

Westborough Water District Annual Financial Report

**For the Fiscal Years Ended
June 30, 2023 and 2022**



Mission Statement

The mission of the Westborough Water District is to provide a stable supply of high quality safe drinking water at a fair price to all customers of the District. In addition, the District has the mission to provide reliable sewer service through the North San Mateo County Sanitation District. The Board, the staff and all employees of Westborough Water District are committed to providing its customers with high quality, cost-effective and environmentally sensitive customer service.

Board of Directors as of June 30, 2023

Name	Title	Elected/ Appointed	Current Term
Janet G. Medina	President	Elected	11/2020-11/2024
Tom Chambers	Vice President	Elected	11/2022-11/2026
Don Amuzie	Director	Appointed	11/2022-11/2024
Julie L. Richards	Director	Appointed	11/2022-11/2024
Perry H. Bautista	Director	Elected	11/2022-11/2026

**Patricia Mairena, General Manager
Westborough Water District
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So. San Francisco, California 94080
(650) 589-1435 – www.westboroughwater.org**

Westborough Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

**Westborough Water District
Annual Financial Report
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Introductory Section

March 14, 2024

Board of Directors
Westborough Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Westborough Water District for the fiscal years ended June 30, 2023 and 2022, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. The report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

District Structure and Leadership

The Westborough Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Westborough Water District has been providing services to the residents within the district's boundaries since 1961. The District is governed by a five-member Board of Directors. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Westborough Water District employs a full-time staff of 6 employees. The District's Board of Directors meets on the second Thursday of each month. Meetings are publicly noticed, and citizens are encouraged to attend.

The District provides water, sewer, or a combination of both services to residents and businesses within its service area. The service area lies within the South San Francisco area. The District's boundaries comprise approximately one square mile. The District currently provides service to approximately 4,000 residential, commercial, and irrigation connections.

The District's administrative offices are located in the City of South San Francisco in San Mateo County.

Economic Condition and Outlook

The economic condition for the District's service area has experienced some challenges since March 2020 with the onset of the COVID-19 pandemic. Local restaurants, educational, fitness and religious facilities, as well as local entertainment and recreation venues were required to temporarily cease their operations in response to federal, state, and local government mandates in efforts to promote public health and safety and mitigate the risk of spreading the COVID-19 virus. The economic effects of the pandemic continue to ripple through the District's service area throughout fiscal year 2023.

Economic Condition and Outlook, (continued)

In complying with Governor Newsom's Executive Order (EO) N-42-20 of April 2, 2020, the District suspended assessing late fees and disconnection/shutting off water service of customer connections for nonpayment (Health and Safety Code: Section 116902, Subdivision (c)). Though the EO restricted water shutoffs due to nonpayment, the obligation of water customers to pay for water service was neither eliminated nor reduced. On February 10, 2022, the Westborough Water District Board of Directors moved to allow the General Manager to Reinstate Late Payment Fees, Water Shutoffs for Non-Payment, Door Collection Fees, and Reconnection of Water Service Fees.

As a Special District having rate setting authority, the District's risk of/exposure of revenue loss, during the effective period of the EO, is minimal and immaterial. The District's revenue is generated through rates approved by the Board of Directors in accordance with California's Proposition 218. District revenue is not dependent on voter approved tax assessments. It is the intent of the governing body to ensure the costs of providing goods and services to the general public on a continuing basis be recovered primarily through approved rates and charges.

California's water supply continues to be a concern due to environmental and regulatory restriction that threaten the State's ability to provide storage, preserve water supply, and maintain a conveyance system throughout the Sacramento-San Joaquin Delta, all of which lead to increasing supply costs. Although Northern California, through the San Francisco Public Utility Commission has invested heavily in local storage to shield against drought events, the areas outside of the San Francisco Public Utility Commission have failed to make similar investments in storage that could have some impact on local water supply at some point in the future.

Considering the District's ability to meet future water conservation requirements, particularly in the times of drought, the District approved Ordinance No. 69, prohibiting wasteful water use with the District's boundaries. In times of drought, wasteful water use practices constitute a potential threat to the District's ability to meet water conservation measures not only in times of drought, but at all times, and is essential to ensure a reliable supply of water to meet current and future water supply needs.

Major Initiatives

The activities of the Board and staff of the District are driven by its Mission Statement: "The mission of the Westborough Water District is to provide a stable supply of high-quality safe drinking water at a fair price to all customers of the District. In addition, the District has the mission to provide reliable sewer service through the North San Mateo County Sanitation District. The Board, the staff, and all employees of Westborough Water District are committed to providing its customers with high quality, cost-effective, and environmentally sensitive customer service."

1. To supply clean, wholesome water to the community and provide water for the future.
2. To plan, construct, operate, maintain, and upgrade the water system facilities to adequately serve customer needs.
3. To utilize the District's financial resources in an effective, responsible, and prudent manner.
4. To provide quality customer service for District customers.
5. To inform, educate, and communicate with the community on District and water issues.
6. To review and maintain a plan to be proactive in preventative maintenance of the District's water and sewer systems.

All programs and operations of the District are developed and performed in order to provide the highest level of service to its customers.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District Board of Directors adopts an operating and capital budget every year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity, and yield.

Water and Sewer Rates and District Revenues

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge. Sewer rates are based on customer's water consumption during January through February each year. There is a minimum charge of 12 units annually or 2 HCF (hundred cubic feet) for the base period of January through February.

Water Conservation Programs

The District has implemented conservation management practices. The District distributes materials to encourage water conservation. The District offers the following conservation programs:

1. Free Water Conservation Items
2. Low-Flow Toilet Retrofit Program
3. Hi-Efficiency Washer Program
4. Water Usage Audit Program

Audit and Financial Reporting

State law requires the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of C.J. Brown & Company, CPAs has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Risk Management

The District participates in a joint powers agreement with the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). The District participates in the Liability, Property, and Workers' Compensation programs. The Property program includes Fidelity Coverage and Boiler and Machinery Coverage.

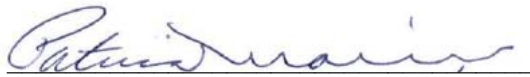
Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would like to thank the members of the Board of Directors and especially the Finance Committee members for their continued support in planning and implementation of the Westborough Water District's fiscal policies.

Respectfully submitted,



Patricia Mairena
General Manager

Financial Section



C.J. Brown & Company CPAs

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Independent Auditor's Report

Board of Directors
Westborough Water District
South San Francisco, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Westborough Water District (District) for the years ended June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise the 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 Westborough Water District, as of June 30 2023 and 2022, 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 Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 the 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.

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audits 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 auditor's report that includes our opinion. 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 GAAS 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 GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Emphasis of Matter

Prior Period Restatements

As described in Note 11 to the financial statements, the District restated its net position for adjustments made to compensated absences reported in current and long-term liabilities, for the years ended June 30, 2022, 2021, and 2020. Our opinion is not modified with respect to this matter.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 12, and the Required Supplementary Information on pages 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section on pages 1 through 4, and the supplemental information on pages 51 through 58, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of net position and combining schedules of revenues, expenses, and changes in net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 59 and 60.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

March 14, 2024

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Westborough Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2023, the District's net position increased 5.46% or \$568,932 to \$10,979,980 as a result of ongoing operations. In fiscal year 2022, the District's net position increased 10.66% or \$1,002,615 to \$10,411,048 as a result of ongoing operations.
- Total revenues increased 6.81% or \$515,020 to \$8,078,850. In fiscal year 2022, the District's total revenues increased 14.89% or \$980,172 to \$7,563,830.
- Operating revenues increased 7.99% or \$538,075 to \$7,271,621. In fiscal year 2022, the District's operating revenues increased 13.29% or \$790,113 to \$6,733,546.
- Non-operating revenues decreased 2.78% or \$23,055 to \$807,229. In fiscal year 2022, the District's non-operating revenues increased 29.69% or \$190,059 to \$830,284.
- Total expenses increased 14.46% or \$948,703 to \$7,509,918. In fiscal year 2022, the District's total expenses decreased 3.45% or \$234,748 to \$6,561,215,
- Operating expenses increased 14.85% or \$927,624 to \$7,174,788. In fiscal year 2022, the District's operating expenses decreased 3.19% or \$205,692 to \$6,247,164.
- The District reported no non-operating expenses for fiscal year 2023. In fiscal year 2022, the District's non-operating expenses decreased by \$4,871.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The District's statements consist of two funds: the Water Fund and the Sewer Fund. The District's records are maintained on an enterprise basis, as it is the intent of the Board of Directors that the costs of providing water and sewer to customers of the District are financed primarily through user charges.

The Statement of Net Position includes all the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that help answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. These two statements report the District's *net position* and changes in it. One can think of the District's net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 18 through 46.

