

**Westborough Water District  
Annual Financial Report  
For the Fiscal Years Ended  
June 30, 2014 and 2013**



## *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, 2014**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
Tom Chambers	President	Elected	11/2013-11/2017
Perry H. Bautista	Vice President	Elected	11/2013-11/2017
David J. Irwin	Director	Elected	11/2011-11/2015
William O. Lopez	Director	Elected	11/2011-11/2015
Janet G. Medina	Director	Elected	11/2011-11/2015

**Darryl A. Barrow, General Manager  
Westborough Water District  
2263 Westborough Boulevard  
So. San Francisco, California 94080  
(650) 589-1435 – [www.westboroughwater.com](http://www.westboroughwater.com)**

**Westborough Water District**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2014 and 2013**

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# **Introductory Section**



December 1, 2014

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 year ended June 30, 2014, 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 5 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 connections.

## **Economic Condition and Outlook**

The District's administrative offices are located in the City of South San Francisco in San Mateo County. The economic outlook for the region shows signs of economic growth that is tempered by the continuing effects of the economic downturn.

California's water supply continues to be a concern due to projected population increases and a decrease in water-in-storage levels. This concern has increased interest in conservation and in irrigation methods and systems.

## **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:

- Voluntary Water Conservation Program
- Low-Flow Toilet Retrofit Program
- Hi-Efficiency Washers Program
- 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 Charles Z. Fedak & Company, CPAs has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

## **Risk Management**

The District participates in a joint powers agreement with the Association of California Water Agencies Joint Powers Insurance Authority (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,

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Darryl A. Barrow  
General Manager

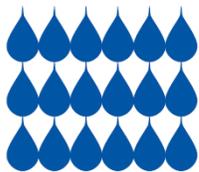
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Patricia Mairena  
Assistant General Manager

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# **Financial Section**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA

# Charles Z. Fedak & Company

Certified Public Accountants  
An Accountancy Corporation

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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) as of and for the years ended June 30, 2014 and 2013, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2014 and 2013, 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.

## Independent Auditor's Report, continued

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 9, and the Schedule of Funding Status on page 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section on pages 1 through 3, and the supplemental information on pages 29 through 34, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information, are the responsibility of management and were derived from and relate 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 audit 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 revenue, 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 audit 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 December 1, 2014, 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 35 and 36.

*Charles Z. Fedak & Company CPAs - An Accountancy Corporation*

**Charles Z. Fedak & Company, CPAs - An Accountancy Corporation**  
Cypress, California  
December 1, 2014

**Westborough Water District**  
*Management's Discussion and Analysis*  
**For the Fiscal Years Ended June 30, 2014 and 2013**

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 years ended June 30, 2014 and 2013. 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**

- The District's net position increased 0.24%, or \$23,616 to \$9,702,196, in 2014. In 2013, the District's net position increased 0.63%, or \$60,535 to \$9,678,580.
- The District's operating revenues increased 2.19% or \$86,476 in fiscal year 2014. In 2013, the District's operating revenues increased 4.23% or \$160,245.
- The District's operating expenses increased 2.88% or \$119,319 in 2014. In 2013, the District's operating expenses decreased 4.16% or \$179,780.

**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 the customers of the District are financed primarily through user charges.

The Statement of Net Position includes all of 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 revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures 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. This statement 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 changes 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.

**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 helps 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.

**Westborough Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Financial Analysis of the District (Continued)**

These two statements report the District's *net position* and changes in them. You can think of the District's net position (the difference between assets and deferred outflows of resources, 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 14 through 27.

**Statements of Net Position**

<b>Condensed Statements of Net Position</b>			
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 5,182,671	5,072,273	110,398
Capital assets, net	5,817,675	5,931,293	(113,618)
Total assets	11,000,346	11,003,566	(3,220)
<b>Liabilities:</b>			
Current liabilities	1,259,639	1,290,303	(30,664)
Non-current liabilities	38,511	34,683	3,828
Total liabilities	1,298,150	1,324,986	(26,836)
<b>Net position:</b>			
Net investment in capital assets	5,817,675	5,931,293	(113,618)
Restricted for capital projects	709,652	702,437	7,215
Unrestricted	3,174,869	3,044,850	130,019
<b>Total net position</b>	\$ 9,702,196	9,678,580	23,616

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 of the District exceeded liabilities by \$9,702,196 and \$9,678,580 as of June 30, 2014 and 2013, respectively.

By far the largest portion of the District's net position (60% and 61% as of June 30, 2014 and 2013, respectively) reflects the District's net 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, 2014 and 2013, respectively. 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 year 2014 and 2013, the District showed a positive balance in its unrestricted net position of \$3,174,869 and \$3,044,850, respectively. See Note 7 to the basic financial statements for further information.

