

Westborough Water District Annual Financial Report

**For the Fiscal Years Ended
June 30, 2021 and 2020**



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, 2021

Name	Title	Elected/ Appointed	Current Term
Tom Chambers	President	Elected	11/2017-11/2022
Perry H. Bautista	Vice President	Elected	11/2017-11/2022
Janet G. Medina	Director	Elected	11/2015-11/2020
Karema Al-Arabi	Director	Elected	06/2017-11/2020
Vacant	Director	-	-

**Darryl A. Barrow, 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, 2021 and 2020

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Introductory Section

January 13, 2022

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, 2021 and 2020, 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, elected at-large from within the District's service area. 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 2021.

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. The Governor's EO remained in effect for the entirety of fiscal year 2021.

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, 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 to provide the highest level of services 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/February each year.

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 Washers 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 Fedak & Brown, LLP 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 & 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 also 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,



Darryl A. Barrow
General Manager



Patricia Mairena
Assistant General Manager

Financial Section



Charles Z. Fedak, CPA, MBA
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Independent Auditor's Report

Board of Directors
Westborough Water District
South San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Westborough Water District (District) for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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 2021 and 2020, 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.

Other Matters

Required Supplementary Information

Independent Auditor's Report, continued

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 11, and the Required Supplementary Information on pages 45 through 48 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 49 through 56, 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 January 13, 2022, 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 57 and 58.

Fedak & Brown LLP

Fedak & Brown, LLP

Cypress, California

January 13, 2022

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2021 and 2020

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, 2021 and 2020. 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 2021, the District's net position decreased 2.53% or \$244,611 to \$9,429,350 as a result of ongoing operations. In fiscal year 2020, the District's net position increased 3.60% or \$335,745 to \$9,673,961 as a result of ongoing operations.
- Total revenues decreased 6.50% or \$456,945 to \$6,574,790. In fiscal year 2020, the District's total revenues increased 9.03% or \$582,409 to \$7,031,735.
- Operating revenues decreased 1.88% or \$114,090 to \$5,943,433. In fiscal year 2020, the District's operating revenues increased 4.93% or \$284,829 to \$6,057,523.
- Non-operating revenues decreased 35.19% or \$342,855 to \$631,357. In fiscal year 2020, the District's non-operating revenues increased 43.98% or \$297,580 to \$974,212.
- Total expenses increased 1.84% or \$123,411 to \$6,819,401. In fiscal year 2020, the District's total expenses increased 9.22% or \$565,528 to \$6,695,990.
- Operating expenses increased 1.20% or \$76,689 to \$6,475,421. In fiscal year 2020, the District's operating expenses increased 9.33% or \$546,105 to \$6,398,732.
- The District's non-operating expenses were \$5,744. In fiscal year 2020, the District had no non-operating expenses.

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, 2021 and 2020

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 17 through 44.

Statement of Net Position

		Condensed Statements of Net Position				
		<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Assets:						
Current assets	\$	4,559,484	5,562,874	(1,003,390)	5,296,865	266,009
Capital assets, net		<u>7,631,317</u>	<u>6,904,681</u>	<u>726,636</u>	<u>6,602,283</u>	<u>302,398</u>
Total assets		<u>12,190,801</u>	<u>12,467,555</u>	<u>(276,754)</u>	<u>11,899,148</u>	<u>568,407</u>
Deferred outflows of resources		<u>347,719</u>	<u>347,741</u>	<u>(22)</u>	<u>213,990</u>	<u>133,751</u>
Liabilities:						
Current liabilities		1,752,035	1,837,685	(85,650)	1,637,843	199,842
Non-current liabilities		<u>1,165,692</u>	<u>1,093,824</u>	<u>71,868</u>	<u>1,095,748</u>	<u>(1,924)</u>
Total liabilities		<u>2,917,727</u>	<u>2,931,509</u>	<u>(13,782)</u>	<u>2,733,591</u>	<u>197,918</u>
Deferred inflows of resources		<u>191,443</u>	<u>209,826</u>	<u>(18,383)</u>	<u>41,331</u>	<u>168,495</u>
Net position:						
Net investment in capital assets		7,631,317	6,904,681	726,636	6,602,283	302,398
Restricted for capital projects		138,843	116,450	22,393	56,486	59,964
Unrestricted		<u>1,659,190</u>	<u>2,652,830</u>	<u>(993,640)</u>	<u>2,679,447</u>	<u>(26,617)</u>
Total net position	\$	<u>9,429,350</u>	<u>9,673,961</u>	<u>(244,611)</u>	<u>9,338,216</u>	<u>335,745</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 \$9,429,350 and \$9,673,961, as of June 30, 2021 and 2020, respectively.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2021 and 2020

Statement of Net Position, (continued)

By far the largest portion of the District's net position (81% and 71% as of June 30, 2021 and 2020, 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, 2021 and 2020. 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 2021 and 2020, the District showed a positive balance in its unrestricted net position of \$1,659,190 and \$2,652,830, respectively. See note 9 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>2021</u>	<u>2020</u>	<u>Change</u>	<u>2019</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 5,943,433	6,057,523	(114,090)	5,772,694	284,829
Non-operating revenues	631,357	974,212	(342,855)	676,632	297,580
Total revenues	<u>6,574,790</u>	<u>7,031,735</u>	<u>(456,945)</u>	<u>6,449,326</u>	<u>582,409</u>
Expenses:					
Operating expenses	6,475,421	6,398,732	76,689	5,852,627	546,105
Non-operating expenses	5,744	-	5,744	-	-
Depreciation	338,236	297,258	40,978	277,835	19,423
Total expenses	<u>6,819,401</u>	<u>6,695,990</u>	<u>123,411</u>	<u>6,130,462</u>	<u>565,528</u>
Changes in net position	(244,611)	335,745	(580,356)	318,864	16,881
Net position, beginning of year	<u>9,673,961</u>	<u>9,338,216</u>	<u>335,745</u>	<u>9,019,352</u>	<u>318,864</u>
Net position, end of year	<u>\$ 9,429,350</u>	<u>9,673,961</u>	<u>(244,611)</u>	<u>9,338,216</u>	<u>335,745</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 decreased 2.53% or \$244,611 to \$9,429,350, as a result of ongoing operations. In fiscal year 2020, the District's net position increased 3.60% or \$335,745 to \$9,673,961, as a result of ongoing operations.