Statement of Net Position

Condensed Statements of Net Position

	<u>2023</u>	<u>As Restated 2022</u>	<u>Change</u>	<u>As Restated 2021</u>	<u>Change</u>
Assets:					
Current assets	\$ 6,309,900	5,088,222	1,221,678	4,585,115	503,107
Non-current assets	8,084,455	8,182,041	(97,586)	7,927,449	254,592
Total assets	<u>14,394,355</u>	<u>13,270,263</u>	<u>1,124,092</u>	<u>12,512,564</u>	<u>757,699</u>
Deferred outflows of resources	<u>691,462</u>	<u>360,350</u>	<u>331,112</u>	<u>347,719</u>	<u>12,631</u>
Liabilities:					
Current liabilities	2,228,107	1,857,462	370,645	1,762,539	94,923
Non-current liabilities	1,330,566	465,121	865,445	1,197,202	(732,081)
Total liabilities	<u>3,558,673</u>	<u>2,322,583</u>	<u>1,236,090</u>	<u>2,959,741</u>	<u>(637,158)</u>
Deferred inflows of resources	<u>547,164</u>	<u>896,982</u>	<u>(349,818)</u>	<u>492,109</u>	<u>404,873</u>
Net position:					
Net investment in capital assets	7,846,834	7,914,025	(67,191)	7,631,317	282,708
Restricted for capital projects	141,540	124,645	16,895	138,843	(14,198)
Unrestricted	2,991,606	2,372,378	619,228	1,638,273	734,105
Total net position	<u>\$ 10,979,980</u>	<u>10,411,048</u>	<u>568,932</u>	<u>9,408,433</u>	<u>1,002,615</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,979,980 and \$10,411,048, as of June 30, 2023 and 2022, respectively.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

Statement of Net Position, (continued)

By far the largest portion of the District's net position (71% and 76% as of June 30, 2023 and 2022, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District had no outstanding long-term debt at June 30, 2023 and 2022. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2023 and 2022, the District showed a positive balance in its unrestricted net position of \$2,991,606 and \$2,372,378, respectively. See Note 10 to the basic financial statements for further information.

Statement of Revenues, Expenses, and Changes in Net Position

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>As Restated 2022</u>	<u>Change</u>	<u>As Restated 2020</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 7,271,621	6,733,546	538,075	5,943,433	790,113
Non-operating revenues	807,229	830,284	(23,055)	640,225	190,059
Total revenues	<u>8,078,850</u>	<u>7,563,830</u>	<u>515,020</u>	<u>6,583,658</u>	<u>980,172</u>
Expenses:					
Operating expenses	7,174,788	6,247,164	927,624	6,452,856	(205,692)
Non-operating expenses	-	-	-	4,871	(4,871)
Depreciation	335,130	314,051	21,079	338,236	(24,185)
Total expenses	<u>7,509,918</u>	<u>6,561,215</u>	<u>948,703</u>	<u>6,795,963</u>	<u>(234,748)</u>
Changes in net position	568,932	1,002,615	(433,683)	(212,305)	1,214,920
Net position, beginning of year, as restated	<u>10,411,048</u>	<u>9,408,433</u>	<u>1,002,615</u>	<u>9,620,738</u>	<u>(212,305)</u>
Net position, end of year	<u>\$ 10,979,980</u>	<u>10,411,048</u>	<u>568,932</u>	<u>9,408,433</u>	<u>1,002,615</u>

The Statement of Revenues, Expenses, and Changes of Net Position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased 5.46% or \$568,932 to \$10,979,980 as a result of ongoing operations. In fiscal year 2022, the District's net position increased 10.66% or \$1,002,615 to \$10,411,048 as a result of ongoing operations

A closer examination of the sources of changes in net position reveal that:

Total revenues increased 6.81% or \$515,020 to \$8,078,850. Operating revenues increased 7.99% or \$538,075 to \$7,271,621, due to increases of \$390,297 in water consumption sales, \$136,743 in wastewater service, and \$11,035 in other charges and services. Non-operating revenues decreased 2.78% or \$23,055 to \$807,229, due to decreases of \$116,069 in pension income due to actuarial determined adjustments, \$36,241 in other non-operating revenue, and \$28,679 in OPEB income due to actuarial determined adjustments, offset by increases of \$80,576 in investment earnings, \$51,286 in insurance recovery, and \$28,765 in property taxes as compared to the prior year.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

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

In fiscal year 2022, total revenues increased 14.89% or \$980,172 to \$7,563,830. Operating revenues increased 13.29% or \$790,113 to \$6,733,546, due to increases of \$653,202 in water consumption sales, \$128,178 in wastewater service, and \$8,733 in other charges and services. Non-operating revenues increased 29.69% or \$190,059 to \$830,284, due to increases of \$116,069 in pension income due to actuarial determined adjustments, \$67,703 in property taxes, \$28,679 in OPEB income due to actuarial determined adjustments, and \$8,353 in other non-operating revenue, offset by a decrease of \$31,975 in investment earnings as compared to the prior year.

Total expenses increased 14.46% or \$948,703 to \$7,509,918. Operating expenses increased 14.85% or \$927,624 to \$7,174,788, primarily due to increases of \$502,259 in treatment and disposal, \$264,478 in general and administrative expenses, \$197,983 in water purchases, \$97,800 in employee benefits, and \$30,276 in utilities, which were offset by a decrease of \$181,380 in system maintenance as compared to the prior year. There were no amounts reported in non-operating expenses for 2023.

In fiscal year 2022, total expenses decreased 3.45% or \$234,748 to \$6,561,215. Operating expenses decreased 3.19% or \$205,692 to \$6,247,164, primarily due to decreases of \$429,020 in general and administrative expenses, \$182,243 in water purchases, which were offset by increases of \$210,079 in system maintenance, \$97,263 in treatment and disposal, \$29,884 in vehicles, and \$27,148 in utilities. Non-operating expenses decreased by \$4,871, due to a loss of disposal of capital assets as compared to the prior year.

Capital Asset Administration

Changes in capital asset amounts for 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2023</u>
Capital assets:				
Non-depreciable assets	\$ 1,510,558	33,326	(1,352,882)	191,002
Depreciable assets	12,958,266	1,587,496	-	14,545,762
Accumulated depreciation	<u>(6,554,799)</u>	<u>(335,131)</u>	<u>-</u>	<u>(6,889,930)</u>
Total capital assets, net	<u>\$ 7,914,025</u>	<u>1,285,691</u>	<u>(1,352,882)</u>	<u>7,846,834</u>

Changes in capital asset amounts for 2022 were as follows:

	<u>Balance 2021</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2022</u>
Capital assets:				
Non-depreciable assets	\$ 1,035,506	508,067	(33,015)	1,510,558
Depreciable assets	12,838,706	119,560	-	12,958,266
Accumulated depreciation	<u>(6,242,895)</u>	<u>(314,051)</u>	<u>2,147</u>	<u>(6,554,799)</u>
Total capital assets, net	<u>\$ 7,631,317</u>	<u>313,576</u>	<u>(30,868)</u>	<u>7,914,025</u>

At the end of fiscal year 2023 and 2022, the District's investment in capital assets net of accumulated depreciation amounted to \$7,846,834 and \$7,914,025, respectively. These investments in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, and vehicles, etc. See Note 6 to the basic financial statements for further information.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2023 and 2022

Conditions Affecting Current Financial Position

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future periods.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Patricia Mairena, General Manager of Westborough Water District, 2263 Westborough Blvd., South San Francisco, CA 94080-5406.

Basic Financial Statements

Westborough Water District
Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>As Restated 2022</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 5,070,321	3,848,291
Cash and cash equivalents – restricted (note 2)	140,635	124,455
Accrued interest receivable	32,620	5,543
Accrued interest receivable – restricted	905	190
Accounts receivable – water sales and services, net (note 3)	729,295	723,715
Property tax receivable	42,152	4,059
Lease receivable (note 4)	30,395	28,116
Materials and supplies inventory	233,238	346,547
Prepaid expenses and other deposits	30,339	7,306
Total current assets	<u>6,309,900</u>	<u>5,088,222</u>
Non-current assets:		
Lease receivable (note 4)	237,621	268,016
Capital assets – not being depreciated (note 6)	191,002	1,510,558
Capital assets – being depreciated, net (note 6)	7,655,832	6,403,467
Total non-current assets	<u>8,084,455</u>	<u>8,182,041</u>
Total assets	<u>14,394,355</u>	<u>13,270,263</u>
Deferred outflows of resources:		
Deferred other post-employment benefit outflows (note 8)	151,580	127,991
Deferred pension outflows (note 9)	539,882	232,359
Total deferred outflows of resources	<u>\$ 691,462</u>	<u>360,350</u>

Continued on next page

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Net Position, (continued)
June 30, 2023 and 2022

	2023	As Restated 2022
Current liabilities:		
Accounts payable and accrued expenses	\$ 185,315	232,800
Accrued sewer service charge	1,628,240	1,218,222
Deposits	365,378	359,112
Unearned revenue	15,662	12,928
Long-term liabilities – due within one year:		
Compensated absences (note 7)	33,512	34,400
Total current liabilities	2,228,107	1,857,462
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	100,536	103,199
Net other post-employment benefit liability (note 8)	198,642	82,674
Net pension liability (note 9)	1,031,388	279,248
Total non-current liabilities	1,330,566	465,121
Total liabilities	3,558,673	2,322,583
Deferred inflows of resources:		
Deferred lease inflows (note 4)	233,853	267,259
Deferred other post-employment benefit inflows (note 8)	208,079	323,286
Deferred pension inflows (note 9)	105,232	306,437
Total deferred inflows of resources	547,164	896,982
Net position:		
Net investment in capital assets	7,846,834	7,914,025
Restricted (note 10)	141,540	124,645
Unrestricted (note 10)	2,991,606	2,372,378
Total net position	\$ 10,979,980	10,411,048

