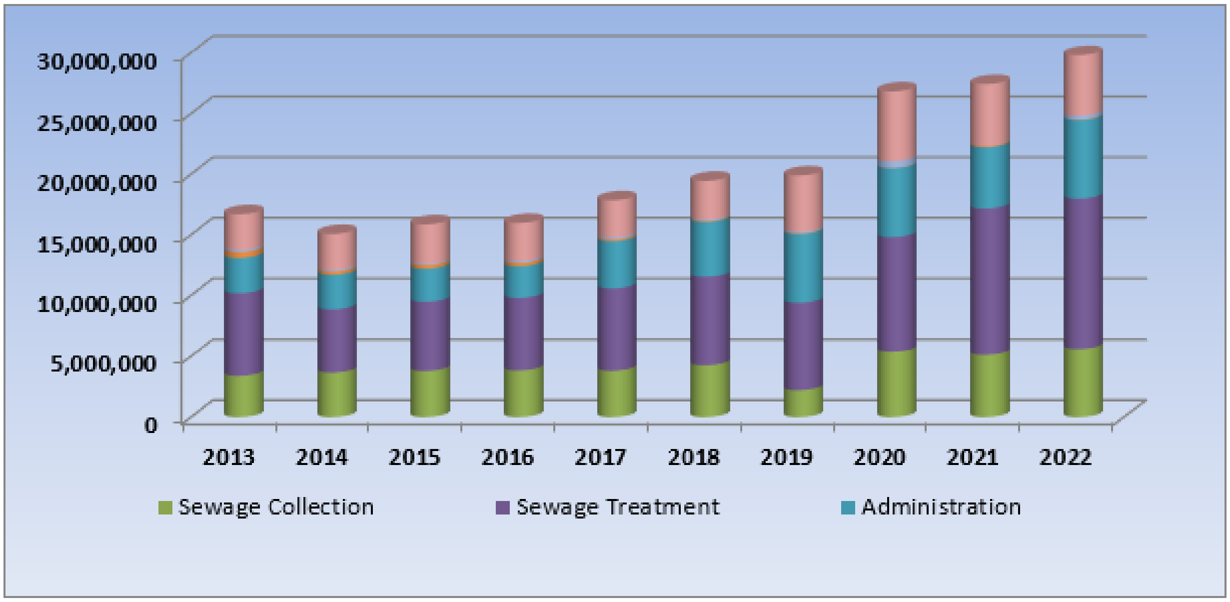
FINANCIAL TRENDS

WEST COUNTY WASTEWATER

OPERATING EXPENSES BY FUNCTION

Last Ten Fiscal Years

OPERATING EXPENSES



Source: West County Wastewater Audited Financial Statements

OPERATING EXPENSES

FYE June 30	Sewage Collection	Sewage Treatment	Administration	Service Contracts	WCA	Depreciation	Total
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	5,103,216	12,042,302	5,055,290	81,216	8,095	5,119,173	27,409,292
2022	5,586,282	12,408,672	6,473,292	40,552	304,712	4,981,909	29,795,419
	19%	44%	18%	0%	0%	19%	100%

