

**Westborough Water District
Annual Financial Report
For the Fiscal Years Ended
June 30, 2012 and 2011**



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, 2012

Name	Title	Elected/ Appointed	Current Term
William O. Lopez	President	Elected	12/2011-11/2015
Janet G. Medina	Vice President	Elected	11/2011-11/2015
Perry H. Bautista	Director	Elected	11/2009-11/2013
David J. Irwin	Director	Elected	11/2011-11/2015
Tom Chambers	Director	Elected	11/2009-11/2013

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

Westborough Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2012 and 2011

**Westborough Water District
Annual Financial Report
For the Fiscal Years Ended June 30, 2012 and 2011**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Introductory Section	
Letter of Transmittal	1-4
Financial Section	
Independent Auditor’s Report	5-6
Management’s Discussion and Analysis	7-10
Basic Financial Statements:	
Statements of Net Assets	11
Statements of Revenues, Expenses and Changes in Net Assets	12
Statements of Cash Flows	13-14
Notes to the Basic Financial Statements	15-30
Required Supplementary Information:	
Schedule of Funding Status – Other Post-Employment Benefits Obligation	31
Supplemental Information:	
Combining Schedule of Net Assets – June 30, 2012	32
Combining Schedule of Net Assets – June 30, 2011	33
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets for the Fiscal Year Ended June 30, 2012	34
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets for the Fiscal Year Ended June 30, 2011	35
Budgetary Comparison Schedule – June 30, 2012	36
Schedule of Capacity Charges	37
Report on Internal Controls and Compliance	
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 <i>Government Auditing Standards</i>	38

Introductory Section

December 31, 2012

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, 2012, 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.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the District's organization and current District activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying Notes.

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 California has been tempered by the continuing effects of the financial crisis coupled with significant unemployment levels throughout the state.

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 Retrofit Program
- Hi-Efficiency Washers Program
- Water Usage Audit Program

Audit and Financial Reporting

State Law and Bond covenants require 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 unqualified 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 (JPA). 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
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com
WEB www.czfcpa.com

Independent Auditor's Report

Board of Directors
Westborough Water District
South San Francisco, California

We have audited the accompanying financial statements of the Westborough Water District (District) as of and for the fiscal years ended June 30, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Westborough Water District as of June 30, 2012 and 2011, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audits. This report can be found on page 38.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 10 and required supplementary information on page 31 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.

Independent Auditor's Report (Continued)

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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 4 and the supplementary information on pages 32 through 37 are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken 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 on it.

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPAs – An Accountancy Corporation
Cypress, California
December 31, 2012

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

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, 2012 and 2011. 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 assets decreased 3.82% or \$381,915 to \$9,618,045 in 2012. In 2011, the District's net assets increased 0.62% or \$61,546 to \$9,999,960.
- The District's operating revenues increased 8.70% or \$303,447 in fiscal year 2012. In 2011, the District's operating revenues increased 3.21% or \$108,460.
- The District's operating expenses increased 20.49% or \$735,627 in 2012. In 2011, the District's operating expenses decreased 6.00% or \$203,042.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets 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 Assets includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). 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 Assets. 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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the District in a way that helps answer this question. These statements include all assets and liabilities 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, 2012 and 2011

Financial Analysis of the District (Continued)

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets (the difference between assets and liabilities), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets 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 15 through 27.

Statements of Net Assets

Condensed Statements of Net Assets			
	2012	2011	Change
Assets:			
Current assets	\$ 5,077,565	5,257,817	(180,252)
Non-current assets	21,207	20,802	405
Capital assets, net	6,001,006	5,891,596	109,410
Total assets	11,099,778	11,170,215	(70,437)
Liabilities:			
Current liabilities	1,216,664	1,140,829	75,835
Non-current liabilities	265,070	29,426	235,644
Total liabilities	1,481,733	1,170,255	311,478
Net assets:			
Net investment in capital assets	6,001,006	5,891,596	109,410
Restricted for future capital facilities	770,690	950,277	(179,587)
Unrestricted	2,846,349	3,158,087	(311,738)
Total net assets	9,618,045	9,999,960	(381,915)
Total liabilities and net assets	\$ 11,099,778	11,170,215	(70,437)

As noted earlier, net assets 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 \$9,619,045 and \$9,999,960 as of June 30, 2012 and 2011, respectively.