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

Total revenues decreased 6.50% or \$456,945 to \$6,574,790. Operating revenues decreased 1.88% or \$114,090 to \$5,943,433, due to decreases of \$94,605 in water consumption sales, \$5,662 in wastewater service, and \$13,823 in other charges and services. Non-operating revenues decreased 35.19% or \$342,855 to \$631,357, due to decreases of \$270,442 in other non-operating revenue and \$97,688 in interest and investment earnings, which were offset by an increase of \$25,275 in property taxes as compared to the prior year.

In fiscal year 2020, total revenues increased 9.03% or \$582,409 to \$7,031,735. Operating revenues increased 4.93% or \$284,829 to \$6,057,523, due to increases of \$248,374 in water consumption sales and \$74,369 in wastewater service, which were offset by a decrease of \$37,914 in other charges and services. Non-operating revenues increased 43.98% or \$297,580 to \$974,212, due to increases of \$286,815 in other non-operating revenue and \$20,551 in property taxes, which were offset by a decrease of \$9,786 in interest and investment earnings as compared to the prior year.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2021 and 2020

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

Total expenses increased 1.84% or \$123,411 to \$6,819,401. Operating expenses increased 1.20% or \$76,689 to \$6,475,421, primarily due to increases of \$163,603 in general and administrative expenses, \$65,829 in treatment and disposal, \$45,571 in salaries and benefits, and \$27,850 in employee benefits; which were offset by decreases of \$198,497 in water purchases, \$12,784 in utilities, \$7,948 in vehicles, and \$6,885 in system maintenance. Non-operating expenses increased \$5,744, primarily due to \$4,871 in loss on disposal of capital assets as compared to the prior year.

In fiscal year 2020, total expenses increased 9.22% or \$565,528 to \$6,695,990. Operating expenses increased 9.33% or \$546,105 to \$6,398,732, primarily due to increases of \$218,369 in general and administrative expenses, \$159,048 in water purchases, \$61,930 in salaries and benefits, \$55,896 in treatment and disposal, and \$46,412 in utility expenses as compared to the prior year.

Capital Asset Administration

Changes in capital asset amounts for 2021 were as follows:

	<u>Balance 2020</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2021</u>
Capital assets:				
Non-depreciable assets	\$ 306,624	845,134	(116,252)	1,035,506
Depreciable assets	13,102,017	455,193	(718,504)	12,838,706
Accumulated depreciation	<u>(6,503,960)</u>	<u>(442,017)</u>	<u>703,082</u>	<u>(6,242,895)</u>
Total capital assets, net	<u>\$ 6,904,681</u>	<u>858,310</u>	<u>(131,674)</u>	<u>7,631,317</u>

Changes in capital asset amounts for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2020</u>
Capital assets:				
Non-depreciable assets	\$ 201,619	328,900	(223,895)	306,624
Depreciable assets	12,607,366	494,651	-	13,102,017
Accumulated depreciation	<u>(6,206,702)</u>	<u>(297,258)</u>	<u>-</u>	<u>(6,503,960)</u>
Total capital assets, net	<u>\$ 6,602,283</u>	<u>526,293</u>	<u>(223,895)</u>	<u>6,904,681</u>

At the end of fiscal year 2021 and 2020, the District's investment in capital assets net of accumulated depreciation amounted to \$7,631,317 and \$6,904,681, respectively. These investments in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, and vehicles, etc. See note 5 to the basic financial statements for further information.

Conditions Affecting Current Financial Position

The COVID-19 pandemic in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on the District and the duration cannot be estimated at this time.

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.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2021 and 2020

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 Darryl A. Barrow, 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, 2021 and 2020

	2021	2020
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,612,781	4,564,927
Cash and cash equivalents – restricted (note 2)	138,357	116,209
Accrued interest receivable	2,500	14,303
Accrued interest receivable – restricted	486	364
Accounts receivable – water sales and services, net (note 3)	572,390	607,938
Accounts receivable – other	10,200	-
Property tax receivable	4,922	12,711
Materials and supplies inventory	210,545	238,859
Prepaid expenses and other deposits	7,303	7,563
Total current assets	4,559,484	5,562,874
Non-current assets:		
Capital assets – not being depreciated (note 5)	1,035,506	306,624
Capital assets – being depreciated, net (note 5)	6,595,811	6,598,057
Total non-current assets	7,631,317	6,904,681
Total assets	12,190,801	12,467,555
Deferred outflows of resources:		
Deferred other post-employment benefit outflows (note 7)	93,166	115,775
Deferred pension outflows (note 8)	254,553	231,966
Total deferred outflows of resources	\$ 347,719	347,741

Continued on next page

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Net Position, (continued)
June 30, 2021 and 2020

	2021	2020
Current liabilities:		
Accounts payable and accrued expenses	\$ 200,173	305,332
Accrued sewer service charge	1,167,541	1,150,801
Deposits	356,172	344,519
Unearned revenue	11,443	18,529
Long-term liabilities – due within one year:		
Compensated absences (note 6)	16,706	18,504
Total current liabilities	1,752,035	1,837,685
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	50,119	55,511
Net other post-employment benefit liability (note 7)	310,131	321,161
Net pension liability (note 8)	805,442	717,152
Total non-current liabilities	1,165,692	1,093,824
Total liabilities	2,917,727	2,931,509
Deferred inflows of resources:		
Deferred other post-employment benefit inflows (note 7)	125,990	146,989
Deferred pension inflows (note 8)	65,453	62,837
Total deferred inflows of resources	191,443	209,826
Net position:		
Net investment in capital assets	7,631,317	6,904,681
Restricted	138,843	116,450
Unrestricted (note 9)	1,659,190	2,652,830
Total net position	\$ 9,429,350	9,673,961