**Westborough Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

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

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues	\$ 4,037,656	3,951,180	86,476
Non-operating revenues	498,650	515,610	(16,960)
Total revenues	<u>4,536,306</u>	<u>4,466,790</u>	<u>69,516</u>
<b>Expenses:</b>			
Operating expenses	4,264,969	4,145,650	119,319
Non-operating expenses	-	14,438	(14,438)
Depreciation	247,721	246,167	1,554
Total expenses	<u>4,512,690</u>	<u>4,406,255</u>	<u>106,435</u>
<b>Change in net position</b>	<u>23,616</u>	<u>60,535</u>	<u>(36,919)</u>
<b>Net position, beginning of year</b>	<u>9,678,580</u>	<u>9,618,045</u>	<u>60,535</u>
<b>Net position, end of year</b>	<u>\$ 9,702,196</u>	<u>9,678,580</u>	<u>23,616</u>

The statements of revenues, expenses and changes of net position show how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$23,616 and decreased by \$60,535 for the fiscal years ended June 30, 2014 and 2013, respectively.

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

In 2014, the District's total revenues increased by \$69,516, primarily due to the net effect of an increase in wastewater service revenue of \$132,950, a decrease in water consumption sales in the amount of \$47,350, and a decrease in non-operating revenue in the amount of \$35,485, as the result of current year operations. Additionally, total expenses increased by \$106,435 primarily due to the net effect of an increase in treatment and disposal expenses of \$113,585, general and administrative expense of \$29,821, salaries and benefits expense of \$18,566, and utilities expense of \$13,244 which was offset by a decrease in water purchases of \$72,395.

In 2013, the District's total revenues increased by \$284,523, primarily due to the net effect of an increase in water consumption sales of \$198,792, a decrease in wastewater service revenue in the amount of \$33,484, and an increase in non-operating revenue in the amount of \$124,278, as the result of current year operations. Additionally, total expenses decreased by \$157,927 primarily due to the net effect of an decrease in employee benefits of \$311,654, system maintenance of \$44,810, special services of \$16,523, which was offset by increases in water purchases of \$138,639, salaries and benefits of \$17,064, utilities of \$13,851, and general and administrative of \$34,604.

**Westborough Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Capital Asset Administration**

At the end of fiscal year 2014 and 2013, the District's investment in capital assets amounted to \$5,817,675 and \$5,931,293, respectively, (net of accumulated depreciation). This investment in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, and vehicles, etc. Major capital assets additions during the year included upgrades to the District's pumping plant and the transmission and distribution system.

Changes in capital asset amounts for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2014</u>
Capital assets:				
Non-depreciable assets	\$ 182,632	-	-	182,632
Depreciable assets	10,955,444	134,103	-	11,089,547
Accumulated depreciation	<u>(5,206,783)</u>	<u>(247,721)</u>	-	<u>(5,454,504)</u>
Total capital assets, net	<u>\$ 5,931,293</u>	<u>(113,618)</u>	<u>-</u>	<u>5,817,675</u>
	<u>Balance 2012</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2013</u>
Capital assets:				
Non-depreciable assets	\$ 182,632	-	-	182,632
Depreciable assets	10,778,990	194,321	(17,867)	10,955,444
Accumulated depreciation	<u>(4,960,616)</u>	<u>(246,754)</u>	<u>587</u>	<u>(5,206,783)</u>
Total capital assets, net	<u>\$ 6,001,006</u>	<u>(52,433)</u>	<u>(17,280)</u>	<u>5,931,293</u>

**Conditions Affecting Current Financial Position**

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

**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 94083-2747.

# **Basic Financial Statements**

**Westborough Water District**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 3,991,246	3,892,252
Cash and cash equivalents – restricted (note 2)	709,312	702,024
Accrued interest receivable	1,910	2,287
Accrued interest receivable – restricted	340	413
Accounts receivable – water sales and services, net (note 3)	405,424	398,498
Property tax receivable	4,066	-
Materials and supplies inventory	57,237	63,556
Prepaid expenses and other deposits	13,136	13,243
Total current assets	5,182,671	5,072,273
<b>Non-current assets:</b>		
Capital assets – not being depreciated (note 4)	182,632	182,632
Capital assets – being depreciated, net (note 4)	5,635,043	5,748,661
Total non-current assets	5,817,675	5,931,293
<b>Total assets</b>	11,000,346	11,003,566
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	136,169	241,825
Accrued sewer service charge	797,433	741,085
Deposits	313,200	295,832
Long-term liabilities – due within one year:		
Compensated absences (note 5)	12,837	11,561
Total current liabilities	1,259,639	1,290,303
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	38,511	34,683
Total non-current liabilities	38,511	34,683
<b>Total liabilities</b>	1,298,150	1,324,986
<b>Net position:</b>		
Net investment in capital assets	5,817,675	5,931,293
Restricted for capital projects	709,652	702,437
Unrestricted (note 7)	3,174,869	3,044,850
<b>Total net position</b>	\$ 9,702,196	9,678,580