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

	2023	As Restated 2022
Operating revenues:		
Water consumption sales	\$ 4,011,005	3,620,708
Wastewater service	3,236,621	3,099,878
Other charges and services	23,995	12,960
Total operating revenues	7,271,621	6,733,546
Operating expenses:		
Salaries and benefits	414,446	425,711
Employee benefits	216,604	118,804
Payroll taxes	31,258	28,653
Water purchases	1,734,787	1,536,804
Utilities	273,546	243,270
System maintenance	104,203	285,583
Supplies and small tools	13,047	11,862
Special services	68,394	49,868
Technical communications	9,620	8,020
Vehicles	48,944	45,387
Treatment and disposal	2,971,786	2,469,527
General and administrative	1,288,153	1,023,675
Total operating expenses	7,174,788	6,247,164
Operating income before depreciation	96,833	486,382
Depreciation	(335,130)	(314,051)
Operating (loss) income	(238,297)	172,331
Non-operating revenues, net:		
Property taxes	652,922	624,157
OPEB income – GASB 75 (note 7)	-	28,679
Pension income – GASB 68 (note 8)	-	116,069
Investment earnings, net of fair value	47,728	(32,848)
Interest on rental income	8,074	8,837
Rental revenue	33,408	33,407
Insurance recovery	51,286	-
Gain (loss) on disposal of capital assets	-	1,931
Other non-operating revenue	13,811	50,052
Total non-operating revenues, net	807,229	830,284
Changes in net position	568,932	1,002,615
Net position, beginning of year	10,411,048	9,385,868
Prior period adjustment (note 11)	-	22,565
Net position, beginning of year, as restated (note 11)	10,411,048	9,408,433
Net position, end of year	\$ 10,979,980	10,411,048

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>As Restated 2022</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 7,359,256	6,812,852
Cash paid to vendors and suppliers for materials and services	(5,622,123)	(5,755,286)
Cash paid to employees for salaries and wages	<u>(911,916)</u>	<u>(838,529)</u>
Net cash provided by operating activities	<u>825,217</u>	<u>219,037</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>652,922</u>	<u>624,157</u>
Net cash provided by non-capital financing activities	<u>652,922</u>	<u>624,157</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>(267,939)</u>	<u>(594,828)</u>
Net cash used in capital and related financing activities	<u>(267,939)</u>	<u>(594,828)</u>
Cash flows from investing activities:		
Interest and investment earnings	<u>28,010</u>	<u>(26,758)</u>
Net cash provided by (used in) investing activities	<u>28,010</u>	<u>(26,758)</u>
Net increase in cash and cash equivalents	1,238,210	221,608
Cash and cash equivalents, beginning of year	<u>3,972,746</u>	<u>3,751,138</u>
Cash and cash equivalents, end of year	<u>\$ 5,210,956</u>	<u>3,972,746</u>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 5,070,321	3,848,291
Cash and cash equivalents – restricted	<u>140,635</u>	<u>124,455</u>
Total cash and cash equivalents	<u>\$ 5,210,956</u>	<u>3,972,746</u>

Continued on next page

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Cash Flows, (continued)
For the Fiscals Year Ended June 30, 2023 and 2022

	2023	As Restated 2022
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating (loss) income	\$ (238,297)	172,331
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	335,130	314,051
OPEB income – GASB 75	-	28,679
Pension income – GASB 68	-	116,069
Rental income	33,408	33,407
Insurance recovery	51,286	-
Other non-operating, net	13,811	50,052
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable – sales and services, net	(5,580)	(151,325)
Accounts receivable – other	-	10,200
Property tax receivable	(38,093)	863
Lease receivable	28,116	25,631
Materials and supplies inventory	113,309	(136,002)
Prepaid expenses and other deposits	(23,033)	(3)
Deferred other post-employment benefit outflows	(23,589)	(34,825)
Deferred pension outflows	(307,523)	22,194
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	362,533	83,308
Deposits	6,266	2,940
Unearned revenue	2,734	1,485
Compensated absences	(3,551)	28,760
Net other post-employment benefit liability	115,968	(227,457)
Net pension liability	752,140	(526,194)
Deferred lease inflows	(33,406)	(33,407)
Deferred other post-employment benefit inflows	(115,207)	197,296
Deferred pension inflows	(201,205)	240,984
Total adjustments	1,063,514	46,706
Net cash provided by operating activities	\$ 825,217	219,037
Non-cash investing, capital, and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ (68,185)	(39,887)

See accompanying notes to the basic financial statements

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Westborough Water District (District) is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District has been providing water and sewer services to the residents of the South San Francisco area since 1961. The District is governed by a five-member Board of Directors who serve overlapping four-year terms.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water and sewer services to its customers on a continuing basis be financed or recovered primarily through user charges (water and sewer service fees). Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and sewer services, as well as water purchases and sewer treatment, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

The District recognizes revenue from water and sewer service charges based on cycle billings performed bi-monthly. The District accrues revenues with respect to water and sewer service sold but not billed at the end of a fiscal period.

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies, (continued)

Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 91, continued

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) 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; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) 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 expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) 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; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies, (continued)

Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued 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. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued 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.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period.

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies, (continued)

Investments and Investment Policy

The District has adopted an investment policy directing the General Manager to deposit funds in financial institutions. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Restricted Assets

Certain assets of the District are restricted for use by ordinance and, accordingly, are shown as restricted assets on the accompanying statements of net position. The District uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources by a third party.

Accounts Receivable and Allowance for Uncollectible Accounts

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

Property Taxes and Assessments

The County of San Mateo Assessor's Office assesses all real and personal property within the County each year. The County of San Mateo Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The County of San Mateo Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of San Mateo, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

Lease Receivable

Lease receivables are measured at the present value of payments expected to be received during the lease term.

Prepays

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Inventory

Inventory consists primarily of materials used in construction and maintenance of the water and sewer systems and is stated at cost using the average-cost method.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies, (continued)

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$500. Contributed assets are recorded at estimated fair market value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Sewer facilities	40 to 50 years
Water facilities	50 years
Buildings	5 to 10 years
Joint-use-facilities	50 years
Meters	5 to 15 years
Office equipment	5 to 15 years
Maintenance facilities	30 to 40 years

Deferred Outflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and, therefore, will *not* be recognized as an outflow of resources (expenditure) until that time.

The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to employer contributions made after the measurement date of the net other post-employment benefit liability. This amount will be amortized-in-full against the net other post-employment benefit liability in the next fiscal year.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.
- Deferred outflow for the net difference between projected and actual earnings on investments of the other post-employment benefit plan's fiduciary net position. This amount is amortized over a 5 year period.

Pensions

- Deferred outflow which is equal to employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.
- Deferred outflow for the net change in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.
- Deferred outflow for the net difference between projected and actual earnings on investments of the pension plan's fiduciary net position. This amount is amortized over a 5 year period.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies, (continued)

Deferred Outflows of Resources, continued

Pensions, continued

- Deferred outflow for the net change in proportion of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.

Compensated Absences

The District’s policy is to permit employees to accumulate earned vacation and sick leave according to the number of years of service with the District. The liability for vested vacation and sick leave is recorded as an expense when earned.

Upon separation from the District as a result of retirement, disability, or death, permanent employees are entitled to receive compensation at their current base salary for all unused vacation, up to a maximum of 30 days, and sick leave, up to a maximum of 120 days. Sick leave is paid if the employee is retirement eligible and meets vesting requirements. Sick leave is not paid for those circumstances where an employee has not completed the probationary period or is separated from the District upon termination.

As of June 30, 2023, the vacation accrual schedule is as follows:

<u>Years of service completed</u>	<u>Days of vacation earned annually</u>
1 to 4	10 (two weeks)
5 to 9	15 (three weeks)
10 to 14	20 (four weeks)
15 to 19	25 (five weeks)
20 to 24	30 (six weeks)

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s OPEB plan (Plan) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation date: June 30, 2021
- Measurement dates: June 30, 2022 and 2021
- Measurement periods: July 1, 2021 to June 30, 2022 and July 1, 2020 to June 30, 2021

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies, (continued)

Pensions, continued

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation dates: June 30, 2021 and June 30, 2020
- Measurement dates: June 30, 2022 and June 30, 2021
- Measurement periods: July 1, 2021 to June 30, 2022 and July 1, 2020 to June 30, 2021

Deferred Inflows of Resources

The statements of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and, therefore, will *not* be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net difference between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.

Pensions

- Deferred inflow for the net difference between the actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pension through the Plan.

Deposit Connection Fees

Connection fees are collected by the District to cover the cost of service connections within the District. Funds in excess of connection costs are refunded to the customer.

Water and Sewer Sales

The District recognizes water and sewer service charges based on cycle billings rendered to customers each month.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners or real estate developers desiring services that require capital expenditures or capacity commitment.

Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 1 – Summary of Significant Accounting Policies, (continued)

Net Position, continued

- *Restricted* – Consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the determination of the net investment in capital assets or restricted component of net position.

Budgetary Policies

The District adopts a one year non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Reclassification

The District has reclassified certain prior year information to conform with current year presentations.

Note 2 – Cash and Investments

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	2023	2022
Cash and cash equivalents	\$ 5,070,321	3,848,291
Cash and cash equivalents – restricted	140,635	124,455
Total cash and cash equivalents	\$ 5,210,956	3,972,746

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

	2023	2022
Cash on hand	\$ 600	600
Deposits with financial institutions	646,501	771,110
Deposits held with California Local Agency Investment Fund (LAIF)	4,563,855	3,201,036
Total cash and investments	\$ 5,210,956	3,972,746

As of June 30, the District's authorized deposits had the following maturities:

	2023	2022
Deposits held with California Local Agency Investment Fund (LAIF)	260 days	311 days

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. 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).