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, 2021 and 2020

	2021	2020
Operating revenues:		
Water consumption sales	\$ 2,967,506	3,062,111
Wastewater service	2,971,700	2,977,362
Other charges and services	4,227	18,050
Total operating revenues	5,943,433	6,057,523
Operating expenses:		
Salaries and benefits	384,302	338,731
Employee benefits	135,971	108,121
Payroll taxes	27,663	26,336
Water purchases	1,719,047	1,917,544
Utilities	216,122	228,906
System maintenance	75,504	82,389
Supplies and small tools	14,504	11,376
Special services	55,257	59,597
Technical communications	6,589	6,754
Vehicles	15,503	23,451
Treatment and disposal	2,372,264	2,306,435
General and administrative	1,452,695	1,289,092
Total operating expenses	6,475,421	6,398,732
Operating loss before depreciation	(531,988)	(341,209)
Depreciation	(338,236)	(297,258)
Operating loss	(870,224)	(638,467)
Non-operating revenues, net:		
Property taxes	556,454	531,179
Interest and investment unrealized loss	(873)	97,688
Loss on disposal of capital assets	(4,871)	-
Other non-operating revenue	74,903	345,345
Total non-operating revenues, net	625,613	974,212
Changes in net position	(244,611)	335,745
Net position, beginning of year	9,673,961	9,338,216
Net position, end of year	\$ 9,429,350	9,673,961

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 5,968,781	5,985,129
Cash paid to vendors and suppliers for materials and services	(5,376,151)	(5,166,769)
Cash paid to employees for salaries and wages	<u>(1,020,147)</u>	<u>(848,497)</u>
Net cash used in operating activities	<u>(427,517)</u>	<u>(30,137)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	<u>556,454</u>	<u>531,179</u>
Net cash provided by non-capital financing activities	<u>556,454</u>	<u>531,179</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	<u>(1,069,743)</u>	<u>(599,656)</u>
Net cash used in capital and related financing activities	<u>(1,069,743)</u>	<u>(599,656)</u>
Cash flows from investing activities:		
Interest and investment earnings	<u>10,808</u>	<u>108,116</u>
Net cash provided by investing activities	<u>10,808</u>	<u>108,116</u>
Net (decrease)increase in cash and cash equivalents	(929,998)	9,502
Cash and cash equivalents, beginning of year	<u>4,681,136</u>	<u>4,671,634</u>
Cash and cash equivalents, end of year	<u>\$ 3,751,138</u>	<u>4,681,136</u>
Reconciliation of cash and cash equivalents to statements of net position:		
Cash and cash equivalents	\$ 3,612,781	4,564,927
Cash and cash equivalents – restricted	<u>138,357</u>	<u>116,209</u>
Total cash and cash equivalents	<u>\$ 3,751,138</u>	<u>4,681,136</u>

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See accompanying notes to the basic financial statements

Westborough Water District
Statements of Cash Flows, (continued)
For the Fiscals Year Ended June 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (870,224)	(638,467)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	338,236	297,258
Other non-operating, net	74,903	345,345
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	35,548	(72,394)
Accounts receivable – other	(10,200)	-
Property tax receivable	7,789	(8,242)
Materials and supplies inventory	28,314	(184,489)
Prepaid expenses and other deposits	260	(1,810)
Deferred other post-employment benefit outflows	22,609	(113,599)
Deferred pension outflows	(22,587)	(20,152)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable and accrued expenses	(88,419)	185,208
Deposits	11,653	5,620
Unearned revenue	(7,086)	3,031
Compensated absences	(7,190)	23,931
Net other post-employment benefit liability	(11,030)	(102,196)
Net pension liability	88,290	82,324
Deferred other post-employment benefit inflows	(20,999)	146,989
Deferred pension inflows	2,616	21,506
Total adjustments	442,707	608,330
Net cash used in operating activities	\$ (427,517)	(30,137)
Non-cash investing, capital, and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ (1,481)	20,435

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, 2021 and 2020

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. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

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

Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

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.

Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact on District and the duration cannot be estimated at this time.

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.

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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

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

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

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.

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

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

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 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 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.
- 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 and sick leave, up to a maximum of 120 days. Sick leave is not paid for those circumstances where an employee has not completed the probationary period or are separated from the District upon termination.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

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

Compensated Absences, continued

As of June 30, 2021, 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, 2019
- Measurement dates: June 30, 2020 and 2019
- Measurement periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

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.

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, 2019 and June 30, 2018
- Measurement dates: June 30, 2020 and June 30, 2019
- Measurement periods: July 1, 2019 to June 30, 2020 and July 1, 2018 to June 30, 2019

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

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

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 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 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.
- *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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

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

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.

Note 2 – Cash and Investments

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

	2021	2020
Cash and cash equivalents	\$ 3,612,781	4,564,927
Cash and cash equivalents – restricted	138,357	116,209
Total cash and cash equivalents	\$ 3,751,138	4,681,136

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

	2021	2020
Cash on hand	\$ 600	600
Deposits with financial institutions	540,675	352,938
Deposits held with California Local Agency Investment Fund (LAIF)	3,209,863	4,327,598
Total cash and investments	\$ 3,751,138	4,681,136

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

	2021	2020
Deposits held with California Local Agency Investment Fund (LAIF)	291 days	191 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).

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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 2 – Cash and Investments, continued

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.

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

The balance at June 30 consists of the following:

	2021	2020
Accounts receivable – water sales and services	\$ 572,737	608,938
Allowance for uncollectible accounts	(347)	(1,000)
Accounts receivable – water sales, net	\$ 572,390	607,938

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 4 – Internal Balances – Due To/From Funds

Internal balances at June 30 consists of the following:

Purpose	Receivable Fund	Payable Fund	Amount
Advance	Sewer	Water	\$ <u>290,691</u>

During fiscal year 2021, 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. There were no internal balances reported as of June 30, 2020.

Please see the Combining Schedule of Net Position on pages 49 and 50.