By far the largest portion of the District's net assets (62% and 59% as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 2012 and 2011, the District showed a positive balance in its unrestricted net assets of \$2,847,349 and \$3,158,087, respectively. See Note 8 to the basic financial statements for further information.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Statements of Revenues, Expenses and Changes in Net Assets

Condensed Statements of Revenues, Expenses and Changes in Net Assets			
	2012	2011	Change
Revenues:			
Operating revenues	\$ 3,790,935	3,487,488	303,447
Non-operating revenues	391,332	388,423	2,909
Total revenues	4,182,267	3,875,911	306,356
Expenses:			
Operating expenses	4,325,430	3,589,803	735,627
Depreciation	238,752	224,562	14,190
Total expenses	4,564,182	3,814,365	749,817
Change in net assets	(381,915)	61,546	(443,461)
Net assets, beginning of year	9,999,960	9,938,414	61,546
Net assets, end of year	\$ 9,618,045	9,999,960	(381,915)

The statement of revenues, expenses and changes of net assets shows how the District's net assets changed during the fiscal years. In the case of the District, net assets decreased by \$381,915 and increased by \$61,546 for the fiscal years ended June 30, 2012 and 2011, respectively.

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

In 2012, the District's total revenues increased by \$306,356, primarily due to the net effect of an increase in water consumption sales of \$282,723 and an increase in wastewater service revenue in the amount of \$12,514 as the result of current year operations. Additionally, total expenses increased by \$749,817 primarily due to the net effect of an increase in: water purchases of \$310,121, employee benefits of \$321,313, system maintenance expenses of \$24,248, general and administrative expenses of \$23,260, salaries and benefits of \$17,963, utilities of \$15,832, special services of \$7,325, and vehicles expense of \$7,158.

In 2011, the District's total revenues increased by \$66,468, primarily due to the net effect of an increase in water consumption sales of \$148,421 and a decrease in wastewater service revenue in the amount of \$38,784 as the result of current year operations. Additionally, total expenses increased by \$174,048 primarily due to the net effect of an increase in: water purchases of \$206,308, general and administrative expenses of \$34,404, employee benefits of \$15,808, and special services of \$8,917 which was offset by a decrease in treatment and disposal of \$38,927, and system maintenance expenses in the amount of \$19,716.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011

Capital Asset Administration

At the end of fiscal year 2012 and 2011, the District's investment in capital assets amounted to \$6,001,006 and \$5,891,596, 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 2011</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2012</u>
Capital assets:				
Non-depreciable assets	\$ 182,632	-	-	182,632
Depreciable assets	10,430,828	348,162	-	10,778,990
Accumulated depreciation and amortization	<u>(4,721,864)</u>	<u>(238,752)</u>	<u>-</u>	<u>(4,960,616)</u>
Total capital assets, net	<u>\$ 5,891,596</u>	<u>109,410</u>	<u>-</u>	<u>6,001,006</u>
	<u>Balance 2010</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2011</u>
Capital assets:				
Non-depreciable assets	\$ 182,632	-	-	182,632
Depreciable assets	10,285,410	145,418	-	10,430,828
Accumulated depreciation and amortization	<u>(4,497,302)</u>	<u>(224,562)</u>	<u>-</u>	<u>(4,721,864)</u>
Total capital assets, net	<u>\$ 5,970,740</u>	<u>(79,144)</u>	<u>-</u>	<u>5,891,596</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 assets, 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 Assets
June 30, 2012 and 2011