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, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 2,083,548	2,130,898
Wastewater service	1,928,136	1,795,186
Other charges and services	25,972	25,096
Total operating revenues	4,037,656	3,951,180
<b>Operating expenses:</b>		
Salaries and benefits	418,717	400,151
Employee benefits	117,092	117,424
Payroll taxes	28,607	27,467
Water purchases	1,243,158	1,315,553
Utilities	166,326	153,082
System maintenance	32,197	30,686
Supplies and small tools	12,151	7,959
Special services	29,636	16,991
Technical communications	5,441	6,070
Vehicles	19,749	21,778
Treatment and disposal	1,594,650	1,481,065
General and administrative	597,245	567,424
Total operating expenses	4,264,969	4,145,650
Operating loss before depreciation	(227,313)	(194,470)
Depreciation	(247,721)	(246,167)
<b>Operating loss</b>	<b>(475,034)</b>	<b>(440,637)</b>
<b>Non-operating revenue(expense)</b>		
Property taxes	364,515	348,183
Interest and investment earnings	12,352	10,159
Interest expense	-	(14,438)
Other non-operating revenue	121,783	157,268
Total non-operating revenues, net	498,650	501,172
<b>Change in net position</b>	23,616	60,535
<b>Net position, beginning of year</b>	9,678,580	9,618,045
<b>Net position, end of year</b>	\$ 9,702,196	9,678,580

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 4,037,656	3,951,180
Cash paid to vendors and suppliers for materials and services	(3,536,757)	(3,595,017)
Cash paid to employees for salaries and wages	(637,831)	(601,866)
Net cash used in operating activities	<u>(136,932)</u>	<u>(245,703)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	364,515	348,183
Net cash provided by non-capital financing activities	<u>364,515</u>	<u>348,183</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(134,103)	(102,560)
Net cash used in capital and related financing activities	<u>(134,103)</u>	<u>(102,560)</u>
Cash flows from investing activities:		
Interest expense	-	(14,438)
Interest and investment earnings	12,802	11,220
Net cash provided by (used in) investing activities	<u>12,802</u>	<u>(3,218)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	106,282	(3,298)
Cash and cash equivalents, beginning of year	<u>4,594,276</u>	<u>4,597,574</u>
Cash and cash equivalents, end of year	<u>\$ 4,700,558</u>	<u>4,594,276</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 3,991,246	3,892,252
Cash and cash equivalents – restricted	709,312	702,024
Total cash and cash equivalents	<u>\$ 4,700,558</u>	<u>4,594,276</u>

Continued on next page

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Statements of Cash Flows (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ <u>(475,034)</u>	<u>(440,637)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	247,721	246,167
Other non-operating, net	121,783	157,268
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – sales and services, net	(6,926)	(41,761)
Accounts receivable – other	-	3,819
Property tax receivable	(4,066)	-
Materials and supplies inventory	6,319	(13,853)
Prepaid expenses and other deposits	107	41
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(49,308)	93,987
Deposits	17,368	16,007
Compensated absences	5,104	1,986
Pension-related obligation	<u>-</u>	<u>(268,727)</u>
Total adjustments	<u>338,102</u>	<u>194,934</u>
Net cash used in operating activities	\$ <u><u>(136,932)</u></u>	<u><u>(245,703)</u></u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ <u><u>1,283</u></u>	<u><u>1,150</u></u>

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 1 –Summary of Significant Accounting Policies**

**Reporting Entity**

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 water and sewer service to the residents of the South San Francisco area since 1961. The District is governed by a five-member Board of Directors who serves 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 wastewater services as well as water purchases and wastewater 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 every month. 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.

**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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period.

**Cash and Cash Equivalents**

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

**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, 2014 and 2013**

**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

**Prepaid Expenses**

Certain payments to vendors reflects 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 system 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, 2014 and 2013**

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

**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 leave, up to a maximum of 120 days except for those employees that have not completed the probationary period or separated from the District upon termination.

The following vacation accrual schedule as of June 30, 2014:

<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)

**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 services charges based on cycle billings rendered to the 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* – Investment in capital assets, net of related debt 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* – 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* – Unrestricted consists of any remaining balance of the District’s net position that do not meet the definition of “restricted” or “net investment in capital assets”.