Note 5 – Capital Assets

Changes in capital assets for 2021 were as follows:

	Balance 2020	Additions/ Transfers	Deletions/ Transfers	Balance 2021
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Construction in progress	123,992	845,134	(116,252)	852,874
Total non-depreciable assets	306,624	845,134	(116,252)	1,035,506
Depreciable assets:				
Buildings	1,520,251	11,495	(39,049)	1,492,697
Water facilities	6,737,791	7,070	(72,713)	6,672,148
Sewer facilities	3,409,679	25,597	(86,764)	3,348,512
Joint use facilities	133,942	-	(39,035)	94,907
Maintenance facilities	428,291	145,489	(95,156)	478,624
Water meters	609,929	245,528	(260,167)	595,290
Furniture and equipment	262,134	20,014	(125,620)	156,528
Total depreciable assets	13,102,017	455,193	(718,504)	12,838,706
Accumulated depreciation:				
Buildings	(647,075)	(41,208)	39,049	(649,234)
Water facilities	(3,032,946)	(129,932)	72,713	(3,090,165)
Sewer facilities	(1,630,007)	(96,323)	86,764	(1,639,566)
Joint use facilities	(117,049)	(1,284)	39,035	(79,298)
Maintenance facilities	(384,871)	(127,438)	79,734	(432,575)
Water meters	(502,025)	(23,289)	260,167	(265,147)
Furniture and equipment	(189,987)	(22,543)	125,620	(86,910)
Total accumulated depreciation	(6,503,960)	(442,017)	703,082	(6,242,895)
Total depreciable assets, net	6,598,057	13,176	(15,422)	6,595,811
Total capital assets, net	\$ 6,904,681	858,310	(131,674)	7,631,317

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 5 – Capital Assets, (continued)

Major changes to capital assets consisted primarily of additions of \$845,134 in construction in progress, \$245,528 in additions to water meters, \$41,708 in upgrades to maintenance facilities, \$103,781 in assets added back which were incorrectly disposed to depreciable assets and accumulated depreciation for maintenance facilities, \$25,597 in upgrades to sewer facilities, and \$20,014 in upgrades to furniture and equipment. Major deletions occurred across all categories in the amount \$718,504, primarily for the purpose of removing impaired assets from the District’s books. The District transferred \$116,252 from construction in progress to depreciable assets.

Changes in capital assets for 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Construction in progress	<u>18,987</u>	<u>328,900</u>	<u>(223,895)</u>	<u>123,992</u>
Total non-depreciable assets	<u>201,619</u>	<u>328,900</u>	<u>(223,895)</u>	<u>306,624</u>
Depreciable assets:				
Buildings	1,516,825	3,426	-	1,520,251
Water facilities	6,428,880	308,911	-	6,737,791
Sewer facilities	3,308,274	101,405	-	3,409,679
Joint use facilities	133,942	-	-	133,942
Maintenance facilities	420,387	7,904	-	428,291
Water meters	598,129	11,800	-	609,929
Furniture and equipment	<u>200,929</u>	<u>61,205</u>	<u>-</u>	<u>262,134</u>
Total depreciable assets	<u>12,607,366</u>	<u>494,651</u>	<u>-</u>	<u>13,102,017</u>
Accumulated depreciation:				
Buildings	(605,518)	(41,557)	-	(647,075)
Water facilities	(2,908,705)	(124,241)	-	(3,032,946)
Sewer facilities	(1,534,395)	(95,612)	-	(1,630,007)
Joint use facilities	(115,597)	(1,452)	-	(117,049)
Maintenance facilities	(367,564)	(17,307)	-	(384,871)
Water meters	(491,508)	(10,517)	-	(502,025)
Furniture and equipment	<u>(183,415)</u>	<u>(6,572)</u>	<u>-</u>	<u>(189,987)</u>
Total accumulated depreciation	<u>(6,206,702)</u>	<u>(297,258)</u>	<u>-</u>	<u>(6,503,960)</u>
Total depreciable assets, net	<u>6,400,664</u>	<u>197,393</u>	<u>-</u>	<u>6,598,057</u>
Total capital assets, net	<u>\$ 6,602,283</u>	<u>526,293</u>	<u>(223,895)</u>	<u>6,904,681</u>

Major changes to capital assets consisted primarily of additions of \$328,900 in construction in progress, \$308,911 in upgrades to water facilities, \$101,405 in upgrades to sewer facilities, \$11,800 in additions to water meters, and \$61,205 in upgrades to furniture and equipment. Major deletions included \$223,895 in transfers from construction in progress to depreciable assets.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 6 – 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, 2021 was as follows:

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	74,015	77,206	(84,396)	66,825	16,706	50,119

The change to compensated absences balances at June 30, 2020 was as follows:

	<u>Balance 2020</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2021</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	50,084	83,478	(59,547)	74,015	18,504	55,511

Note 7 – 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>2021</u>	<u>2020</u>
Active plan members	6	6
Total Plan membership	<u>6</u>	<u>6</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7 – 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:

	2021	2020
Contributions – employer	\$ 41,088	53,336

As of June 30 2021 and 2020, employer OPEB contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$41,088 and \$53,336 will be/were recognized as a reduction of the net OPEB liability for the fiscal years ended June 30, 2022 and 2021, respectively.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019. 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:

Inflation	2021 and 2020 – 2.75 percent
Salary increases	2021 and 2020 – 3.00 percent, average, including inflation
Discount rate	2021 and 2020 – 6.75 percent
Healthcare cost trend rates	Non-Medicare – 7.25 percent for 2021, decreasing to an ultimate rate of 4.00 percent in 2076 Medicare – 6.30 percent for 2021, decreasing to an ultimate rate of 4.00 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 60 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, 2021 and 2020

Note 7 – Other Post-Employment Benefits (OPEB) Plan, (continued)

Actuarial Assumptions, continued

The actuarial assumptions used in the June 30, 2019, valuation 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, 2021 and 2020, 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 - 2.75%

** Expected long-term net rate of return, rounded - 6.75%

Discount Rate

As of June 30, 2021 and 2020, the discount rate used to measure the net OPEB liability was 6.75%. 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, 2021 and 2020

Note 7 – Other Post-Employment Benefits (OPEB) Plan, (continued)

Changes in the Net OPEB Liability

Changes in the net OPEB liability as of June 30, 2021 (measured at June 30, 2020) were as follows:

	June 30, 2021			June 30, 2020
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Net OPEB Liability
Balance at beginning of year	\$ 777,158	455,997	321,161	423,357
Changes for the year:				
Service cost	18,969	-	18,969	17,393
Interest	53,738	-	53,738	57,894
Difference between expected and actual experience	-	-	-	(167,988)
Change in assumptions	(14,635)	-	(14,635)	65,593
Employer contributions	-	53,336	(53,336)	(51,657)
Net investment income	-	15,990	(15,990)	(23,513)
Administrative expenses	-	(224)	224	82
Net change	58,072	69,102	(11,030)	(102,196)
Balance at end of year	\$ 835,230	525,099	310,131	321,161

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, 2021, the discount rate comparison are the following:

	Discount Rate - 1%	Current Discount Rate 6.75%	Discount Rate + 1%
Net OPEB liability \$	413,765	310,131	223,142

At June 30, 2020, the discount rate comparison are the following:

	Discount Rate - 1%	Current Discount Rate 6.75%	Discount Rate + 1%
Net OPEB liability \$	422,911	321,161	235,772

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7 – 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, 2021, the healthcare cost trend rate comparison was the following:

		Healthcare Cost Trend Rates		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>	
Net OPEB liability	\$ 234,742	310,131	385,792	

At June 30, 2020, the healthcare cost trend rate comparison was the following:

		Healthcare Cost Trend Rates		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>	
Net OPEB liability	\$ 251,336	321,161	390,992	

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

For the fiscal years ended June 30, 2021 and 2020, the District recognized OPEB expense of \$31,668 and \$15,470, respectively.