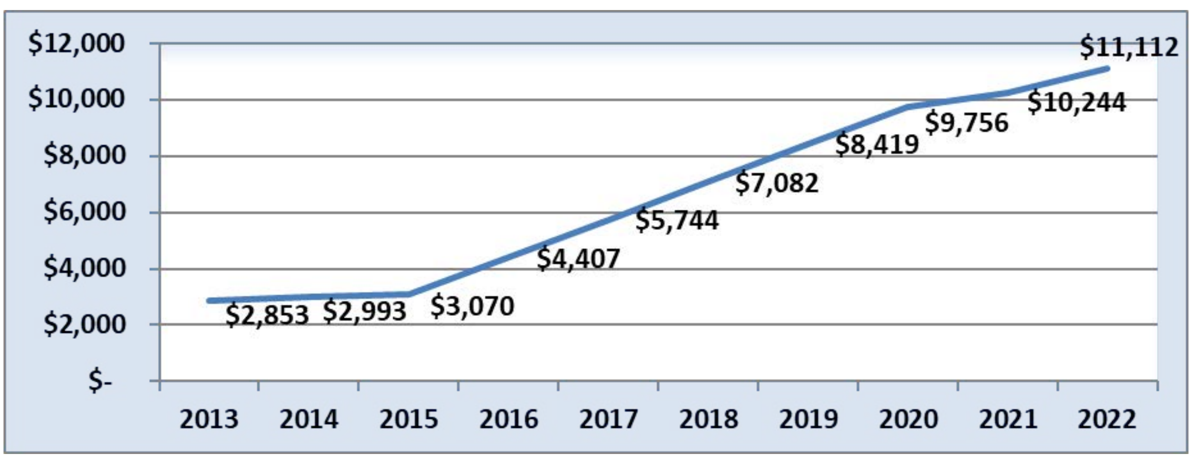
Source: West County Wastewater District Audited Financial Statements

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: 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
Last Ten Fiscal Years

WEST COUNTY WASTEWATER
PRINCIPAL EMPLOYERS
Current and Nine Years Ago

	FY 2022			FY 2013		
Employer	**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	1,658	2	1.4%	1,857	2	1.4%
Kaiser Foundation Hospitals	1,596	3	1.3%			
United Parcel Service	1,332	4	1.1%			
Social Security Administration	1,259	5	1.0%	1,259	3	1.0%
Amazon.com Services	1,055	6	0.9%			
Permanente Medical Group	1,051	7	0.9%	677	9	0.5%
U. S. Postal Service	1,047	8	0.9%	1,047	4	0.8%
City of Richmond	860	9	0.7%	771	7	0.6%
Contra Costa County	844	10	0.7%	844	6	0.7%
Contra Costa College	690			693	8	0.5%
Casino San Pablo	396			475	10	0.4%
Doctors Medical Center				973	5	0.8%
Subtotal	15,052		12.4%	10,546		8.2%
All Others	106,277		87.6%	117,941		91.8%
Total workforce	121,329		100.0%	128,487		100.0%

Source: Comprehensive Annual Financial Reports for Fiscal Year Ending June 30, 2021 for City of Richmond, City of San Pablo and City of Pinole. Data is not available for June 30, 2022.

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

	FY 2022		FY 2011	
Sewer Use Charge Customer Type	**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 District Audited Financial Statements

Revenue Capacity

WEST COUNTY WASTEWATER

PROPERTY TAX INFORMATION

Last Ten Fiscal Years

Assessed Valuation of Taxable Property within the District

FYE June 30	County Secured	County Unsecured	Total	% Change
2013	6,135,176,625	232,644,475	6,367,821,100	
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	5.5%
2022	10,516,123,259	222,848,292	10,738,971,551	8.7%

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
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
2022	1,707,029	26,501,120

Source: West County Wastewater District Audited Financial Statements

Revenue Capacity

WEST COUNTY WASTEWATER

SCHEDULE OF CAPACITY CHARGES

	FY2022	FY 2021	FY 2020	FY 2019	FY 2018
Beginning Balance July 1	-	149,089	214,703	270,363	(0)
Capacity charge fee revenue received:					
Connection fees	113,038	216,821	56,061	80,289	255,343
Flow zone fees	34,027	67,300	70,329	52,752	114,041
Toll zone 6	50	24,883			14,767
Toll zone 22		50			
Capacity charge revenue for the Fiscal Year	147,115	309,054	126,391	133,041	384,151
Interest earned on investments					
Capacity construction project cost incurred:					
Market Street sewer replacement Project 14CS204 (1)					
Church Lane to Road 20 sewer replacement Project 14CS214 (2)					(113,789)
Pipe bursting of sanitary sewers (18CS202) (3)				(188,700)	
Priority Sewer Replacements Project 15CS201	(33,185)	(458,143)	(192,005)		
Ending Balance	113,930	-	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.