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**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:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 3,991,246	3,892,252
Cash and cash equivalents – restricted	709,312	702,024
Total cash and cash equivalents	<u>\$ 4,700,558</u>	<u>4,594,276</u>

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

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 600	600
Deposits with financial institutions	262,433	241,514
Deposits held with California Local Agency Investment Fund (LAIF)	<u>4,437,525</u>	<u>4,352,162</u>
Total cash and investments	<u>\$ 4,700,558</u>	<u>4,594,276</u>

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

	<u>2014</u>	<u>2013</u>
Deposits held with California Local Agency Investment Fund (LAIF)	232 days	278 days

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 2 – Cash and Investments, continued**

***Custodial Credit Risk, continued***

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

***Investment in State Investment Pool***

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

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year end for each investment type.

***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:

		<b>2014</b>	<b>2013</b>
Accounts receivable – water sales and services	\$	406,424	399,498
Allowance for uncollectible accounts		(1,000)	(1,000)
Accounts receivable – water sales, net	\$	405,424	398,498

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 4 – Capital Assets**

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Total non-depreciable assets	<u>182,632</u>	<u>-</u>	<u>-</u>	<u>182,632</u>
Depreciable assets:				
Buildings	937,805	17,050	-	954,855
Water facilities	5,665,172	44,538	-	5,709,710
Sewer facilities	2,823,268	-	-	2,823,268
Joint use facilities	132,113	-	-	132,113
Maintenance facilities	400,720	55,223	-	455,943
Water meters	618,069	11,059	-	629,128
Furniture and equipment	<u>378,297</u>	<u>6,233</u>	<u>-</u>	<u>384,530</u>
Total depreciable assets	<u>10,955,444</u>	<u>134,103</u>	<u>-</u>	<u>11,089,547</u>
Accumulated depreciation:				
Buildings	(472,766)	(28,278)	-	(501,044)
Water facilities	(2,235,081)	(118,675)	-	(2,353,756)
Sewer facilities	(1,163,388)	(54,285)	-	(1,217,673)
Joint use facilities	(104,352)	(2,588)	-	(106,940)
Maintenance facilities	(387,283)	(13,476)	-	(400,759)
Water meters	(518,655)	(21,018)	-	(539,673)
Furniture and equipment	<u>(325,258)</u>	<u>(9,401)</u>	<u>-</u>	<u>(334,659)</u>
Total accumulated depreciation	<u>(5,206,783)</u>	<u>(247,721)</u>	<u>-</u>	<u>(5,454,504)</u>
Total depreciable assets, net	<u>5,748,661</u>	<u>(113,618)</u>	<u>-</u>	<u>5,635,043</u>
Total capital assets, net	<u>\$ 5,931,293</u>	<u>(113,618)</u>	<u>-</u>	<u>5,817,675</u>

Changes to capital assets in 2014 consisted primarily of \$55,223 in upgrades to maintenance facilities, \$44,538 in upgrades to the water facilities, \$17,050 in upgrades to buildings, \$11,059 in additions to water meters, \$6,233 in additions to furniture and equipment.

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 4 – Capital Assets, continued**

Changes in capital assets for the year were as follows:

	<u>Balance 2012</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2013</u>
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Total non-depreciable assets	<u>182,632</u>	<u>-</u>	<u>-</u>	<u>182,632</u>
Depreciable assets:				
Buildings	937,805	-	-	937,805
Water facilities	5,543,984	121,188	-	5,665,172
Sewer facilities	2,794,543	28,725	-	2,823,268
Joint use facilities	130,969	1,144	-	132,113
Maintenance facilities	396,353	4,367	-	400,720
Water meters	614,699	21,237	(17,867)	618,069
Furniture and equipment	360,637	17,660	-	378,297
Total depreciable assets	<u>10,778,990</u>	<u>194,321</u>	<u>(17,867)</u>	<u>10,955,444</u>
Accumulated depreciation:				
Buildings	(444,819)	(27,947)	-	(472,766)
Water facilities	(2,120,748)	(114,333)	-	(2,235,081)
Sewer facilities	(1,109,655)	(53,733)	-	(1,163,388)
Joint use facilities	(101,956)	(2,396)	-	(104,352)
Maintenance facilities	(371,236)	(16,047)	-	(387,283)
Water meters	(496,092)	(23,150)	587	(518,655)
Furniture and equipment	(316,110)	(9,148)	-	(325,258)
Total accumulated depreciation	<u>(4,960,616)</u>	<u>(246,754)</u>	<u>587</u>	<u>(5,206,783)</u>
Total depreciable assets, net	<u>5,818,374</u>	<u>(52,433)</u>	<u>(17,280)</u>	<u>5,748,661</u>
Total capital assets, net	<u>\$ 6,001,006</u>	<u>(52,433)</u>	<u>(17,280)</u>	<u>5,931,293</u>

Changes to capital assets in 2013 consisted primarily of \$121,188 in upgrades to the water facilities, \$28,725 in upgrades to the sewer facilities, \$3,370 in additions to water meters, \$17,660 in additions to furniture and equipment, and upgrades in maintenance facilities of \$1,144.