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

Description	<u>June 30, 2021</u>		<u>June 30, 2020</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to measurement date	\$ 41,088	-	53,336	
Changes in assumptions	36,389	-	57,394	-
Differences between expected and actual experience	-	(125,990)	-	(146,989)
Net differences between expected and actual return on investments	15,689	-	5,045	-
Total	\$ <u>93,166</u>	<u>(125,990)</u>	<u>115,775</u>	<u>(146,989)</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 7 – 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
2022	\$ (14,629)
2023	(14,629)
2024	(14,629)
2025	(14,629)
2026	(14,629)
Thereafter	(16,456)

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 45 and 46 for the Required Supplementary Information.

Note 8 – 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, 2021 and 2020

Note 8 – 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, 2021 and 2020, 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%
2021:		
Required employee contribution rates	6.908%	6.750%
Required employer contribution rates	10.484%	7.732%
2020:		
Required employee contribution rates	6.906%	6.750%
Required employer contribution rates	9.680%	6.985%

As of the fiscal years ended June 30, 2021 and 2020, the District had one employee classified under Tier 2 (PEPRA).

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	
	2021	2020
District paid contributions:		
Employer	\$ 130,284	110,038
Employee (paid by employer)	6,273	6,779
Total District paid contributions	\$ 136,557	116,817

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 – 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	
	2021	2020
Miscellaneous Plan	\$ 805,442	717,152

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, 2021 and 2020, the net pension liability of the Plan is measured as of June 30, 2020 and 2019 (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, 2019 and 2018 (valuation dates), rolled forward to June 30, 2020 and 2019, 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	
	2021	2020
Proportion – beginning of year	0.00700%	0.00659%
Proportion – end of year	0.00740%	0.00700%
Change – Increase (Decrease)	0.00040%	0.00041%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2021 and 2020, the District recognized pension expense of \$198,603 and \$193,716, respectively.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 – 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, 2021</u>		<u>June 30, 2020</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	\$ 130,284	-	110,038	-
Differences between actual and expected experience	41,507	-	45,951	-
Change in assumptions	-	(5,745)	22,075	-
Net difference between projected and actual earnings on plan investments	23,927	-	-	(12,538)
Differences between actual contribution and proportionate share of contribution	-	(59,708)	-	(50,299)
Net adjustment due to differences in proportions of net pension liability	58,835	-	53,902	-
Total	<u>\$ 254,553</u>	<u>(65,453)</u>	<u>231,966</u>	<u>(62,837)</u>

As of June 30 2021 and 2020, the District reported \$130,284 and \$110,038, 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, 2021, will be recognized as a reduction of the net pension liability for the year ended June 30, 2022. Pension contributions subsequent to the measurement date for the year ended June 30, 2020, were recognized as a reduction of the net pension liability for the year ended June 30, 2021.

At June 30, 2021, 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>
2022	\$ 10,636
2023	20,748
2024	16,168
2025	11,264

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 – Defined Benefit Pension Plan, (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018, actuarial valuation reports were determined using the following actuarial assumptions:

Valuation dates	June 30, 2019 and 2018
Measurement dates	June 30, 2020 and 2019
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.50 % Net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' membership data for all funds
Period upon which actuarial Experience Survey assumption were based	2020 and 2019 – 1997-2015
Post retirement benefit	2020 and 2019 – Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

* 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 7.15% 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, 2021 and 2020

Note 8 – 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, 2021 and 2020, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1–10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

* An expected inflation of 2.00% used for this period

** An expected inflation of 2.92% used for this period

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.

At June 30, 2021, the discount rate comparison was the following:

	<u>Discount Rate - 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate + 1%</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
District's net pension liability	\$ <u>1,377,498</u>	<u>805,442</u>	<u>332,771</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 8 – Defined Benefit Pension Plan, (continued)

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

At June 30, 2020, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Prior Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's net pension liability	\$ 1,231,416	717,152	292,663

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 47 and 48 for the Required Supplementary Information.

Payable to the Pension Plan

At June 30, 2021 and 2020, the District reported no payables for the outstanding amount of contribution to the pension plan.

Note 9 – Unrestricted Net Position

Unrestricted net position is comprised of the following:

Non-spendable net position is designated as follows:

	2021	2020
Materials and supplies inventory	\$ 210,545	238,859
Prepaid expenses	7,303	7,563
Total non-spendable net position	217,848	246,422

Spendable net position is designated as follows:

Unrestricted (reserved for operations)	1,441,342	2,406,408
Total spendable net position	1,441,342	2,406,408
Total unrestricted net position	\$ 1,659,190	2,652,830

Note 10 – 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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 10 – Risk Management, (continued)

At June 30, 2021, 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 \$100,000 per loss and has purchased re-insurance coverage up to a combined total of \$500 million per loss, subject to a \$2,500 deductible 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 \$3,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability deductible varies from \$10,000 to \$50,000 depending on District Revenue
- 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, 2021, 2020, and 2019. 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, 2021, 2020, and 2019.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021, that has effective dates that may impact future financial presentations.

The following pronouncement implementation dates have been delayed due to the COVID-19 pandemic.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

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.

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. 92

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

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.

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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 11 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

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.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2021 and 2020

Note 12 – 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 13 – Subsequent Events

Events occurring after June 30, 2021, have been evaluated for possible adjustment to the financial statements or disclosure as of January 13, 2022, 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.