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.

In 2015, WCW received four California Water Resources State Revoloving Loans for various capital improvement projects all with an interest rate between 1.0% and 1.9% for a total term of 20 years.

Loan Agreement	End	Interest Rate	Prinicipal
SRF Loan - Phase I, Segment 1	5/6/2036	1.9%	1,502,561
SRF Loan - Phase I, Segment 2	8/6/2041	1.9%	8,276,652
SRF Loan - Phase I, Segment 3	8/30/2037	1.9%	14,305,856
SRF Loan - Recycled Water Upgrades	6/3/2037	1.0%	21,100,763
Total			**45,185,832**

California State Water Resources State Revolving Loans Repayment Schedule

Fiscal Year	Principal	Interest	Total
2023	2,097,133	551,050	2,648,183
2024	2,127,844	520,340	2,648,184
2025	2,159,097	489,087	2,648,184
2026	2,190,451	457,733	2,648,184
2027	2,222,963	425,221	2,648,184
Thereafter	27,859,757	3,174,486	31,034,243
Total	**38,657,245**	**5,617,916**	**44,275,161**

In September 2021, the West County Facilities Financing Authority issued bonds in the amount of \$79,575,000 with a net premium of \$16,157,183 for financing the comprehensive energy and sustainability projects and various sewer system improvements.

Debt Service Schedule of 2021 Wastewater Revenue Bonds

Fiscal Year	Principal	Interest	Total
2023	-	3,183,000	3,183,000
2024	1,595,000	3,183,000	4,778,000
2025	1,655,000	3,119,200	4,774,200
2026	1,725,000	3,053,000	4,778,000
2027	1,790,000	2,984,000	4,774,000
Thereafter	72,810,000	41,797,000	114,607,000
Total	**79,575,000**	**57,319,200**	**136,894,200**

Demographic Data

WEST COUNTY WASTEWATER

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	District Population	Total Personal Income (A)	Per Capita Personal Income	Average County Unemployment Rate (B)	Contra Costa County Population
2013	97,998	6,077,955,966	62,022	7.7%	1,083,340
2014	98,724	6,104,627,626	61,835	6.1%	1,097,172
2015	99,511	6,388,349,816	64,198	4.9%	1,111,143
2016	102,481	6,932,319,943	67,645	4.9%	1,123,429
2017	103,759	7,277,795,116	70,141	4.2%	1,139,513
2018	104,027	7,530,056,393	72,386	3.5%	1,147,879
2019	104,027	7,771,018,197	74,702	3.1%	1,150,621
2020	104,045	7,812,252,006	77,092	3.2%	1,153,561
2021	106,376	8,164,733,459	76,753	6.9%	1,165,927
2022	105,649	8,573,537,660	81,151	3.2%	1,156,555

Sources: * Population: State of California Department of Finance, Demographic Research Unit, including adjustments, as of January 2016, based upon the approximate percentage of total population served in each of the following areas: through Fiscal Year 2010 - San Pablo 100%, Pinole 18%, Richmond 28%, and unincorporated Contra Costa County 35%; effective Fiscal Year 2011 - San Pablo 100%, Pinole 8%, Richmond 31%, and unincorporated Contra Costa County 21%.

* Total Personal Income: State of California, Department of Finance, Demographic Research