**Note 5 – Compensated Absences**

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

The changes to compensated absences balances at June 30, were as follows:

	<u>Balance 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2014</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	44,243	55,460	(48,355)	51,348	12,837	38,511
	<u>Balance 2012</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2013</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	44,258	54,031	(54,046)	44,243	11,561	34,683

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 6 – Pension-Related Debt**

As of June 30, 2003, CalPERS implemented risk-pooling for the District’s agent multiple-employer public employee defined benefit pension plan. As a result, the District’s defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate (for fiscal year 2013 and beyond CalPERS reduced the rate to 7.50%). CalPERS actuarially calculated the amount needed to bring the District into the cost sharing multiple-employer plan on an equal basis with other governmental agencies that all had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District’s annual required contribution to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make systematic pay-as-you-go payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District’s CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the CalPERS Side-Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. In fiscal year 2013, the District paid off the remaining Side-Fund balance.

**Note 7 – Unrestricted Net position**

Unrestricted net position is comprised of the following:

	<b>2014</b>	<b>2013</b>
Non-spendable net assets:		
Materials and supplies inventory	\$ 57,237	63,556
Prepaid expenses	13,136	13,243
Total non-spendable net assets	70,373	76,799
Spendable net assets are designated as follows:		
Reserved for operations	3,104,496	2,968,051
Unrestricted	3,104,496	2,968,051
Total spendable net position	3,104,496	2,968,051
Total unrestricted net position	\$ 3,174,869	3,044,850

**Note 8 – Defined Benefit Pension Plan**

***Plan Description***

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 8 – Defined Benefit Pension Plan, continued**

***Funding Policy***

The contribution rate for plan members in the CalPERS, 2.0% at 55 Risk Pool Retirement Plan is 6% of their annual covered salary and is paid by the District. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2014, 2013 and 2012 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For Fiscal years 2014, 2013 and 2012, the District’s annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

***California Public Employees’ Pension Reform Act of 2013***

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.

***Funding Policy***

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

***Second-Tier – Beginning January 1, 2013***

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. The Agency filed Certification of Memorandum of Understanding (MOU) Impairment with CalPERS prior to January 1, 2013. All Agency employees, including those employees hired on or after January 1, 2013 contribute 1.6% of their annual covered wages to their account. Also, the Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

For fiscal years 2014, 2013 and 2012, the Agency’s annual contributions for the CalPERS plan were equal to the Agency’s required and actual contributions for each fiscal year as follows:

***Three Year Trend Information:***

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2014	\$ 59,877	100%	-	11.282%
2013	94,314	100%	-	21.412%
2012	99,788	100%	-	21.231%

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 9 – Other Post-Employment Benefits**

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District’s vesting requirements. 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 new reporting requirements for these benefit programs as they pertain to the District are set forth below.

***Plan Description – Eligibility***

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.

Membership in the OPEB plan consisted of the following members as of June 30:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Active plan members	5	5	5
Retirees and beneficiaries receiving benefits	-	-	-
Separated plan members entitled to but not yet receiving benefits	-	-	-
	5	5	5

***Plan Description – Benefits***

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also 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.

***Funding Policy***

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The fiscal year 2014 ARC rate is 7.20% of the annual covered payroll.

In June 2013, the District partially pre-funded the cost of the post-employment benefit plan and maintains reserves (and records an asset (liability)) for the difference between the funded amount and the actuarially determined ARC cost.

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 9 – Other Post-Employment Benefits, continued**

***Annual Cost***

For the year ended June 30, 2014, the District's ARC cost is \$40,541. The District's net OPEB payable obligation amounted to \$0 for the year ended June 30, 2014. The District contributed \$37,800 in age adjusted contributions and premiums for current retiree OPEB premiums for the year ended June 30, 2014.

The balance at June 30, consists of the following:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 40,541	50,193	48,584
Interest on net OPEB obligation	(2,741)	(3,393)	(3,284)
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	<u>37,800</u>	<u>46,800</u>	<u>45,300</u>
Change in net OPEB payable obligation:			
Age adjusted contributions made	<u>(37,800)</u>	<u>(46,800)</u>	<u>(45,300)</u>
Total change in net OPEB payable obligation	-	-	-
OPEB payable – beginning of year	-	-	-
OPEB payable – end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

***Three-Year History of Net OPEB Obligation***

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Interest On Net OPEB</u>	<u>Age Adjusted Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable</u>
2014	\$ 37,800	-	37,800	100.00%	\$ -
2013	46,800	-	46,800	100.00%	-
2012	45,300	-	45,300	100.00%	-

The most recent valuation (dated June 30, 2013, includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$388,400. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was estimated at \$388,400. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 84.55%.