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Required Supplementary Information

Westborough Water District
Schedules of Changes in the Net OPEB Liability and Related Ratios
As of June 30, 2021
Last Ten Years*

Fiscal year ending	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB liability				
Service cost	\$ 18,969	17,393	23,118	22,390
Interest	53,738	57,894	57,894	52,467
Differences in expected and actual experience	-	(167,988)	-	-
Changes in assumptions	(14,635)	65,593	-	-
Actuary valuation adjustment	-	(75,287)	-	-
Net change in total OPEB liability	58,072	(102,395)	81,012	74,857
Total OPEB liability – beginning	777,158	879,553	798,541	723,684
Total OPEB liability – ending	\$ 835,230	777,158	879,553	798,541
Plan fiduciary net position				
Contributions employer	\$ 53,336	51,657	51,657	50,031
Net investment income	15,990	23,513	23,695	24,637
Trustee fees	-	-	(137)	(116)
Administrative expense	(224)	(82)	(188)	(160)
Actuary valuation adjustment	-	(75,287)	-	-
Net change in plan fiduciary net position	69,102	(199)	75,027	74,392
Plan fiduciary net position – beginning	455,997	456,196	381,169	306,777
Plan fiduciary net position – ending	\$ 525,099	455,997	456,196	381,169
Net OPEB liability – ending	\$ 310,131	321,161	423,357	417,372
Covered payroll	\$ 736,560	758,050	758,050	478,714
Net OPEB liability as a percentage of covered payroll	42.11%	42.37%	55.85%	87.19%

Notes to Schedule

Valuation dates	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Methods and assumptions used to determine contribution rates:				
Single and agent employers	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value
Inflation	2.75%	2.75%	3.00%	3.00%
Salary increases	3.00%	3.00%	3.25%	3.25%
Investment rate of return	6.75%	6.75%	7.25%	7.25%
Mortality, retirement, disability				
Termination	(3)	(3)	(2)	(2)
Other information	(4)	(4)	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) Mortality projected fully generational with Scale MP-2019

*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, 2021
Last Ten Years***

Fiscal year ending	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 41,088	53,336	51,657	50,031
Contributions in relation to the actuarially determined contribution	<u>(41,088)</u>	<u>(53,336)</u>	<u>(51,657)</u>	<u>(50,031)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <u>805,157</u>	<u>758,050</u>	<u>758,050</u>	<u>478,714</u>
Contribution's as a percentage of covered payroll	<u>5.10%</u>	<u>7.04%</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, 2021
Last Ten Years*

<u>Measurement dates</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.00740%	0.00700%	0.00659%	0.00659%	0.00622%	0.00560%	0.00596%
District's proportionate share of the net pension liability	\$ 805,442	717,152	634,828	653,647	538,400	384,145	370,615
District's covered payroll	\$ 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	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	81.20%	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.

* 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, 2021
Last Ten Years*

Fiscal year ending	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 120,567	104,440	87,578	74,208	67,046	59,092	55,655
Contributions in relation to the actuarially determined contribution	(120,567)	(104,440)	(87,578)	(74,208)	(67,046)	(59,092)	(55,655)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
Covered payroll	\$ 698,689	666,767	646,536	616,165	585,652	564,574	546,648
Contributions as a percentage of covered payroll	17.26%	15.66%	13.55%	12.04%	11.45%	10.47%	10.18%

Notes to schedule:

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

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market value	Market value	Market value	Market value	Market value	Market value	15 year Smoothed Market Method
Inflation	2.500%	2.625%	2.750%	2.750%	2.750%	2.750%	2.750%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.000% (3)	7.250% (3)	7.375% (3)	7.500% (3)	7.500% (3)	7.500% (3)	7.500% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(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, 2021**

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Current assets:			
Cash and cash equivalents	\$ -	3,612,781	3,612,781
Cash and cash equivalents – restricted	-	138,357	138,357
Accrued interest receivable	-	2,500	2,500
Accrued interest receivable – restricted	-	486	486
Accounts receivable – water sales and services, net	498,455	73,935	572,390
Accounts receivable – other	10,200	-	10,200
Property tax receivable	4,922	-	4,922
Materials and supplies inventory	210,545	-	210,545
Due from water fund	-	290,691	290,691
Prepaid expenses and other deposits	7,303	-	7,303
Total current assets	731,425	4,118,750	4,850,175
Non-current assets:			
Capital assets – not being depreciated	1,035,506	-	1,035,506
Capital assets – being depreciated, net	4,886,865	1,708,946	6,595,811
Total non-current assets	5,922,371	1,708,946	7,631,317
Total assets	6,653,796	5,827,696	12,481,492
Deferred outflows of resources:			
Deferred OPEB outflows	93,166	-	93,166
Deferred pension outflows	254,553	-	254,553
Total deferred outflows of resources	347,719	-	347,719
Current liabilities:			
Accounts payable and accrued expenses	200,173	-	200,173
Accrued sewer service charge	-	1,167,541	1,167,541
Deposits	356,172	-	356,172
Unearned revenue	11,443	-	11,443
Due to sewer fund	290,691	-	290,691
Long-term liabilities – due within one year:			
Compensated absences	16,706	-	16,706
Total current liabilities	875,185	1,167,541	2,042,726
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	50,119	-	50,119
Net OPEB liability	310,131	-	310,131
Net pension liability	805,442	-	805,442
Total non-current liabilities	1,165,692	-	1,165,692
Total liabilities	2,040,877	1,167,541	3,208,418
Deferred inflows of resources:			
Deferred OPEB inflows	125,990	-	125,990
Deferred pension inflows	65,453	-	65,453
Total deferred inflows of resources	191,443	-	191,443
Net position:			
Net investment in capital assets	5,922,371	1,708,946	7,631,317
Restricted	-	138,357	138,357
Unrestricted	(1,153,176)	2,812,852	1,659,676
Total net position	\$ 4,769,195	4,660,155	9,429,350

Westborough Water District
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2020