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 2 – Cash and Investments, continued

Custodial Credit Risk, continued

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

Credit Risk

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 3 – Accounts Receivable – Water Sales and Services, Net

The balance at June 30 consists of the following:

		<u>2023</u>	<u>2022</u>
Accounts receivable – water sales and services	\$	729,295	723,742
Allowance for uncollectible accounts		-	(27)
Accounts receivable – water sales, net	\$	<u>729,295</u>	<u>723,715</u>

Note 4 – Lease Receivable

Changes in lease receivable for the year ended June 30, were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2023</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Deferred Inflows</u>
Lease receivable:							
Crown Castle	\$ 296,132	-	(28,116)	268,016	30,395	237,621	\$ (233,853)
Total lease receivable	<u>296,132</u>	<u>-</u>	<u>(28,116)</u>	<u>268,016</u>	<u>30,395</u>	<u>237,621</u>	<u>(233,853)</u>

Changes in lease receivable for the year ended June 30, were as follows:

	<u>Restated 2021</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2022</u>	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Deferred Inflows</u>
Lease receivable:							
Crown Castle	\$ 321,763	-	(25,631)	296,132	28,116	268,016	\$ (267,259)
Total lease receivable	<u>321,763</u>	<u>-</u>	<u>(25,631)</u>	<u>296,132</u>	<u>28,116</u>	<u>268,016</u>	<u>(267,259)</u>

Crown Castle

On July 1, 1995, the District entered into a lease agreement with AT&T Wireless. On March 28, 2014, AT&T transferred ownership to its subsidiary Crown Castle ATT, LLC (Crown Castle). Crown Castle has agreed to pay the District for purpose of leasing communication tower space at its Skyline Boulevard site. The terms of the agreement require Crown Castle to pay the District in monthly installments through June 2030 and is adjusted annually by a rate of 3.00% and 7.00%.

Following the provisions set forth by *GASB Statement No. 87*, the District recorded a lease receivable and a deferred inflow at present value using a discount rate of 2.85%. The deferred inflow is amortized on a straight-line basis over the term of the lease. As of June 30, 2023 and 2022, deferred inflows were reported at \$233,853 and \$267,259, respectively.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 4 – Lease Receivable, continued

Crown Castle, continued

Future payments to be received and deferred inflows as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Deferred Inflows</u>
2024	\$ 30,395	7,244	37,639	\$ (33,408)
2025	32,798	6,346	39,144	(33,407)
2026	35,331	5,378	40,709	(33,408)
2027	38,001	4,337	42,338	(33,407)
2028	40,815	3,217	44,032	(33,407)
2029 - 2030	90,676	2,742	93,418	(66,816)
Total	268,016	<u>29,264</u>	<u>297,280</u>	<u>\$ (233,853)</u>
Current	<u>(30,395)</u>			
Non-current	<u>\$ 237,621</u>			

Note 5 – Internal Balances – Due To/From Funds

There were no reportable internal balances as of June 30, 2023.

During fiscal year 2022, the District’s Sewer fund advanced the Water fund for the purpose of funding current year operations. The District expects the Water fund to repay the advance to the Sewer fund through the collection of water revenues in the next fiscal year. As of June 30, 2022, internal balances amounted to \$574,304.

Please see the Combining Schedule of Net Position on pages 51 and 52.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 6 – Capital Assets

Changes in capital assets for 2023 were as follows:

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Construction in progress	<u>1,327,926</u>	<u>33,326</u>	<u>(1,352,882)</u>	<u>8,370</u>
Total non-depreciable assets	<u>1,510,558</u>	<u>33,326</u>	<u>(1,352,882)</u>	<u>191,002</u>
Depreciable assets:				
Buildings	1,493,829	10,005	-	1,503,834
Water facilities	6,678,889	1,416,240	-	8,095,129
Sewer facilities	3,367,856	14,375	-	3,382,231
Joint use facilities	94,907	-	-	94,907
Maintenance facilities	478,624	-	-	478,624
Water meters	687,633	145,663	-	833,296
Furniture and equipment	<u>156,528</u>	<u>1,213</u>	<u>-</u>	<u>157,741</u>
Total depreciable assets	<u>12,958,266</u>	<u>1,587,496</u>	<u>-</u>	<u>14,545,762</u>
Accumulated depreciation:				
Buildings	(688,608)	(37,423)	-	(726,031)
Water facilities	(3,216,872)	(162,805)	-	(3,379,677)
Sewer facilities	(1,733,944)	(78,527)	-	(1,812,471)
Joint use facilities	(80,102)	(511)	-	(80,613)
Maintenance facilities	(443,457)	(12,386)	-	(455,843)
Water meters	(292,543)	(31,033)	-	(323,576)
Furniture and equipment	<u>(99,273)</u>	<u>(12,446)</u>	<u>-</u>	<u>(111,719)</u>
Total accumulated depreciation	<u>(6,554,799)</u>	<u>(335,131)</u>	<u>-</u>	<u>(6,889,930)</u>
Total depreciable assets, net	<u>6,403,467</u>	<u>1,252,365</u>	<u>-</u>	<u>7,655,832</u>
Total capital assets, net	<u>\$ 7,914,025</u>	<u>1,285,691</u>	<u>(1,352,882)</u>	<u>7,846,834</u>

Major changes to capital assets consisted primarily of additions of \$33,326 in construction in progress, \$1,416,240 in upgrades to water facilities, \$145,663 in additions to water meters, \$14,375 in upgrades to sewer facilities, and \$10,005 in upgrades to buildings. There were no deletions. Construction in progress transfers included \$1,352,881 to water facilities.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 6 – Capital Assets, (continued)

Changes in capital assets for 2022 were as follows:

	<u>Balance 2021</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2022</u>
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Construction in progress	<u>852,874</u>	<u>508,067</u>	<u>(33,015)</u>	<u>1,327,926</u>
Total non-depreciable assets	<u>1,035,506</u>	<u>508,067</u>	<u>(33,015)</u>	<u>1,510,558</u>
Depreciable assets:				
Buildings	1,492,697	1,132	-	1,493,829
Water facilities	6,672,148	6,741	-	6,678,889
Sewer facilities	3,348,512	19,344	-	3,367,856
Joint use facilities	94,907	-	-	94,907
Maintenance facilities	478,624	-	-	478,624
Water meters	595,290	92,343	-	687,633
Furniture and equipment	<u>156,528</u>	<u>-</u>	<u>-</u>	<u>156,528</u>
Total depreciable assets	<u>12,838,706</u>	<u>119,560</u>	<u>-</u>	<u>12,958,266</u>
Accumulated depreciation:				
Buildings	(649,234)	(39,374)	-	(688,608)
Water facilities	(3,090,165)	(126,707)	-	(3,216,872)
Sewer facilities	(1,639,566)	(94,378)	-	(1,733,944)
Joint use facilities	(79,298)	(804)	-	(80,102)
Maintenance facilities	(432,575)	(13,029)	2,147	(443,457)
Water meters	(265,147)	(27,396)	-	(292,543)
Furniture and equipment	<u>(86,910)</u>	<u>(12,363)</u>	<u>-</u>	<u>(99,273)</u>
Total accumulated depreciation	<u>(6,242,895)</u>	<u>(314,051)</u>	<u>2,147</u>	<u>(6,554,799)</u>
Total depreciable assets, net	<u>6,595,811</u>	<u>(194,491)</u>	<u>2,147</u>	<u>6,403,467</u>
Total capital assets, net	<u>\$ 7,631,317</u>	<u>313,576</u>	<u>(30,868)</u>	<u>7,914,025</u>

Major changes to capital assets consisted primarily of additions of \$508,067 in construction in progress, \$92,343 in additions to water meters, \$19,344 in upgrades to sewer facilities, and \$6,741 in upgrades to water facilities. There were no deletions. An adjustment of \$2,146, was required to correct maintenance facilities depreciation. Construction in progress transfers included \$18,458 to sewer facilities and \$14,557 was determined to be non-capitalizable and expensed.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 7 – Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which are accrued as earned. The District’s liability for compensated absences is determined annually.

The change to compensated absences balances at June 30, 2023 was as follows:

<u>Restated 2022</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2023</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 137,599	122,213	(125,764)	134,048	33,512	100,536

The change to compensated absences balances at June 30, 2022 was as follows:

<u>Restated 2021</u>	<u>Earned</u>	<u>Taken</u>	<u>Restated 2022</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 108,839	116,896	(88,136)	137,599	34,400	103,199

Note 8 – Other Post-Employment Benefits (OPEB) Plan

Plan Description

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District’s vesting requirements. The Plan is a single employer defined benefit OPEB plan administered by the District. The District participates in CalPERS California Employer’s Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814. The reporting requirements for these benefit programs as they pertain to the District are set forth below.

Benefits Provided

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are eligible to receive benefits. Retirees may enroll in any plan available through the District’s medical program. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

The following requirements must be satisfied in order to be eligible for post-employment medical benefits:

- Employees hired before May 1, 2011, who retire from the District after attainment of age 55 and with 15 years of service.
- Employees hired on or after January 1, 2013, who retire from the District after attainment of age 60 and with 15 years of service.