<i>Assets</i>	2012	2011
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,827,514	3,886,608
Cash and cash equivalents – restricted (note 2)	770,060	949,225
Accrued interest receivable	3,131	4,208
Accrued interest receivable – restricted	630	1,052
Accounts receivable – water sales and services, net (note 3)	356,737	297,167
Accounts receivable – other	3,819	-
Property tax receivable	52,687	61,108
Materials and supplies inventory	49,703	49,691
Prepaid expenses and other deposits	13,284	8,758
Total current assets	<u>5,077,565</u>	<u>5,257,817</u>
Non-current assets:		
Note receivable – property tax from state (note 5)	21,207	20,802
Capital assets – not being depreciated (note 4)	182,632	182,632
Capital assets – being depreciated, net (note 4)	5,818,374	5,708,964
Total non-current assets	<u>6,022,213</u>	<u>5,912,398</u>
Total assets	<u>\$ 11,099,778</u>	<u>11,170,215</u>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 145,144	123,092
Accrued sewer service charge	743,779	740,468
Deposits	279,825	267,460
Long-term liabilities – due within one year:		
Compensated absences (note 6)	11,065	9,809
Pension-related debt (note 7)	36,851	-
Total current liabilities	<u>1,216,664</u>	<u>1,140,829</u>
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 6)	33,194	29,426
Pension-related debt (note 7)	231,876	-
Total non-current liabilities	<u>265,070</u>	<u>29,426</u>
Total liabilities	<u>1,481,733</u>	<u>1,170,255</u>
Net assets:		
Net investment in capital assets	6,001,006	5,891,596
Restricted for future capital facilities	770,690	950,277
Unrestricted (note 8)	2,846,349	3,158,087
Total net assets	<u>9,618,045</u>	<u>9,999,960</u>
Total liabilities and net assets	<u>\$ 11,099,778</u>	<u>11,170,215</u>

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Water consumption sales	\$ 1,932,106	1,649,383
Wastewater service	1,828,670	1,816,156
Other charges and services	30,159	21,949
Total operating revenues	3,790,935	3,487,488
Operating expenses:		
Salaries and benefits	383,087	365,124
Employee benefits	429,078	107,765
Payroll taxes	30,905	26,038
Water purchases	1,176,914	866,793
Utilities	139,231	123,399
System maintenance	75,496	51,248
Supplies and small tools	6,739	6,263
Special services	33,514	26,189
Technical communications	7,183	7,144
Vehicles	23,431	16,273
Treatment and disposal	1,487,032	1,484,007
General and administrative	532,820	509,560
Total operating expenses	4,325,430	3,589,803
Operating loss before depreciation	(534,495)	(102,315)
Depreciation	(238,752)	(224,562)
Operating loss	(773,247)	(326,877)
Non-operating revenue(expense)		
Property taxes	330,287	324,333
Interest and investment earnings	14,162	15,006
Other non-operating revenue	46,883	49,084
Total non-operating revenues, net	391,332	388,423
Change in net assets	(381,915)	61,546
Net assets, beginning of year	9,999,960	9,938,414
Net assets, end of year	\$ 9,618,045	9,999,960

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 3,731,365	3,451,234
Cash paid to vendors and suppliers for materials and services	(3,458,289)	(3,033,979)
Cash paid to employees for salaries and wages	(564,020)	(526,611)
Net cash used in operating activities	<u>(290,944)</u>	<u>(109,356)</u>
Cash flows from non-capital financing activities:		
Proceeds from property taxes	338,303	358,540
Other receipts from non-capital financing	46,883	49,084
Net cash provided by non-capital financing activities	<u>385,186</u>	<u>407,624</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(348,162)	(145,418)
Net cash used in capital and related financing activities	<u>(348,162)</u>	<u>(145,418)</u>
Cash flows from investing activities:		
Interest and investment earnings	15,661	15,678
Net cash provided by investing activities	<u>15,661</u>	<u>15,678</u>
Net increase(decrease) in cash and cash equivalents	<u>(238,259)</u>	<u>168,528</u>
Cash and cash equivalents, beginning of year	<u>4,835,833</u>	<u>4,667,305</u>
Cash and cash equivalents, end of year	<u>\$ 4,597,574</u>	<u>4,835,833</u>
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 3,827,514	3,886,608
Cash and cash equivalents – restricted	770,060	949,225
Total cash and cash equivalents	<u>\$ 4,597,574</u>	<u>4,835,833</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, 2011 and 2010

	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ <u>(773,247)</u>	<u>(326,877)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	238,752	224,562
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – sales and services, net	(59,570)	(36,254)
Accounts receivable – other	(3,819)	-
Materials and supplies inventory	(12)	(8,647)
Prepaid expenses and other deposits	(4,526)	(3,021)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	25,363	25,788
Compensated absences	5,023	1,038
Pension-related debt	268,727	-
Other liabilities	<u>12,365</u>	<u>14,055</u>
Total adjustments	<u>482,303</u>	<u>217,521</u>
Net cash used in operating activities	\$ <u><u>(290,944)</u></u>	<u><u>(109,356)</u></u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ <u><u>5,503</u></u>	<u><u>7,354</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, 2012 and 2011

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the 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.