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Current assets:			
Cash and cash equivalents	\$ 1,102,328	3,462,599	4,564,927
Cash and cash equivalents – restricted	76,979	39,230	116,209
Accrued interest receivable	3,454	10,849	14,303
Accrued interest receivable – restricted	241	123	364
Accounts receivable – water sales and services, net	486,511	121,427	607,938
Property tax receivable	12,711	-	12,711
Materials and supplies inventory	238,859	-	238,859
Prepaid expenses and other deposits	7,563	-	7,563
Total current assets	1,928,646	3,634,228	5,562,874
Non-current assets:			
Capital assets – not being depreciated	306,624	-	306,624
Capital assets – being depreciated, net	4,818,386	1,779,671	6,598,057
Total non-current assets	5,125,010	1,779,671	6,904,681
Total assets	7,053,656	5,413,899	12,467,555
Deferred outflows of resources:			
Deferred OPEB outflows	115,775	-	115,775
Deferred pension outflows	231,966	-	231,966
Total deferred outflows of resources	347,741	-	347,741
Current liabilities:			
Accounts payable and accrued expenses	305,332	-	305,332
Accrued sewer service charge	-	1,150,801	1,150,801
Deposits	344,519	-	344,519
Unearned revenue	18,529	-	18,529
Long-term liabilities – due within one year:			
Compensated absences	18,504	-	18,504
Total current liabilities	686,884	1,150,801	1,837,685
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	55,511	-	55,511
Net OPEB liability	321,161	-	321,161
Net pension liability	717,152	-	717,152
Total non-current liabilities	1,093,824	-	1,093,824
Total liabilities	1,780,708	1,150,801	2,931,509
Deferred inflows of resources:			
Deferred OPEB inflows	146,989	-	146,989
Deferred pension inflows	62,837	-	62,837
Total deferred inflows of resources	209,826	-	209,826
Net position:			
Net investment in capital assets	5,125,010	1,779,671	6,904,681
Restricted	77,220	39,230	116,450
Unrestricted	208,633	2,444,197	2,652,830
Total net position	\$ 5,410,863	4,263,098	9,673,961

Westborough Water District
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2021

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
Operating revenues:			
Water consumption sales	\$ 2,967,506	-	2,967,506
Wastewater service	-	2,971,700	2,971,700
Other charges and services	4,227	-	4,227
Total operating revenues	<u>2,971,733</u>	<u>2,971,700</u>	<u>5,943,433</u>
Operating expenses:			
Salaries and benefits	384,302	-	384,302
Employee benefits	135,971	-	135,971
Payroll taxes	27,663	-	27,663
Water purchases	1,719,047	-	1,719,047
Utilities	126,362	89,760	216,122
System maintenance	63,357	12,147	75,504
Supplies and small tools	14,504	-	14,504
Special services	55,257	-	55,257
Technical communications	6,589	-	6,589
Vehicles	15,503	-	15,503
Treatment and disposal	-	2,372,264	2,372,264
General and administrative	1,448,546	4,149	1,452,695
Total operating expenses	<u>3,997,101</u>	<u>2,478,320</u>	<u>6,475,421</u>
Operating income(loss) before depreciation	(1,025,368)	493,380	(531,988)
Depreciation	(241,913)	(96,323)	(338,236)
Operating income(loss)	<u>(1,267,281)</u>	<u>397,057</u>	<u>(870,224)</u>
Non-operating revenue(expense), net:			
Property taxes	556,454	-	556,454
Interest and investment unrealized loss	(873)	-	(873)
Loss on disposal of capital assets	(4,871)	-	(4,871)
Other non-operating revenue	74,903	-	74,903
Total non-operating revenues, net	<u>625,613</u>	<u>-</u>	<u>625,613</u>
Changes in net position	<u>(641,668)</u>	<u>397,057</u>	<u>(244,611)</u>
Net position, beginning of year	<u>5,410,863</u>	<u>4,263,098</u>	<u>9,673,961</u>
Net position, end of year	<u>\$ 4,769,195</u>	<u>4,660,155</u>	<u>9,429,350</u>

Westborough Water District
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2020

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
Operating revenues:			
Water consumption sales	\$ 3,062,111	-	3,062,111
Wastewater service	-	2,977,362	2,977,362
Other charges and services	18,050	-	18,050
Total operating revenues	<u>3,080,161</u>	<u>2,977,362</u>	<u>6,057,523</u>
Operating expenses:			
Salaries and benefits	338,731	-	338,731
Employee benefits	108,121	-	108,121
Payroll taxes	26,336	-	26,336
Water purchases	1,917,544	-	1,917,544
Utilities	130,777	98,129	228,906
System maintenance	67,962	14,427	82,389
Supplies and small tools	11,376	-	11,376
Special services	59,597	-	59,597
Technical communications	6,754	-	6,754
Vehicles	23,451	-	23,451
Treatment and disposal	-	2,306,435	2,306,435
General and administrative	1,208,044	81,048	1,289,092
Total operating expenses	<u>3,898,693</u>	<u>2,500,039</u>	<u>6,398,732</u>
Operating (loss)income before depreciation	(818,532)	477,323	(341,209)
Depreciation	(201,645)	(95,613)	(297,258)
Operating (loss)income	<u>(1,020,177)</u>	<u>381,710</u>	<u>(638,467)</u>
Non-operating revenue:			
Property taxes	531,179	-	531,179
Interest and investment earnings	97,688	-	97,688
Other non-operating revenue	345,345	-	345,345
Total non-operating revenues	<u>974,212</u>	<u>-</u>	<u>974,212</u>
Changes in net position	<u>(45,965)</u>	<u>381,710</u>	<u>335,745</u>
Net position, beginning of year	<u>5,456,828</u>	<u>3,881,388</u>	<u>9,338,216</u>
Net position, end of year	<u>\$ 5,410,863</u>	<u>4,263,098</u>	<u>9,673,961</u>