Employees Covered by Benefit Terms

At June 30, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Active plan members	6	6
Active plan members	1	1
Total Plan membership	<u>7</u>	<u>7</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 – Other Post-Employment Benefits (OPEB) Plan, (continued)

Contributions

The Plan and its contribution requirements for eligible retired employees of the District are established and may be amended by the Board of Directors. The District pays 100% of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District. The annual contribution is based on the actuarially determined contribution.

As of the fiscal years ended June 30, the contributions were as follows:

		<u>2023</u>	<u>2022</u>
Contributions – employer	\$	<u>10,367</u>	<u>60,459</u>
Total employer paid contributi	\$	<u>10,367</u>	<u>60,459</u>

As of June 30 2023 and 2022, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$10,367 and \$60,459 will be/were recognized as a reduction of the net OPEB liability for the fiscal years ended June 30, 2024 and 2023, respectively.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability were determined by actuarial valuation dates as of June 30, 2021, respectively. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The net OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Inflation	2023 – 2.50 percent 2022 – 2.50 percent
Salary increases	2023 – 2.75 percent, average, including inflation 2022 – 2.75 percent, average, including inflation
Discount rate	2023 – 6.25 percent 2022 – 6.25 percent
Healthcare cost trend rates	Non-Medicare – 6.50 percent for 2023, decreasing to an ultimate rate of 3.75 percent in 2076 Medicare (Kaiser) – 4.60 percent for 2023, decreasing to an ultimate rate of 3.75 percent in 2076 Medicare (UHC) – 5.65 percent for 2023, decreasing to an ultimate rate of 3.75 percent in 2076
Retirees' share of benefit-related costs	100 percent of the District's share of projected health insurance premiums for retirees age 55 with a minimum 15 years of service hired before January 1, 2013. 100 percent of the District's share of projected health insurance premiums for retirees age 65 with a minimum 15 years of service hired on or after January 1, 2013.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 – Other Post-Employment Benefits (OPEB) Plan, (continued)

Actuarial Assumptions, continued

The actuarial assumptions used in the June 30, 2021 valuations were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the District. The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages were taken from the current composition of the CERBT trust, and the expected yields were taken from a CalPERS publication for the Pension Fund. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2023 and 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation* CERB-Strategy 1</u>	<u>Expected Real Return**</u>
Global equity	59.0%	4.82%
Fixed income	25.0%	1.47%
Treasury inflation-protected securities	5.0%	1.29%
Commodities	3.0%	0.84%
Real estate trusts	8.0%	3.76%
Total	<u>100%</u>	

* Policy target effective October 1, 2018

** Assumed long-term rate of inflation - 2.50%

** Expected long-term net rate of return, rounded - 6.25%

Discount Rate

As of June 30, 2023 and 2022, the discount rate used to measure the net OPEB liability was 6.25%, respectively. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the retirees' benefits. Based on those assumptions, the 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 the plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 – Other Post-Employment Benefits (OPEB) Plan, (continued)

Changes in the Net OPEB Liability

Changes in the net OPEB liability as of June 30, 2023 (measured at June 30, 2022) were as follows:

	June 30, 2023			June 30, 2022
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Net OPEB Liability
Balance at beginning of year	\$ 793,025	710,351	82,674	310,131
Changes for the year:				
Service cost	21,447	-	21,447	19,217
Interest	49,957	-	49,957	57,675
Benefit payments	(30,760)	(30,760)	-	-
Difference between expected and actual experience	(563)	-	(563)	(161,612)
Change in assumptions	-	-	-	42,515
Employer contributions	-	50,131	(50,131)	(41,088)
Net investment income	-	(95,078)	95,078	(144,363)
Administrative expenses	-	(180)	180	199
Net change	40,081	(75,887)	115,968	(227,457)
Balance at end of year	\$ 833,106	634,464	198,642	82,674

Change of Benefit Terms

There were no changes in benefit terms.

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

The following tables present the District's net OPEB liability calculated using the discount rate, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

At June 30, 2023, the discount rate comparison are the following:

	Discount	Current	Discount
	Rate - 1%	Rate	Rate + 1%
		6.25%	
Net OPEB liability \$	298,875	198,642	115,168

At June 30, 2022, the discount rate comparison are the following:

	Discount	Current	Discount
	Rate - 1%	Rate	Rate + 1%
		6.25%	
Net OPEB liability \$	178,085	82,674	3,216

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 – Other Post-Employment Benefits (OPEB) Plan, (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

At June 30, 2023, the healthcare cost trend rate comparison was the following:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates Current</u>	<u>1% Increase</u>
Net OPEB liability \$	115,417	198,642	294,618

At June 30, 2022, the healthcare cost trend rate comparison was the following:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates Current</u>	<u>1% Increase</u>
Net OPEB liability \$	3,453	82,674	174,032

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

For the fiscal years ended June 30, 2023 and 2022, the District recognized OPEB income and expense of \$19,111 and \$28,679, respectively.

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

<u>Description</u>	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made subsequent to measurement date	\$ 41,939	-	60,459	-
Changes in assumptions	56,160	-	67,532	-
Differences between expected and actual experience	-	(208,079)	-	(247,590)
Net differences between expected and actual return on investments	53,481	-	-	(75,696)
Total	\$ 151,580	(208,079)	127,991	(323,286)

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 8 – Other Post-Employment Benefits (OPEB) Plan, (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, continued

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

Fiscal Year Ending June 30:	Net Deferred Outflows/ (Inflows) of Resources
2024	\$ (18,667)
2025	(19,496)
2026	(22,475)
2027	(685)
2028	(15,901)
Thereafter	(21,214)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in separately issued CalPERS financial reports.

See pages 47 and 48 for the Required Supplementary Information.

Note 9 – Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government 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 or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 – Defined Benefit Pension Plan, (continued)

Benefits Provided, continued

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The Plan's provision and benefits in effect at June 30, 2023 and 2022, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
2023:		
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	10.34%	7.47%
2022:		
Required employee contribution rates	6.92%	6.75%
Required employer contribution rates	10.32%	7.47%

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 July 1 following notice of the change in 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.

As of the fiscal years ended June 30, the contributions for the Plan were as follows:

	Miscellaneous Plan	
	2023	2022
District paid contributions:		
Employer	\$ 90,693	123,498
Employee (paid by employer)	5,023	4,611
Total District paid contributions	\$ 95,716	128,109

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 – Defined Benefit Pension Plan, (continued)

Net Pension Liability

As of the fiscal years ended June 30, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
	2023	2022
Miscellaneous Plan	\$ 1,031,388	279,248

The District’s net pension liability for the PERF C is measured as the proportionate share of the net pension liability for the miscellaneous pool. As of June 30, 2023 and 2022, the net pension liability of the Plan is measured as of June 30, 2022 and 2021 (the measurement dates), respectively. The total pension liability for the PERF C’s miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020 (valuation dates), rolled forward to June 30, 2022 and 2021, respectively, 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 change in the proportionate share of the net pension liability as of the fiscal years ended June 30, were as follows:

	Miscellaneous Plan	
	2023	2022
Proportion – beginning of year	0.00516%	0.00740%
Proportion – end of year	0.00893%	0.00516%
Change – Increase (Decrease)	0.00377%	-0.00224%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2023 and 2022, the District recognized pension expense and income of \$334,104 and \$116,069, respectively.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 – Defined Benefit Pension Plan, (continued)

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 90,693	-	123,498	-
Differences between actual and expected experience	6,840	-	31,316	-
Change in assumptions	105,688	-	-	-
Net difference between projected and actual earnings on plan investments	188,925	-	-	(243,777)
Differences between actual contribution and proportionate share of contribution	-	(105,232)	-	(62,660)
Net adjustment due to differences in proportions of net pension liability	<u>147,736</u>	<u>-</u>	<u>77,545</u>	<u>-</u>
Total	<u>\$ 539,882</u>	<u>(105,232)</u>	<u>232,359</u>	<u>(306,437)</u>

As of June 30 2023 and 2022, the District reported \$90,693 and \$123,498, respectively, as deferred outflows of resources related to contributions subsequent to the measurement dates. Pension contributions subsequent to the measurement date for the year ended June 30, 2023, will be recognized as a reduction of the net pension liability for the year ended June 30, 2024. Pension contributions subsequent to the measurement date for the year ended June 30, 2022, were recognized as a reduction of the net pension liability for the year ended June 30, 2023.

At June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2024	\$ 100,532
2025	92,292
2026	58,412
2027	92,721

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 – Defined Benefit Pension Plan, (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020, actuarial valuation reports were determined using the following actuarial assumptions:

Valuation dates	June 30, 2021 and 2020
Measurement dates	June 30, 2022 and 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements GASB Statement No. 68

Actuarial assumptions:

Discount rate	2023 - 6.90% 2022 - 7.15%
Inflation	2023 - 2.30% 2022 - 2.50%
Salary increases	Varies by entry age and service
Investment rate of return	6.90% Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' membership data for all funds
Period upon which actuarial Experience Survey assumption were based	2022 and 2021 – 1997-2015
Post retirement benefit	2022 and 2021 – Contract COLA up to 2.50% until Purchasing power protection allowance floor on

* The mortality table above 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.

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 – Defined Benefit Pension Plan, (continued)

Discount Rate, 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 (11-60 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 rounded down to the nearest one quarter of one percent.

The table below reflect 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.