B. 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.

C. Financial Reporting

The District's basic financial statements are presented in conformance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" (GASB No. 34). This statement established revised financial reporting requirements for state and local governments throughout the United States for the purpose of enhancing the understandability and usefulness of financial reports.

GASB No. 34 and its related GASB pronouncements provide for a revised view of financial information and restructure the format of financial information provided prior to its adoption. A statement of net assets replaces the balance sheet and reports assets, liabilities, and the difference between them as net assets, not equity. A statement of revenues, expenses and changes in net assets replaces both the income statement and the statement of changes in retained earnings and contributed capital. GASB No. 34 also requires that the statement of cash flows be prepared using the direct method. Under the direct method, cash flows from operating activities are presented by major categories.

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Financial Reporting (Continued)

Under GASB No. 34, enterprise funds, such as the District, have the option of consistently following or not following pronouncements issued by the Financial Accounting Standards Board (FASB) subsequent to November 30, 1989. The District has elected not to follow FASB standards issued after that date, unless such standards are specifically adopted by GASB.

D. Assets, Liabilities and Net Assets

1. 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 assets during the reporting period.

2. 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.

3. Investments and Investment Policy

The District has adopted an investment policy directing the District 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.

4. 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.

5. 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

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets (Continued)

6. 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.

7. 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.

8. 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

9. 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, 2012:

<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)

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets (Continued)

10. 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.

11. Water and Sewer Sales

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

12. 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.

13. 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.

14. Net Assets

The financial statements utilize a net assets presentation. Net assets are categorized as follows:

- **Net Investment in Capital Assets** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.
- **Restricted Net Assets** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This component of net assets consists of net assets 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, 2012 and 2011

(2) Cash and Investments

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

	2012	2011
Cash and cash equivalents	\$ 3,827,514	3,886,608
Cash and cash equivalents – restricted	770,060	949,225
Total cash and cash equivalents	\$ 4,597,574	4,835,833

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

	2012	2011
Cash on hand	\$ 600	600
Deposits with financial institutions	79,547	162,742
Deposits held with California Local Agency Investment Fund (LAIF)	4,517,427	4,672,491
Total cash and investments	\$ 4,597,574	4,835,833

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

	2012	2011
Deposits held with California Local Agency Investment Fund (LAIF)	268 days	237 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).

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.

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(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.

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.

(3) Accounts Receivable – Water Sales and Services, Net

The balance at June 30, consists of the following:

		2012	2011
Accounts receivable – water sales and services	\$	357,466	299,445
Allowance for uncollectible accounts		(729)	(2,278)
Accounts receivable – water sales, net	\$	356,737	297,167

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(4) Capital Assets

Changes in capital assets for the year were as follows:

	<u>Balance 2011</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2012</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	5,297,895	246,089	-	5,543,984
Sewer facilities	2,729,738	64,804	-	2,794,542
Joint use facilities	130,969	-	-	130,969
Maintenance facilities	393,972	2,381	-	396,353
Water meters	594,112	20,587	-	614,699
Furniture and equipment	346,337	14,301	-	360,638
Total depreciable assets	<u>10,430,828</u>	<u>348,162</u>	<u>-</u>	<u>10,778,990</u>
Accumulated depreciation and amortization:				
Buildings	(417,222)	(27,597)	-	(444,819)
Water facilities	(2,009,782)	(110,966)	-	(2,120,748)
Sewer facilities	(1,056,553)	(53,102)	-	(1,109,655)
Joint use facilities	(99,599)	(2,358)	-	(101,957)
Maintenance facilities	(356,083)	(15,153)	-	(371,236)
Water meters	(472,803)	(23,288)	-	(496,091)
Furniture and equipment	(309,822)	(6,288)	-	(316,110)
Total accum depr. and amort.	<u>(4,721,864)</u>	<u>(238,752)</u>	<u>-</u>	<u>(4,960,616)</u>
Total depreciable assets, net	<u>5,708,964</u>	<u>109,410</u>	<u>-</u>	<u>5,818,374</u>
Total capital assets, net	<u>\$ 5,891,596</u>	<u>109,410</u>	<u>-</u>	<u>6,001,006</u>

Changes to capital assets in 2012 consisted primarily of \$246,089 in upgrades to the water facilities, \$64,804 in upgrades to the sewer facilities, \$20,587 in additions to water meters, \$14,301 in additions to furniture and equipment, and upgrades in maintenance facilities of \$2,381.