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

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

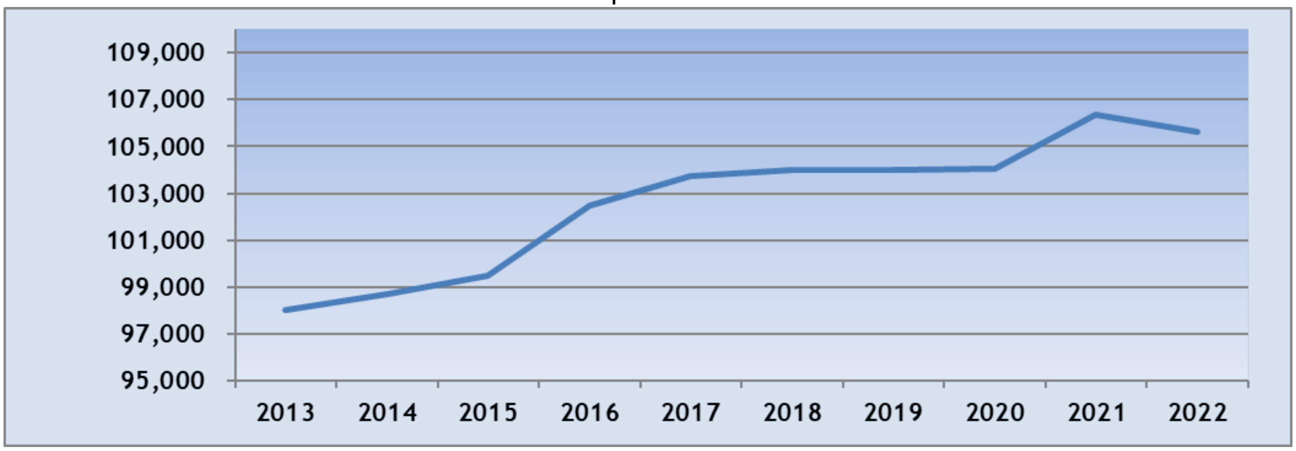
Demographic Data

WEST COUNTY WASTEWATER

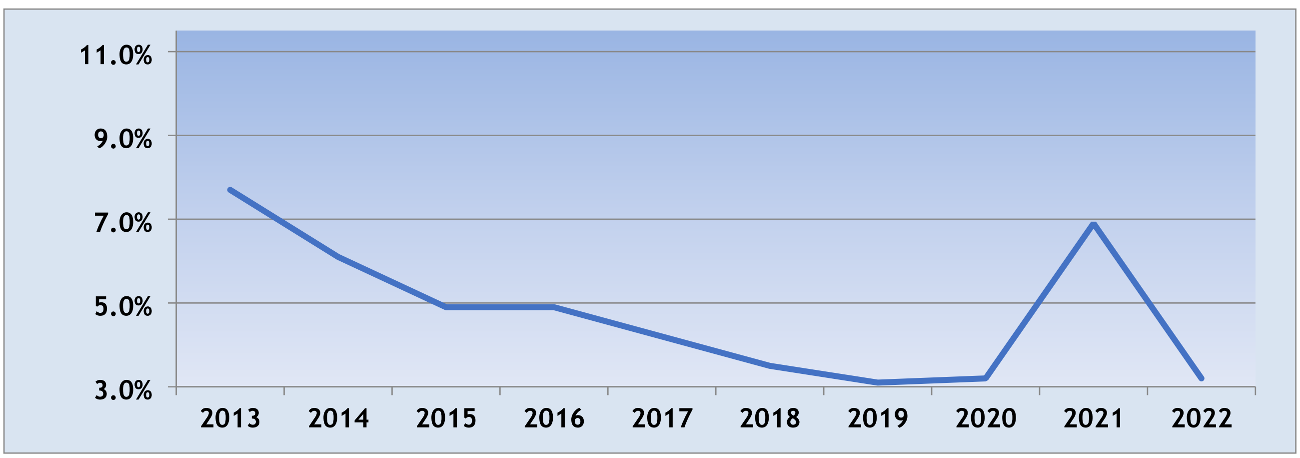
DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Population Served