***Actuarial Methods and Assumptions***

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

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**Note 9 – Other Post-Employment Benefits, continued**

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

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	30 year smoothed market
Actuarial assumptions:	
Discount rate	7.25%
Inflation- discount rate	5.00%

**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. At June 30, 2014, the District participated in the liability, property, and workers' compensation programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,000,000 per occurrence. The District purchased additional excess coverage layers: \$58 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

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

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration, theft, and disappearance coverage's.
- 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, to a combined total of \$100 million per occurrence, subject to a \$2,500 deductible per occurrence. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to \$1,000 deductible per occurrence.
- 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.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

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 ending June 30, 2014, 2013 and 2012. 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, 2014, 2013, and 2012, respectively.

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

**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, 2014, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 68***

In June 2012, the GASB issued Statement No. 68 – Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 69***

In January 2013, the GASB issued Statement No. 69 – Government Combinations and Disposals of Government Operations. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 70***

In April 2013, the GASB issued Statement No. 70 – Accounting and Financial Reporting for Non-exchange Guarantees. Provisions of this Statement require that governments that extend non-exchange financial guarantees to recognize a liability when qualitative factors and historic data, if any, indicate that it is more likely than not that the government will be required to make a payments on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**Westborough Water District**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Fiscal Years Ended June 30, 2014 and 2013**

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

*Governmental Accounting Standards Board Statement No. 71*

In November 2013, the GASB issued Statement No. 71 – Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

**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 Event**

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of December 1, 2014, which is the date the financial statements were available to be issued.

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## **Required Supplementary Information**



**Westborough Water District**  
**Schedule of Funding Status – Other Post-Employment Benefits Payable**  
**For the Fiscal Year Ended June 30, 2014 and 2013**

*Funded Status and Funding Progress of the Plan*

*Required Supplemental Information – Schedule of Funding Progress*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets ( a )</b>	<b>Actuarial Accrued Liability ( b )</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) ( b-c )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll (( b-a )/c )</b>
6/30/2013	\$ 37,800	485,300	388,400	7.79%	\$ 529,260	84.55%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2016 based on the year ending June 30, 2015.

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## **Supplemental Information**



**Westborough Water District  
Combining Schedule of Net Position  
For the Fiscal Years Ended June 30, 2014**

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,488,923	1,502,323	3,991,246
Cash and cash equivalents – restricted	709,312	-	709,312
Accrued interest receivable	1,910	-	1,910
Accrued interest receivable – restricted	340	-	340
Accounts receivable – water sales and services, net	349,605	55,819	405,424
Property tax receivable	4,066	-	4,066
Materials and supplies inventory	57,237	-	57,237
Prepaid expenses and other deposits	13,136	-	13,136
Total current assets	<u>3,624,529</u>	<u>1,558,142</u>	<u>5,182,671</u>
<b>Non-current assets:</b>			
Capital assets – not being depreciated	182,632	-	182,632
Capital assets – being depreciated, net	4,029,448	1,605,595	5,635,043
Total non-current assets	<u>4,212,080</u>	<u>1,605,595</u>	<u>5,817,675</u>
<b>Total assets</b>	<u>7,836,609</u>	<u>3,163,737</u>	<u>11,000,346</u>
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	136,169	-	136,169
Accrued sewer service charge	-	797,433	797,433
Deposits and unearned revenue	313,200	-	313,200
Long-term liabilities – due within one year:			
Compensated absences	12,837	-	12,837
Total current liabilities	<u>462,206</u>	<u>797,433</u>	<u>1,259,639</u>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences	38,511	-	38,511
Total non-current liabilities	<u>38,511</u>	<u>-</u>	<u>38,511</u>
<b>Total liabilities</b>	<u>500,717</u>	<u>797,433</u>	<u>1,298,150</u>
<b>Net position:</b>			
Net investment in capital assets	4,212,080	1,605,595	5,817,675
Restricted for future capital facilities	709,652	-	709,652
Unrestricted	2,414,160	760,709	3,174,869
<b>Total net position</b>	<u>\$ 7,335,892</u>	<u>2,366,304</u>	<u>9,702,196</u>