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(4) Capital Assets, continued

Changes in capital assets for the year were as follows:

	<u>Balance 2010</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2011</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	918,355	19,450	-	937,805
Water facilities	5,206,868	91,027	-	5,297,895
Sewer facilities	2,729,738	-	-	2,729,738
Joint use facilities	130,969	-	-	130,969
Maintenance facilities	393,972	-	-	393,972
Water meters	585,008	9,104	-	594,112
Furniture and equipment	<u>320,500</u>	<u>25,837</u>	<u>-</u>	<u>346,337</u>
Total depreciable assets	<u>10,285,410</u>	<u>145,418</u>	<u>-</u>	<u>10,430,828</u>
Accumulated depreciation and amortization:				
Buildings	(388,441)	(28,781)	-	(417,222)
Water facilities	(1,918,609)	(91,173)	-	(2,009,782)
Sewer facilities	(1,003,834)	(52,719)	-	(1,056,553)
Joint use facilities	(96,580)	(3,019)	-	(99,599)
Maintenance facilities	(336,119)	(19,964)	-	(356,083)
Water meters	(446,552)	(26,251)	-	(472,803)
Furniture and equipment	<u>(307,167)</u>	<u>(2,655)</u>	<u>-</u>	<u>(309,822)</u>
Total accum depr. and amort.	<u>(4,497,302)</u>	<u>(224,562)</u>	<u>-</u>	<u>(4,721,864)</u>
Total depreciable assets, net	<u>5,788,108</u>	<u>(79,144)</u>	<u>-</u>	<u>5,708,964</u>
Total capital assets, net	<u>\$ 5,970,740</u>	<u>(79,144)</u>	<u>-</u>	<u>5,891,596</u>

Changes to capital assets in 2011 consisted primarily of \$91,027 in upgrades to the water facilities, \$25,837 in additions to furniture and equipment, \$19,450 upgrades to buildings and additions of water meters amounting to \$9,104.

(5) Note Receivable – State of California

Under the provisions of the State of California Proposition 1A and as part of the 2010 fiscal year State of California budget package passed by the California State Legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue apportioned to cities, counties and special districts. The State of California is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California State Legislature may consider only one additional borrowing within a ten-year period. The amount of the borrowing pertaining to the District was \$20,245 plus \$962 of accrued interest for a total of \$21,207 as of June 30, 2012. The borrowing by the State of California is recognized as a note receivable in the accompanying financial statements.

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(6) 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 2011</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2012</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 39,235	49,557	(44,534)	44,258	11,065	33,194
<u>Balance 2010</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2011</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 38,197	48,197	(47,159)	39,235	9,809	29,426

(7) 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. The following provision and long-term debt has been recorded on the District's financial statements as the District is making systematic pay-as-you-go payments to CalPERS each payroll period. The annual repayment schedule is as follows:

The future debt service requirements on the plan side fund are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 36,851	18,905	55,756
2014	39,712	16,044	55,756
2015	42,795	12,961	55,756
2016	46,117	9,639	55,756
2017	49,697	6,059	55,756
2018-2022	53,555	2,201	55,756
Total	268,727	65,808	334,535
Less: current portion	(36,851)		
Long-term portion	\$ 231,876		

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(8) Unrestricted Net Assets

Unrestricted net assets are comprised of the following:

	2012	2011
Non-spendable net assets:		
Materials and supplies inventory	\$ 49,703	49,691
Prepaid expenses	13,284	8,758
Total non-spendable net assets	62,987	58,449
Spendable net assets are designated as follows:		
Reserved for operations	2,783,362	3,099,638
Unrestricted	2,783,362	3,099,638
Total spendable net assets	2,783,362	3,099,638
Total unrestricted net assets	\$ 2,846,349	3,158,087

(9) 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.

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 2012, 2011 and 2010 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 2012, 2011 and 2010, the District's annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

Three Year Trend Information:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2009-2010	\$ 88,152	100%	-	19.119%
2010-2011	92,443	100%	-	20.331%
2011-2012	99,788	100%	-	21.231%

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(10) 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 2011 – who retire from the District after attainment of age 55 and with 15 years of service.

Employees hired on or after May 2011 – 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:

	2012	2011	2010
Active plan members	5	-	-
Retirees and beneficiaries receiving benefits	-	-	-
Separated plan members entitled to but not yet receiving benefits	-	-	-
	5	-	-

* There are no plan participants for fiscal years 2011 and 2010 as the plan was adopted in May 2011.