Unemployment Rate - Contra Costa County

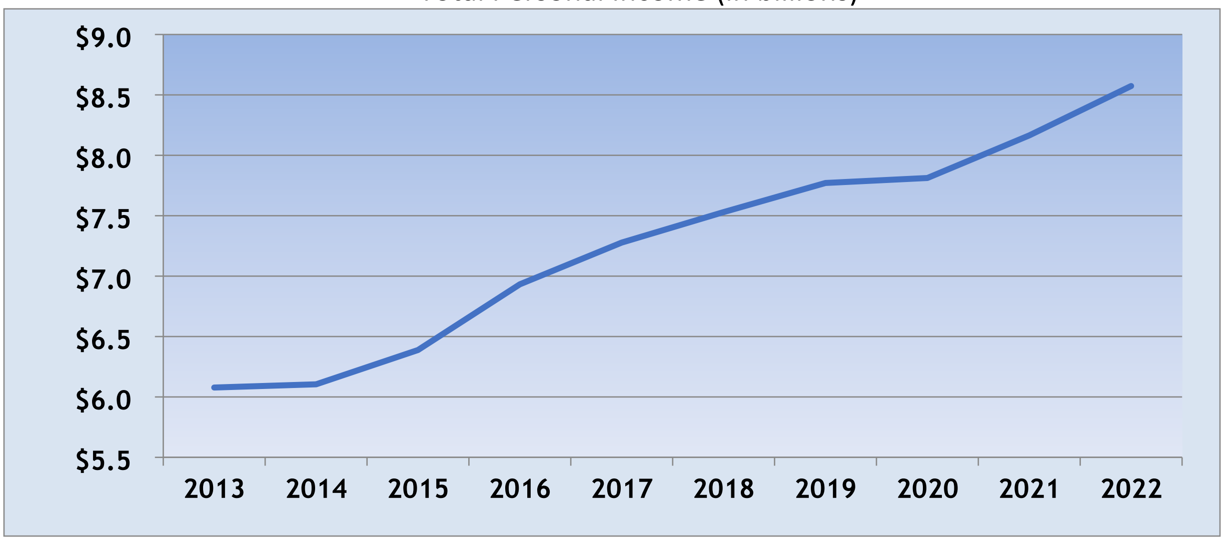


WEST COUNTY WASTEWATER

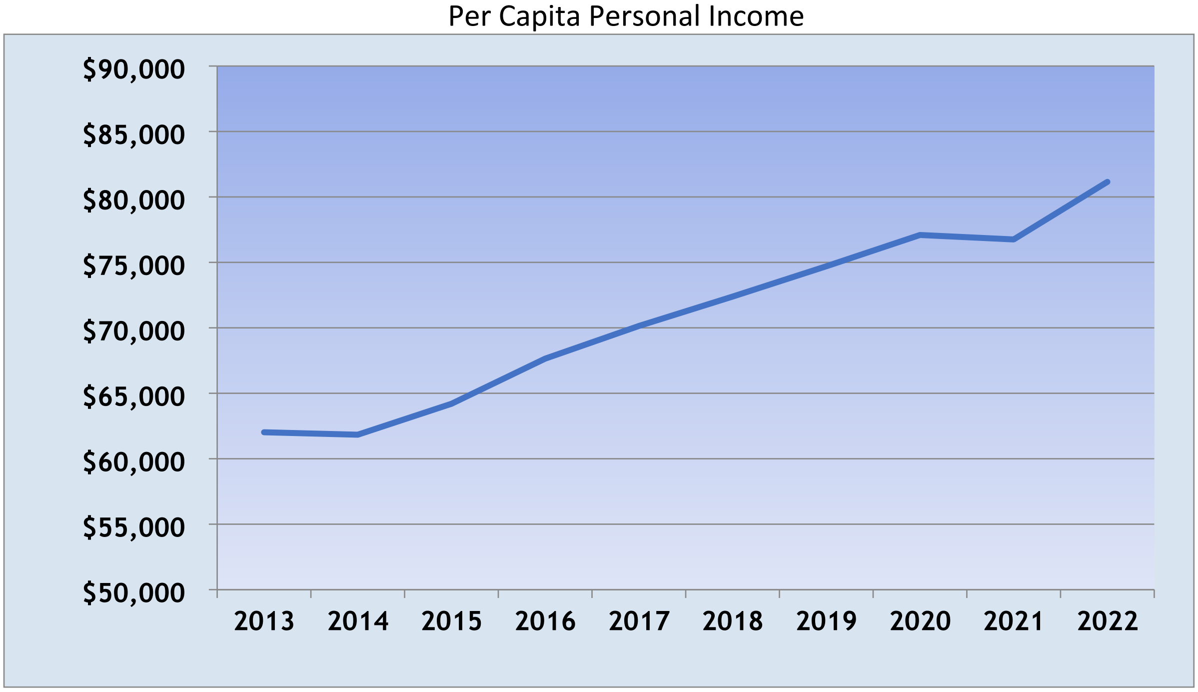
DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Total Personal Income (in billions)