See accompanying notes to the basic financial statements

**Westborough Water District  
Combining Schedule of Net Position  
For the Fiscal Years Ended June 30, 2013**

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,673,578	1,218,674	3,892,252
Cash and cash equivalents – restricted	702,024	-	702,024
Accrued interest receivable	2,287	-	2,287
Accrued interest receivable – restricted	413	-	413
Accounts receivable – water sales and services, net	377,969	20,529	398,498
Materials and supplies inventory	63,556	-	63,556
Prepaid expenses and other deposits	13,243	-	13,243
Total current assets	<u>3,833,070</u>	<u>1,239,203</u>	<u>5,072,273</u>
<b>Non-current assets:</b>			
Capital assets – not being depreciated	182,632	-	182,632
Capital assets – being depreciated, net	4,088,781	1,659,880	5,748,661
Total non-current assets	<u>4,271,413</u>	<u>1,659,880</u>	<u>5,931,293</u>
<b>Total assets</b>	<u>8,104,483</u>	<u>2,899,083</u>	<u>11,003,566</u>
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	241,825	-	241,825
Accrued sewer service charge	-	741,085	741,085
Deposits	295,832	-	295,832
Long-term liabilities – due within one year:			
Compensated absences	11,561	-	11,561
Total current liabilities	<u>549,218</u>	<u>741,085</u>	<u>1,290,303</u>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences	34,683	-	34,683
Total non-current liabilities	<u>34,683</u>	<u>-</u>	<u>34,683</u>
<b>Total liabilities</b>	<u>583,901</u>	<u>741,085</u>	<u>1,324,986</u>
<b>Net position:</b>			
Net investment in capital assets	4,271,413	1,659,880	5,931,293
Restricted for future capital facilities	702,437	-	702,437
Unrestricted	2,546,732	498,118	3,044,850
<b>Total net position</b>	<u>\$ 7,520,582</u>	<u>2,157,998</u>	<u>9,678,580</u>

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2014**

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
Operating revenues:			
Water consumption sales	\$ 2,083,548	-	2,083,548
Wastewater service	-	1,928,136	1,928,136
Other charges and services	25,972	-	25,972
Total operating revenues	<u>2,109,520</u>	<u>1,928,136</u>	<u>4,037,656</u>
Operating expenses:			
Salaries and benefits	418,717	-	418,717
Employee benefits	117,092	-	117,092
Payroll taxes	28,607	-	28,607
Water purchases	1,243,158	-	1,243,158
Utilities	100,210	66,116	166,326
System maintenance	31,549	648	32,197
Supplies and small tools	12,151	-	12,151
Special services	29,636	-	29,636
Technical communications	5,441	-	5,441
Vehicles	19,749	-	19,749
Treatment and disposal	-	1,594,650	1,594,650
General and administrative	593,114	4,131	597,245
Total operating expenses	<u>2,599,424</u>	<u>1,665,545</u>	<u>4,264,969</u>
Operating income(loss) before depreciation	(489,904)	262,591	(227,313)
Depreciation	(193,436)	(54,285)	(247,721)
<b>Operating income(loss)</b>	<u>(683,340)</u>	<u>208,306</u>	<u>(475,034)</u>
Non-operating revenue(expense)			
Property taxes	364,515	-	364,515
Interest and investment earnings	12,352	-	12,352
Other non-operating revenue	121,783	-	121,783
Total non-operating revenues, net	<u>498,650</u>	<u>-</u>	<u>498,650</u>
<b>Change in net position</b>	<u>(184,690)</u>	<u>208,306</u>	<u>23,616</u>
Net position, beginning of year	<u>7,520,582</u>	<u>2,157,998</u>	<u>9,678,580</u>
Net position, end of year	<u>\$ 7,335,892</u>	<u>2,366,304</u>	<u>9,702,196</u>

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
Operating revenues:			
Water consumption sales	\$ 2,130,898	-	2,130,898
Wastewater service	-	1,795,186	1,795,186
Other charges and services	25,096	-	25,096
Total operating revenues	<u>2,155,994</u>	<u>1,795,186</u>	<u>3,951,180</u>
Operating expenses:			
Salaries and benefits	400,151	-	400,151
Employee benefits	117,424	-	117,424
Payroll taxes	27,467	-	27,467
Water purchases	1,315,553	-	1,315,553
Utilities	100,791	52,291	153,082
System maintenance	28,584	2,102	30,686
Supplies and small tools	7,959	-	7,959
Special services	16,991	-	16,991
Technical communications	6,070	-	6,070
Vehicles	21,778	-	21,778
Treatment and disposal	-	1,481,065	1,481,065
General and administrative	567,424	-	567,424
Total operating expenses	<u>2,610,192</u>	<u>1,535,458</u>	<u>4,145,650</u>
Operating income(loss) before depreciation	(454,198)	259,728	(194,470)
Depreciation	(192,434)	(53,733)	(246,167)
<b>Operating income(loss)</b>	<u>(646,632)</u>	<u>205,995</u>	<u>(440,637)</u>
Non-operating revenue(expense)			
Property taxes	348,183	-	348,183
Interest and investment earnings	10,159	-	10,159
Interest expense	(14,438)	-	(14,438)
Other non-operating revenue	157,268	-	157,268
Total non-operating revenues, net	<u>501,172</u>	<u>-</u>	<u>501,172</u>
<b>Change in net position</b>	<u>(145,460)</u>	<u>205,995</u>	<u>60,535</u>
Net position, beginning of year	<u>7,666,042</u>	<u>1,952,003</u>	<u>9,618,045</u>
Net position, end of year	<u>\$ 7,520,582</u>	<u>2,157,998</u>	<u>9,678,580</u>