As of June 30, 2023 and 2022, the target allocation and the long-term expected real rate of return by asset class were as follows:

Asset Class	New Strategic Allocation
Global Equity - Cap-weighted	30.0%
Global Equity - Non-Cap-weighted	12.0%
Private Equity	13.0%
Treasury	5.0%
Mortgage-backed securities	5.0%
Investment Grade Corporates	10.0%
High Yield	5.0%
Emerging Market Debt	5.0%
Private Debt	5.0%
Real Assets	15.0%
Leverage	-5.0%
Total	100%

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

The following tables present the District’s proportionate share of the net position liability for the Plan, calculated using the discount rate, 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 one-percentage-point lower or one-percentage-point higher than the current rate.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 9 – Defined Benefit Pension Plan, (continued)

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

At June 30, 2023, the discount rate comparison was the following:

	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	5.90%	6.90%	7.90%
District's net pension liability	\$ <u>1,767,069</u>	<u>1,031,389</u>	<u>426,106</u>

At June 30, 2022, the discount rate comparison was the following:

	Discount Rate - 1%	Prior Discount Rate	Discount Rate + 1%
	6.15%	7.15%	8.15%
District's net pension liability	\$ <u>902,649</u>	<u>279,248</u>	<u>(236,108)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 49 and 50 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2023 and 2022, the District reported no payables for the outstanding amount of contribution to the pension plan.

Note 10 – Net Position

Restricted net position is comprised of the following:

	2023	As Restated 2022
Restricted net position:		
Cash and cash equivalents – restricted	\$ 140,635	124,455
Accrued interest receivable – restricted	<u>905</u>	<u>190</u>
Total restricted net position	\$ <u>141,540</u>	<u>124,645</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 10 – Net Position, continued

Unrestricted net position is comprised of the following:

	2023	As Restated 2022
Non-spendable net position:		
Materials and supplies inventory	\$ 233,238	346,547
Prepaid expenses	30,339	7,306
Total non-spendable net position	263,577	353,853
Spendable net position are designated as follows:		
Unrestricted (reserved for operations)	2,728,029	2,018,525
Total spendable net position	2,728,029	2,018,525
Total unrestricted net position	\$ 2,991,606	2,372,378

Note 11 – Adjustments to Net Position

In fiscal year 2023, the District determined that compensated absences was understated. The compensated absence balance did not include sick leave which should be included for employees who are retirement eligible and meet vesting requirements. In addition, prior year amounts did not include executive leave liability amounts.

As a result of the District recorded has recorded prior period adjustments to restate net position as of June 30, 2020, 2021, and 2022. Please see Note 7 for further information.

The adjustments to net position were as follows:

Net position at July 1, 2019, as previously stated	\$ <u>9,338,216</u>
Effect of the adjustments to record sick leave liability accrual to compensated absences	(64,579)
Change in net position at June 30, 2020, as previously stated	347,101
Net position at June 30, 2020, as restated	\$ <u>9,620,738</u>
Effect of the adjustments to record sick leave liability accrual to compensated absences	22,565
Change in net position at June 30, 2021, as previously stated	(234,870)
Net position at June 30, 2021, as restated	\$ <u>9,408,433</u>
Effect of the adjustments to record sick leave liability accrual to compensated absences	(27,123)
Effect of the adjustments to record executive leave liability accrual to compensated absences	(17,768)
Change in net position at June 30, 2022, as previously stated	1,047,506
Net position at June 30, 2022, as restated	\$ <u><u>10,411,048</u></u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2023, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$5,000,000 per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$55 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the coverage above, the District also has the following insurance coverage:

- Crime coverage up to \$100,000 per loss includes public employee dishonesty, depositor's forgery or alteration, theft, computer, and funds transfer fraud coverage's, subject to \$1,000 deductible per loss.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis. The ACWA/JPIA is self-insured up to \$10,000,000 per loss and has purchased re-insurance coverage for scheduled values up to a combined total of \$500 million per loss. The District's deductible for scheduled value is \$2,500 per loss. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to \$1,000 deductible per loss. The property Program includes Earthquake with aggregate limit of \$2,500,000, and is subject to minimum \$75,000 deductible, Flood Coverage with aggregate limit of \$25,000,000 and subject to a \$100,000 deductible.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Cyber Liability: including Cyber Security up to \$2,000,000 per occurrence claim and \$5,000,000 Aggregate Limit. Cyber Liability deductible varies from \$10,000 to \$50,000 depending on District Total Insured Values.
- Workers' compensation coverage up to California statutory limits for all work-related injuries/illnesses covered by California law; a pooled self-insured limit of \$2,000,000 and excess insurance coverage has been purchased.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ended June 30, 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022, and 2021.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 13 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 99

In April 2022, the GASB issued 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 application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued 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. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2023 and 2022

Note 13 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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 requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Note 14 – Commitments and Contingencies

Litigation

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

Note 15 – Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of March 14, 2024, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

Westborough Water District
Schedules of Changes in the Net OPEB Liability and Related Ratios
As of June 30, 2023
Last Ten Years*

Fiscal year ending	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability						
Service cost	\$ 21,447	19,217	18,969	17,393	23,118	22,390
Interest	49,957	57,675	53,738	57,894	57,894	52,467
Differences in expected and actual experience	(563)	(161,612)	-	(167,988)	-	-
Changes in assumptions	-	42,515	(14,635)	65,593	-	-
Benefit payments	(30,760)	-	-	-	-	-
Actuary valuation adjustment	-	-	-	(75,287)	-	-
Net change in total OPEB liability	40,081	(42,205)	58,072	(102,395)	81,012	74,857
Total OPEB liability – beginning	793,025	835,230	777,158	879,553	798,541	723,684
Total OPEB liability – ending	\$ 833,106	793,025	835,230	777,158	879,553	798,541
Plan fiduciary net position						
Contributions employer	\$ 50,131	41,088	53,336	51,657	51,657	50,031
Net investment income	(95,078)	144,363	15,990	23,513	23,695	24,637
Benefit payments	(30,760)	-	-	-	-	-
Administrative expense	(180)	(199)	(224)	(82)	(188)	(160)
Actuary valuation adjustment	-	-	-	(75,287)	-	-
Net change in plan fiduciary net position	(75,887)	185,252	69,102	(199)	75,027	74,392
Plan fiduciary net position – beginning	710,351	525,099	455,997	456,196	381,169	306,777
Plan fiduciary net position – ending	\$ 634,464	710,351	525,099	455,997	456,196	381,169
Net OPEB liability – ending	\$ 198,642	82,674	310,131	321,161	423,357	417,372
Covered payroll	\$ 798,358	697,597	684,359	736,560	758,050	478,714
Net OPEB liability as a percentage of covered payroll	24.88%	11.85%	45.32%	43.60%	55.85%	87.19%

Notes to Schedule

Valuation dates	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
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Methods and assumptions used to determine contribution rates:

	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
	(1)	(1)	(1)	(1)	(1)	(1)
	Market value	Market value	Market value	Market value	Market value	Market value
Single and agent employers						
Amortization method						
Asset valuation method						
Inflation	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%
Salary increases	2.75%	2.75%	3.00%	3.00%	3.25%	3.25%
Investment rate of return	6.25%	6.25%	6.75%	6.75%	7.25%	7.25%
Mortality, retirement, disability						
Termination	(4)	(4)	(3)	(3)	(2)	(2)
Other information	(6)	(6)	(5)	(5)	N/A	N/A

- (1) Level percentage of payroll, closed
- (2) Pre-retirement mortality based on RP-2014 Employee Mortality Tables, Post-retirement mortality rates based on RP-2014 Health Annuitant Mortality Table
- (3) CalPERS 1997-2015 Experience Study
- (4) CalPERS 2000-2019 Experience Study
- (5) Mortality projected fully generational with Scale MP-2019
- (6) Mortality projected fully generational with Scale MP-2021

*The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Westborough Water District
Schedules of OPEB Plan Contributions
As of June 30, 2023
Last Ten Years*

Fiscal year ending	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution \$	31,686	42,403	41,088	53,336	51,657	50,031
Contributions in relation to the actuarially determined contribution	<u>(41,939)</u>	<u>(50,131)</u>	<u>(41,088)</u>	<u>(53,336)</u>	<u>(51,657)</u>	<u>(50,031)</u>
Contribution deficiency (excess) \$	<u>(10,253)</u>	<u>(7,728)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll \$	<u>798,358</u>	<u>697,597</u>	<u>684,359</u>	<u>736,560</u>	<u>758,050</u>	<u>478,714</u>
Contribution's as a percentage of covered payroll	<u>5.25%</u>	<u>7.19%</u>	<u>6.00%</u>	<u>7.24%</u>	<u>6.81%</u>	<u>10.45%</u>

*The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Westborough Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2023
Last Ten Years*

Measurement dates	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.00893%	0.00516%	0.00740%	0.00700%	0.00659%	0.00659%	0.00622%	0.00560%	0.00596%
District's proportionate share of the net pension liability	\$ 1,031,388	279,248	805,442	717,152	634,828	653,647	538,400	384,145	370,615
District's covered payroll	\$ 941,063	761,676	666,767	646,536	616,165	585,652	564,574	546,648	518,567
District's proportionate share of the net pension liability as a percentage of its covered payroll	109.60%	36.66%	120.80%	110.92%	103.03%	111.61%	95.36%	70.27%	71.47%
District's fiduciary net position as a percentage of the District's total pension liability	80.89%	94.09%	81.26%	81.20%	81.79%	79.00%	79.63%	84.06%	83.03%

Notes to schedule:

Benefits changes:

There were no changes in benefits.