**Westborough Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2021**

	Adopted Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Operating revenues:				
Water consumption sales	\$ 2,987,644	2,987,644	2,967,506	(20,138)
Wastewater service	3,009,027	3,009,027	2,971,700	(37,327)
Other charges and services	-	-	4,227	4,227
Total operating revenues	<u>5,996,671</u>	<u>5,996,671</u>	<u>5,943,433</u>	<u>(53,238)</u>
Operating expenses:				
Salaries and benefits	353,877	353,877	384,302	(30,425)
Employee benefits	125,076	125,076	135,971	(10,895)
Payroll taxes	27,648	27,648	27,663	(15)
Water purchases	1,791,520	1,791,520	1,719,047	72,473
Utilities	181,650	181,650	216,122	(34,472)
System maintenance	63,650	63,650	75,504	(11,854)
Supplies and small tools	9,000	9,000	14,504	(5,504)
Special services	62,130	62,130	55,257	6,873
Technical communications	7,460	7,460	6,589	871
Vehicles	15,000	15,000	15,503	(503)
Treatment and disposal	2,377,774	2,377,774	2,372,264	5,510
General and administrative	1,045,798	1,045,798	1,452,695	(406,897)
Total operating expenses	<u>6,060,583</u>	<u>6,060,583</u>	<u>6,475,421</u>	<u>(414,838)</u>
Operating loss before depreciation and amortization	(63,912)	(63,912)	(531,988)	(468,076)
Depreciation and amortization	<u>(330,135)</u>	<u>(330,135)</u>	<u>(338,236)</u>	<u>(8,101)</u>
Operating loss	<u>(394,047)</u>	<u>(394,047)</u>	<u>(870,224)</u>	<u>(476,177)</u>
Non-operating revenues, net:				
Property taxes	475,000	475,000	556,454	81,454
Interest and investment unrealized loss	63,943	63,943	(873)	(64,816)
Loss on disposal of capital assets	-	-	(4,871)	(4,871)
Other non-operating revenue	<u>32,232</u>	<u>32,232</u>	<u>74,903</u>	<u>42,671</u>
Total non-operating revenues, net	<u>571,175</u>	<u>571,175</u>	<u>625,613</u>	<u>54,438</u>
Changes in net position	<u>\$ 177,128</u>	<u>177,128</u>	<u>(244,611)</u>	<u>(421,739)</u>
Net position, beginning of year			<u>9,673,961</u>	
Net position, end of year			<u>\$ 9,429,350</u>	

**Westborough Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2020**

	Adopted Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Operating revenues:				
Water consumption sales	\$ 2,992,477	2,992,477	3,062,111	69,634
Wastewater service	2,967,633	2,967,633	2,977,362	9,729
Other charges and services	-	-	18,050	18,050
Total operating revenues	5,960,110	5,960,110	6,057,523	97,413
Operating expenses:				
Salaries and benefits	339,731	339,731	338,731	1,000
Employee benefits	132,889	132,889	108,121	24,768
Payroll taxes	26,565	26,565	26,336	229
Water purchases	1,749,247	1,749,247	1,917,544	(168,297)
Utilities	184,150	184,150	228,906	(44,756)
System maintenance	43,650	43,650	82,389	(38,739)
Supplies and small tools	8,000	8,000	11,376	(3,376)
Special services	46,980	46,980	59,597	(12,617)
Technical communications	7,460	7,460	6,754	706
Vehicles	15,000	15,000	23,451	(8,451)
Treatment and disposal	2,344,268	2,344,268	2,306,435	37,833
General and administrative	1,018,326	1,018,326	1,289,092	(270,766)
Total operating expenses	5,916,266	5,916,266	6,398,732	(482,466)
Operating loss before depreciation and amortization	43,844	43,844	(341,209)	(385,053)
Depreciation and amortization	(314,450)	(314,450)	(297,258)	17,192
Operating loss	(270,606)	(270,606)	(638,467)	(367,861)
Non-operating revenues:				
Property taxes	455,000	455,000	531,179	76,179
Interest and investment earnings	62,299	62,299	97,688	35,389
Other non-operating revenue	30,024	30,024	345,345	315,321
Total non-operating revenues	547,323	547,323	974,212	426,889
Changes in net position	\$ 276,717	276,717	335,745	59,028
Net position, beginning of year			9,338,216	
Net position, end of year			\$ 9,673,961	

**Westborough Water District
Schedule of Capacity Charges
For the Year Ended June 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning balance as of July 1, 2020	\$ 304,473	140,635	445,108
Capacity fees received for the fiscal year ended June 30, 2021			
Storage and transmission fees	<u>3,449</u>	<u>-</u>	<u>3,449</u>
Total capacity charges	<u>\$ 307,922</u>	<u>140,635</u>	<u>448,557</u>

Public improvement expenditures for the fiscal year ended June 30, 2021, 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	\$ 724,661	-	724,661	95%	724,661	58%
Westborough sanitary lift station	-	2,278	2,278	100%	2,278	100%
Skyline tanks structural analysis, coating, and inspection	<u>1,944</u>	<u>-</u>	<u>1,944</u>	0.15%	1,944	100%
Total expenditures	<u>726,605</u>	<u>2,278</u>	<u>728,883</u>			
(Deficiency)excess fees over expenditures	<u>(418,683)</u>	<u>138,357</u>	<u>(280,326)</u>			
Less: deficiency	<u>(418,683)</u>	<u>-</u>	<u>(418,683)</u>			
Ending balance as of June 30, 2021	<u>\$ -</u>	<u>138,357</u>	<u>138,357</u>			

**Westborough Water District
Schedule of Capacity Charges
For the Year Ended June 30, 2020**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning balance as of July 1, 2019	\$ 98,651	55,837	154,488
Capacity fees received for the fiscal year ended June 30, 2020			
Storage and transmission fees	<u>205,822</u>	<u>84,798</u>	<u>290,620</u>
Total capacity charges	<u>\$ 304,473</u>	<u>140,635</u>	<u>445,108</u>

Public improvement expenditures for the fiscal year ended June 30, 2020, 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						
Skyline Storage Building Modification	\$ 3,426	-	3,426	100%	\$ 3,426	100%
Athy Drive / Skyline Village Improvements	105,005	-	105,005	5%	105,005	5%
Skyline P.S. Motor Replacement	8,388	-	8,388	100%	8,388	100%
Avalon Drive Service Replacement	17,011	-	17,011	100%	17,011	100%
Avalon Drive Service Line Replacement Project	93,664	-	93,664	100%	93,664	100%
Avalon Pump Station Improvement	-	1,740	1,740	100%	1,740	100%
Rowntree Pump Station Bypass Connection Replacement	-	<u>99,665</u>	<u>99,665</u>	100%	99,665	100%
Total expenditures	<u>227,494</u>	<u>101,405</u>	<u>328,899</u>			
Excess fees over expenditures	<u>76,979</u>	<u>39,230</u>	<u>116,209</u>			
Ending balance as of June 30, 2020	<u>\$ 76,979</u>	<u>39,230</u>	<u>116,209</u>			

Report on Internal Controls and Compliance



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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, 2021 and 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 13, 2022.

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.

Fedak & Brown LLP

Fedak & Brown, LLP
Cypress, California
January 13, 2022