See accompanying notes to the basic financial statements

**Westborough Water District  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2014**

	<b>Adopted Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>Operating revenues:</b>				
Water consumption sales	\$ 2,090,700	2,090,700	2,083,548	(7,152)
Wastewater service	1,920,634	1,920,634	1,928,136	7,502
Other charges and services	-	-	25,972	25,972
Total operating revenues	<u>4,011,334</u>	<u>4,011,334</u>	<u>4,037,656</u>	<u>26,322</u>
<b>Operating expenses:</b>				
Salaries and benefits	396,141	396,141	418,717	(22,576)
Employee benefits	134,232	134,232	117,092	17,140
Payroll taxes	30,460	30,460	28,607	1,853
Water purchases	1,194,963	1,194,963	1,243,158	(48,195)
Utilities	126,150	126,150	166,326	(40,176)
System maintenance	55,000	55,000	32,197	22,803
Supplies and small tools	7,000	7,000	12,151	(5,151)
Special services	26,200	26,200	29,636	(3,436)
Technical communications	7,200	7,200	5,441	1,759
Vehicles	17,000	17,000	19,749	(2,749)
Treatment and disposal	1,624,275	1,624,275	1,594,650	29,625
General and administrative	548,235	548,235	597,245	(49,010)
Total operating expenses	<u>4,166,856</u>	<u>4,166,856</u>	<u>4,264,969</u>	<u>(98,113)</u>
Operating loss before depreciation and amortization	(155,522)	(155,522)	(227,313)	(71,791)
Depreciation and amortization	<u>(262,153)</u>	<u>(262,153)</u>	<u>(247,721)</u>	<u>14,432</u>
<b>Operating loss</b>	<u>(417,675)</u>	<u>(417,675)</u>	<u>(475,034)</u>	<u>(57,359)</u>
<b>Non-operating revenue(expense)</b>				
Property taxes	335,000	335,000	364,515	29,515
Interest and investment earnings	20,888	20,888	12,352	(8,536)
Other non-operating revenue	66,926	66,926	121,783	54,857
Total non-operating revenues, net	<u>422,814</u>	<u>422,814</u>	<u>498,650</u>	<u>75,836</u>
<b>Change in net position</b>	<u>\$ 5,139</u>	<u>5,139</u>	23,616	<u>18,477</u>
Net position, beginning of year			<u>9,678,580</u>	
Net position, end of year			<u>\$ 9,702,196</u>	

**Westborough Water District  
Schedule of Capacity Charges  
For the Year Ended June 30, 2014**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning balance as of July 1, 2013	\$ 658,340	43,684	702,024
Capacity fees received for the fiscal year ended June 30, 2014			
Storage and transmission fees	-	55,877	55,877
Total capacity charges	\$ <u>658,340</u>	<u>99,561</u>	<u>757,901</u>

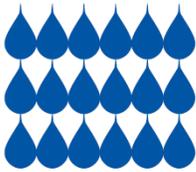
Public improvement expenditures for the fiscal year ended June 30, 2014 are as follows:

<u>Public improvement projects</u>	<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>
Skyline Pump Station – Pump Replacement	\$ 21,886	-	21,886	100%	\$ 21,886	100%
Seismic Valve (Skyline Tanks)	2,999	-	2,999	100%	2,999	100%
District Water Map Update	2,095	-	2,095	100%	2,095	100%
SCADA Computer and Installation	4,766	-	4,766	100%	4,766	100%
Water Line Connection to Fire Hydrant	8,275	-	8,275	100%	8,275	100%
Reconnection of Pressure Switch and Controls (Skyline P.S.)	1,119	-	1,119	100%	1,119	100%
Main P.S. Valve Preventative Maintenance	2,338	-	2,338	100%	2,338	100%
Urban Water Management Plan Revisions	980	-	980	100%	980	100%
Sanitary Sewer Project	-	4,131	4,131	100%	4,131	100%
Total expenditures	<u>44,458</u>	<u>4,131</u>	<u>48,589</u>			
Excess fees over expenditures	<u>613,882</u>	<u>95,430</u>	<u>709,312</u>			
Ending balance as of June 30, 2014	\$ <u>613,882</u>	<u>95,430</u>	<u>709,312</u>			

See accompanying notes to the schedule of capacity charges

# **Report on Internal Controls and Compliance**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA

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

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 audits 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 1, 2014.

### **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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

A handwritten signature in black ink that reads "Charles Z. Fedak: Company CPAs - An Accountancy Corporation". The signature is written in a cursive, slightly slanted style.

**Charles Z. Fedak & Company, CPAs - An Accountancy Corporation**  
Cypress, California  
December 1, 2014