Per Capita Personal Income



Demographic Data

WEST COUNTY WASTEWATER

DEMOGRAPHIC AND ECONOMIC INFORMATION

PRINCIPAL EMPLOYERS

Last Ten Fiscal Years

Principal Employers

Current and Nine Years Ago

	FY 2022			FY 2013		
Employer	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	1,658	2	1.4%	1,857	2	1.4%
Kaiser Foundation Hospitals	1,596	3	1.3%			
United Parcel Service	1,332	4	1.1%			
Social Security Administration	1,259	5	1.0%	1,259	3	1.0%
Amazon.com Services	1,055	6	0.9%			
Permanente Medical Group	1,051	7	0.9%	677	9	0.5%
U. S. Postal Service	1,047	8	0.9%	1,047	4	0.8%
City of Richmond	860	9	0.7%	771	7	0.6%
Contra Costa County	844	10	0.7%	844	6	0.7%
Contra Costa College	690			693	8	0.5%
Casino San Pablo	396			475	10	0.4%
Doctors Medical Center				973	5	0.8%
Subtotal	15,052		12.4%	10,546		8.2%
All Others	106,277		87.6%	117,941		91.8%
Total workforce	121,329		100.0%	128,487		100.0%

Source: Comprehensive Annual Financial Reports for Fiscal Year Ending June 30, 2021 for City of Richmond, City of San Pablo and City of Pinole. Data is not available for June 30, 2022.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Office of the General Manager										
Office of the General Manager							3	5	5	4
Subtotal- Office of the General Manager							3	5	5	4
Administration Services										
Administration	11	11	8	8	6	8	7	8	7	8
Finance			4	4	4	4	4	4	4	4
Subtotal- Administration Services	11	11	12	12	10	12	11	12	11	12
Infrastructure and Planning										
Capital Programs and Mapping	8	9	9	9	9	9	9	12	14	14
Collection Systems	12	12	12	13	14	14	13	13	14	14
Subtotal- Infrastructure and Planning	20	21	21	22	23	23	22	25	28	28
Water Quality and Resource Recovery Plant										
Enviornmental Programs and Compliance	5	5	4	4	4	4	6	7	7	7
Plant Operations	11	11	11	11	13	14	12	14	14	14
Maintenance	9	9	9	9	10	11	10	10	11	11
Subtotal- Water Quality and Recovery	25	25	24	24	27	29	28	31	32	32
Total District	56	57	57	58	60	64	64	73	76	76

Source: West County Wastewater District Budget.

	56	57	57	58	60	64	64	73	76	76

WEST COUNTY WASTEWATER

OPERATING INFORMATION

Last Ten Fiscal Years

Engineering Permits Completed

Fiscal Year	Repairs	Single Family	Multi-Family	Commercial	Industrial	Misc.	Total
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
2022	476	7	-	1	-	-	484

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
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
2022	1,540	252.1	163	9	1,964

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

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)
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
2022	2,778	2,264	6.9	5.3	6,126	0

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

* The elevated electrical consumption for 2020 and 2021 resulted from 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 offline in mid-2020. The recycled water production has increased over the past two years because of EBMUD's capacity expansion. EBMUD can now polish more of WCW's effluent for supplying the refinery.

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*
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
2022	249.0	6.3	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.

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

To the Board of Directors
West County Wastewater District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of West County Wastewater District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise West County Wastewater District's basic financial statements, and have issued our report thereon dated February 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 West County Wastewater District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, California
February 10, 2023