Changes in assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that long-term expected rate of return should be determined net of pension plan investment expense but without reduction of pension plan administrative expense.

The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

The inflation rate was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:

There were no changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:

There were no changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:

The discount rate was reduced from 7.15% to 6.90%.

The inflation rate was reduced from 2.50% to 2.30%.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Westborough Water District
Schedules of Pension Plan Contributions
As of June 30, 2023
Last Ten Years*

Fiscal year ending	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially determined contribution	\$ 153,411	133,340	120,567	104,440	87,578	74,208	67,046	59,092	55,655	54,569
Contributions in relation to the actuarially determined contribution	(153,411)	(133,340)	(120,567)	(104,440)	(87,578)	(74,208)	(67,046)	(59,092)	(55,655)	(54,569)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Covered payroll	\$ 755,204	941,063	761,676	666,767	646,536	616,165	585,652	564,574	546,648	518,567
Contribution's as a percentage of covered payroll	20.31%	14.17%	15.83%	15.66%	13.55%	12.04%	11.45%	10.47%	10.18%	10.52%

Notes to schedule:

Valuation dates	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates:

	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Actuarial cost method	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value	Market value	Market value	15 year Smoothed Market Method	Market value
Inflation	2.300%	2.500%	2.500%	2.625%	2.750%	2.750%	2.750%	2.750%	2.750%	2.750%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	6.90% (3)	7.150% (3)	7.000% (3)	7.250% (3)	7.375% (3)	7.500% (3)	7.500% (3)	7.500% (3)	7.500% (3)	7.500% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation'

(4) 50 for all plans with exception of 52 for Miscellaneous 2% @ 62

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* The District has presented information for those year for which information is available until a full 10-year trend is compiled.

Supplemental Information

Westborough Water District
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2023

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Current assets:			
Cash and cash equivalents	\$ 206,549	4,863,772	5,070,321
Cash and cash equivalents – restricted	-	140,635	140,635
Accrued interest receivable	-	32,620	32,620
Accrued interest receivable – restricted	-	905	905
Accounts receivable – water sales and services, net	645,974	83,321	729,295
Property tax receivable	42,152	-	42,152
Lease receivable	30,395	-	30,395
Materials and supplies inventory	233,238	-	233,238
Prepaid expenses and other deposits	30,339	-	30,339
Total current assets	1,188,647	5,121,253	6,309,900
Non-current assets:			
Lease receivable	237,621	-	237,621
Capital assets – not being depreciated	191,002	-	191,002
Capital assets – being depreciated, net	6,086,072	1,569,760	7,655,832
Total non-current assets	6,514,695	1,569,760	8,084,455
Total assets	7,703,342	6,691,013	14,394,355
Deferred outflows of resources:			
Deferred OPEB outflows	151,580	-	151,580
Deferred pension outflows	539,882	-	539,882
Total deferred outflows of resources	691,462	-	691,462
Current liabilities:			
Accounts payable and accrued expenses	185,315	-	185,315
Accrued sewer service charge	-	1,628,240	1,628,240
Deposits	365,378	-	365,378
Unearned revenue	15,662	-	15,662
Long-term liabilities – due within one year:			
Compensated absences	33,512	-	33,512
Total current liabilities	599,867	1,628,240	2,228,107
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	100,536	-	100,536
Net OPEB liability	198,642	-	198,642
Net pension liability	1,031,388	-	1,031,388
Total non-current liabilities	1,330,566	-	1,330,566
Total liabilities	1,930,433	1,628,240	3,558,673
Deferred inflows of resources:			
Deferred lease inflows	233,853	-	233,853
Deferred OPEB inflows	208,079	-	208,079
Deferred pension inflows	105,232	-	105,232
Total deferred inflows of resources	547,164	-	547,164
Net position:			
Net investment in capital assets	6,277,074	1,569,760	7,846,834
Restricted	-	141,540	141,540
Unrestricted	(359,867)	3,351,473	2,991,606
Total net position	\$ 5,917,207	5,062,773	10,979,980

Westborough Water District
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2022

	Enterprise Funds		As Restated
	Water Fund	Sewer Fund	Total
Current assets:			
Cash and cash equivalents	\$ -	3,848,291	3,848,291
Cash and cash equivalents – restricted	-	124,455	124,455
Accrued interest receivable	-	5,543	5,543
Accrued interest receivable – restricted	-	190	190
Accounts receivable – water sales and services, net	656,494	67,221	723,715
Property tax receivable	4,059	-	4,059
Lease receivable	28,116	-	28,116
Materials and supplies inventory	346,547	-	346,547
Due from water fund (note 5)	-	574,304	574,304
Prepaid expenses and other deposits	7,306	-	7,306
Total current assets	1,042,522	4,620,004	5,662,526
Non-current assets:			
Lease receivable	268,016	-	268,016
Capital assets – not being depreciated	1,510,558	-	1,510,558
Capital assets – being depreciated, net	4,769,555	1,633,912	6,403,467
Total non-current assets	6,548,129	1,633,912	8,182,041
Total assets	7,590,651	6,253,916	13,844,567
Deferred outflows of resources:			
Deferred OPEB outflows	127,991	-	127,991
Deferred pension outflows	232,359	-	232,359
Total deferred outflows of resources	360,350	-	360,350
Current liabilities:			
Accounts payable and accrued expenses	232,800	-	232,800
Accrued sewer service charge	-	1,218,222	1,218,222
Deposits	359,112	-	359,112
Unearned revenue	12,928	-	12,928
Due to sewer fund (note 5)	574,304	-	574,304
Long-term liabilities – due within one year:			
Compensated absences	34,400	-	34,400
Total current liabilities	1,213,544	1,218,222	2,431,766
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	103,199	-	103,199
Net OPEB liability	82,674	-	82,674
Net pension liability	279,248	-	279,248
Total non-current liabilities	465,121	-	465,121
Total liabilities	1,678,665	1,218,222	2,896,887
Deferred inflows of resources:			
Deferred lease inflows	267,259	-	267,259
Deferred OPEB inflows	323,286	-	323,286
Deferred pension inflows	306,437	-	306,437
Total deferred inflows of resources	896,982	-	896,982
Net position:			
Net investment in capital assets	6,280,113	1,633,912	7,914,025
Restricted	-	124,645	124,645
Unrestricted	(904,759)	3,277,137	2,372,378
Total net position	5,375,354	5,035,694	10,411,048

Westborough Water District
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2023

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
Operating revenues:			
Water consumption sales	\$ 4,011,005	-	4,011,005
Wastewater service	-	3,236,621	3,236,621
Other charges and services	23,395	600	23,995
Total operating revenues	<u>4,034,400</u>	<u>3,237,221</u>	<u>7,271,621</u>
Operating expenses:			
Salaries and benefits	414,446	-	414,446
Employee benefits	216,604	-	216,604
Payroll taxes	31,258	-	31,258
Water purchases	1,734,787	-	1,734,787
Utilities	154,843	118,703	273,546
System maintenance	63,574	40,629	104,203
Supplies and small tools	13,047	-	13,047
Special services	68,394	-	68,394
Technical communications	9,620	-	9,620
Vehicles	48,944	-	48,944
Treatment and disposal	-	2,971,786	2,971,786
General and administrative	1,287,653	500	1,288,153
Total operating expenses	<u>4,043,170</u>	<u>3,131,618</u>	<u>7,174,788</u>
Operating (loss) income before depreciation	(8,770)	105,603	96,833
Depreciation	(256,606)	(78,524)	(335,130)
Operating income (loss)	<u>(265,376)</u>	<u>27,079</u>	<u>(238,297)</u>
Non-operating revenue(expense), net:			
Property taxes	652,922	-	652,922
Investment earnings, net of fair value	47,728	-	47,728
Interest on rental income	8,074	-	8,074
Rental revenue	33,408	-	33,408
Insurance recovery	51,286	-	51,286
Other non-operating revenue	13,811	-	13,811
Total non-operating revenues, net	<u>807,229</u>	<u>-</u>	<u>807,229</u>
Changes in net position	<u>541,853</u>	<u>27,079</u>	<u>568,932</u>
Net position, beginning of year, as restated	<u>5,375,354</u>	<u>5,035,694</u>	<u>10,411,048</u>
Net position, end of year	<u>\$ 5,917,207</u>	<u>5,062,773</u>	<u>10,979,980</u>

Westborough Water District
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2022

	<u>Enterprise Funds</u>		<u>As Restated</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues:			
Water consumption sales	\$ 3,620,708	-	3,620,708
Wastewater service	-	3,099,878	3,099,878
Other charges and services	12,960	-	12,960
Total operating revenues	<u>3,633,668</u>	<u>3,099,878</u>	<u>6,733,546</u>
Operating expenses:			
Salaries and benefits	425,711	-	425,711
Employee benefits	118,804	-	118,804
Payroll taxes	28,653	-	28,653
Water purchases	1,536,804	-	1,536,804
Utilities	143,292	99,978	243,270
System maintenance	232,843	52,740	285,583
Supplies and small tools	11,862	-	11,862
Special services	49,868	-	49,868
Technical communications	8,020	-	8,020
Vehicles	45,387	-	45,387
Treatment and disposal	-	2,469,527	2,469,527
General and administrative	1,015,960	7,715	1,023,675
Total operating expenses	<u>3,617,204</u>	<u>2,629,960</u>	<u>6,247,164</u>
Operating income before depreciation	16,464	469,918	486,382
Depreciation	(219,672)	(94,379)	(314,051)
Operating (loss) income	<u>(203,208)</u>	<u>375,539</u>	<u>172,331</u>
Non-operating revenue:			
Property taxes	624,157	-	624,157
OPEB income – GASB 75	28,679	-	28,679
Pension income – GASB 68	116,069	-	116,069
Investment earnings, net of fair value	(32,848)	-	(32,848)
Interest on rental income	8,837	-	8,837
Rental revenue	33,407	-	33,407
Loss on disposal of capital assets	1,931	-	1,931
Other non-operating revenue	50,052	-	50,052
Total non-operating revenues, net	<u>830,284</u>	<u>-</u>	<u>830,284</u>
Changes in net position	<u>627,076</u>	<u>375,539</u>	<u>1,002,615</u>
Net position, beginning of year	4,725,713	4,660,155	9,385,868
Prior period adjustment	22,565	-	22,565
Net position, beginning of year, as restated	<u>4,748,278</u>	<u>4,660,155</u>	<u>9,408,433</u>
Net position, end of year, as restated	<u>\$ 5,375,354</u>	<u>5,035,694</u>	<u>10,411,048</u>

**Westborough Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2023**

	Adopted Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Operating revenues:				
Water consumption sales	\$ 4,058,845	4,058,845	4,011,005	(47,840)
Wastewater service	3,200,831	3,200,831	3,236,621	35,790
Other charges and services	-	-	23,995	23,995
Total operating revenues	<u>7,259,676</u>	<u>7,259,676</u>	<u>7,271,621</u>	<u>11,945</u>
Operating expenses:				
Salaries and benefits	476,491	476,491	414,446	62,045
Employee benefits	67,874	67,874	216,604	(148,730)
Payroll taxes	32,220	32,220	31,258	962
Water purchases	1,800,586	1,800,586	1,734,787	65,799
Utilities	239,921	239,921	273,546	(33,625)
System maintenance	80,148	80,148	104,203	(24,055)
Supplies and small tools	15,000	15,000	13,047	1,953
Special services	74,526	74,526	68,394	6,132
Technical communications	9,052	9,052	9,620	(568)
Vehicles	30,400	30,400	48,944	(18,544)
Treatment and disposal	2,648,143	2,648,143	2,971,786	(323,643)
General and administrative	1,213,815	1,213,815	1,288,153	(74,338)
Total operating expenses	<u>6,688,176</u>	<u>6,688,176</u>	<u>7,174,788</u>	<u>(486,612)</u>
Operating income before depreciation and amortization	571,500	571,500	96,833	(474,667)
Depreciation	(365,000)	(365,000)	(335,130)	29,870
Operating income (loss)	<u>206,500</u>	<u>206,500</u>	<u>(238,297)</u>	<u>(444,797)</u>
Non-operating revenues, net:				
Property taxes	613,231	613,231	652,922	39,691
Interest and investment unrealized loss	12,052	12,052	47,728	35,676
Interest on rental income	-	-	8,074	8,074
Rental revenue	36,000	36,000	33,408	(2,592)
Insurance recovery	-	-	51,286	51,286
Other non-operating revenue	-	-	13,811	13,811
Total non-operating revenues, net	<u>661,283</u>	<u>661,283</u>	<u>807,229</u>	<u>145,946</u>
Changes in net position	<u>\$ 867,783</u>	<u>867,783</u>	568,932	<u>(298,851)</u>
Net position, beginning of year			<u>10,411,048</u>	
Net position, end of year			<u>\$ 10,979,980</u>	

**Westborough Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2022**

	<u>Adopted Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:				
Water consumption sales	\$ 3,965,217	3,965,217	3,620,708	(344,509)
Wastewater service	2,838,845	2,838,845	3,099,878	261,033
Other charges and services	-	-	12,960	12,960
Total operating revenues	<u>6,804,062</u>	<u>6,804,062</u>	<u>6,733,546</u>	<u>(70,516)</u>
Operating expenses:				
Salaries and benefits	376,042	376,042	425,711	(49,669)
Employee benefits	122,335	122,335	118,804	3,531
Payroll taxes	29,343	29,343	28,653	690
Water purchases	1,812,760	1,812,760	1,536,804	275,956
Utilities	212,150	212,150	243,270	(31,120)
System maintenance	78,650	78,650	285,583	(206,933)
Supplies and small tools	11,000	11,000	11,862	(862)
Special services	62,130	62,130	49,868	12,262
Technical communications	6,800	6,800	8,020	(1,220)
Vehicles	15,000	15,000	45,387	(30,387)
Treatment and disposal	2,267,874	2,267,874	2,469,527	(201,653)
General and administrative	1,101,461	1,101,461	1,023,675	77,786
Total operating expenses	<u>6,095,545</u>	<u>6,095,545</u>	<u>6,247,164</u>	<u>(151,619)</u>
Operating income before depreciation and amortization				
	708,517	708,517	486,382	(222,135)
Depreciation	<u>(363,004)</u>	<u>(363,004)</u>	<u>(314,051)</u>	<u>48,953</u>
Operating income	<u>345,513</u>	<u>345,513</u>	<u>172,331</u>	<u>(173,182)</u>
Non-operating revenues, net:				
Property taxes	530,000	530,000	624,157	94,157
OPEB income – GASB 75	-	-	28,679	(28,679)
Pension income – GASB 68	-	-	116,069	(116,069)
Interest and investment unrealized loss	14,956	14,956	(32,848)	(47,804)
Interest on rental income	-	-	8,837	8,837
Rental revenue	-	-	33,407	33,407
Loss on disposal of capital assets	-	-	1,931	1,931
Other non-operating revenue	36,000	36,000	50,052	14,052
Total non-operating revenues, net	<u>580,956</u>	<u>580,956</u>	<u>830,284</u>	<u>(40,168)</u>
Changes in net position	<u>\$ 926,469</u>	<u>926,469</u>	<u>1,002,615</u>	<u>(213,350)</u>
Net position, beginning of year, as restated			<u>9,408,433</u>	
Net position, end of year			<u>\$ 10,411,048</u>	

**Westborough Water District
Schedule of Capacity Charges
For the Year Ended June 30, 2023**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning balance as of July 1, 2022	\$ 313,837	140,635	454,472
Capacity fees received for the fiscal year ended June 30, 2023			
Storage and transmission fees	<u>-</u>	<u>-</u>	<u>-</u>
Total capacity charges	<u>\$ 313,837</u>	<u>140,635</u>	<u>454,472</u>

Public improvement expenditures for the fiscal year ended June 30, 2023 are as follows:

	<u>Project expenditures</u>			<u>Percentage complete</u>	<u>Project expenditures funded with the above fees</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>		<u>Amount</u>	<u>Percentage</u>
Public improvement projects						
Athy Drive / Skyline Village improvements	\$ 4,079	-	4,079	95%	4,079	100%
Skyline tanks structural analysis, coating, and inspection	<u>20,877</u>	<u>-</u>	<u>20,877</u>	38%	20,877	100%
Total expenditures	<u>24,956</u>	<u>-</u>	<u>24,956</u>			
Excess fees over expenditures	<u>288,881</u>	<u>140,635</u>	<u>429,516</u>			
Less: excess	288,881	-	288,881			
Ending balance as of June 30, 2023	<u>\$ -</u>	<u>140,635</u>	<u>140,635</u>			

**Westborough Water District
Schedule of Capacity Charges
For the Year Ended June 30, 2022**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning balance as of July 1, 2021	\$ 307,922	140,635	448,557
Capacity fees received for the fiscal year ended June 30, 2022			
Storage and transmission fees	<u>5,915</u>	<u>-</u>	<u>5,915</u>
Total capacity charges	<u>\$ 313,837</u>	<u>140,635</u>	<u>454,472</u>

Public improvement expenditures for the fiscal year ended June 30, 2022, are as follows:

	<u>Project expenditures</u>			<u>Percentage complete</u>	<u>Project expenditures funded with the above fees</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>		<u>Amount</u>	<u>Percentage</u>
Public improvement projects						
Athy Drive / Skyline Village improvements	\$ 17,686	-	17,686	95%	17,686	100%
Skyline tanks structural analysis, coating, and inspection	474,200	-	474,200	36%	474,200	100%
Westborough sanitary lift station	-	340	340	100%	340	100%
Westborough manhole rehabilitation	<u>-</u>	<u>15,840</u>	<u>15,840</u>	100%	15,840	100%
Total expenditures	<u>491,886</u>	<u>16,180</u>	<u>508,066</u>			
Excess fees over expenditures	<u>(178,049)</u>	<u>124,455</u>	<u>(53,594)</u>			
Less: deficiency	<u>(178,049)</u>	<u>-</u>	<u>(178,049)</u>			
Ending balance as of June 30, 2022	<u>\$ -</u>	<u>124,455</u>	<u>124,455</u>			

Report on Internal Controls and Compliance



C.J. Brown & Company CPAs

An Accountancy Corporation

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Westborough Water District
South San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Westborough Water District (District), as of and for the years June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated March 14, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
and on Compliance and Other Matters Based on Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
March 14, 2024