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 2012 ARC rate is 9.65% of the annual covered payroll.

In June 2012, the District partially pre-funded the cost of the post-employment benefit plan and maintains reserves (and records a 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, 2012 and 2011

(10) Other Post-Employment Benefits, continued

Annual Cost

For the year ended June 30, 2012, the District's ARC cost is \$45,300. The District's net OPEB payable obligation amounted to \$0 for the year ended June 30, 2012. The District contributed \$45,300 in age adjusted contributions and premiums for current retiree OPEB premiums for the year ended June 30, 2012.

The balance at June 30, consists of the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 45,300	-	-
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	45,300	-	-
Change in net OPEB payable obligation:			
Age adjusted contributions made	(45,300)	-	-
Total change in net OPEB payable obligation	-	-	-
OPEB payable – beginning of year	-	-	-
OPEB payable – end of year	\$ -	-	-

* There are no plan participants for fiscal years 2011 and 2010 as the plan was adopted in May 2011.

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 2012 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>
2012	\$ 45,300	-	45,300	100.00%	\$ -
2011	-	-	-	0.00%	-
2010	-	-	-	0.00%	-

* Plan was adopted in May 2011.

The most recent valuation (dated July 1, 2010) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,527,612. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2011 was estimated at \$2,267,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 58.37%.

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, 2012 and 2011

(10) 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%

(11) 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, 2012, 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 \$1,000,000, combined single limit at \$1,000,000 per occurrence. The District purchased additional excess coverage layers: \$59 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 and theft, disappearance and destruction 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 have a \$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.
- 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, 2012, 2011 and 2010. 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, 2012, 2011, and 2010, respectively

Westborough Water District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Years Ended June 30, 2012 and 2011

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2012, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 60

In November 2010, the GASB issued Statement No.60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard address how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 61

In November 2010, the GASB issued Statement No.61, *The Financial Reporting Entity, Omnibus*. This standard is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and local Governments*. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 62

In November 2010, the GASB issued Statement No.62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard is designed to allow those who prepare or audit financial statements, or reference standards for state and local governments, to access the applicable guidance with greater ease and certainty. The guidance contained in Statement 62 brings the top category of authoritative governmental accounting and financial reporting literature—"category (a)" GAAP—together in a single publication. The guidance generally has been taken "as-is" from the original FASB and AICPA pronouncements, though a few provisions have been modified where necessary to relate specifically to the governmental environment. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 63

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement is effective for financial statements for periods beginning after December 15, 2011. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 64

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This standard is designed to improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or swap counterparty's credit support provider, is replaced. This statement is effective for financial statements for periods beginning after December 15, 2011. 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, 2012 and 2011

(12) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 65

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 66

In March 2012, the GASB issued Statement No. 66 – *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

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 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, 2012 and 2011

(13) 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.

(14) Subsequent Event

Events occurring after June 30, 2012 have been evaluated for possible adjustment to the financial statements or disclosure as of December 31, 2012, which is the date the financial statements were available to be issued.

< Page Intentionally Left Blank >

Required Supplementary Information

Westborough Water District
Schedule of Funding Status – Other Post-Employment Benefits Payable
For the Fiscal Year Ended June 30, 2012 and 2011

Funded Status and Funding Progress of the Plan

Required Supplemental Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2011	45,300	472,700	427,400	9.58%	469,500	91.03%

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 2014 based on the year ending June 30, 2013.

< Page Intentionally Left Blank >

Supplemental Information

Westborough Water District
Combining Schedule of Net Assets
For the Fiscal Years Ended June 30, 2012

<i>Assets</i>	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Current assets:			
Cash and cash equivalents	\$ 2,831,285	996,229	3,827,514
Cash and cash equivalents – restricted	770,060	-	770,060
Accrued interest receivable	3,131	-	3,131
Accrued interest receivable – restricted	630	-	630
Accounts receivable – water sales and services, net	342,072	14,665	356,737
Accounts receivable – other	3,819	-	3,819
Property tax receivable	52,687	-	52,687
Materials and supplies inventory	49,703	-	49,703
Prepaid expenses and other deposits	13,284	-	13,284
Total current assets	<u>4,066,671</u>	<u>1,010,894</u>	<u>5,077,565</u>
Non-current assets:			
Note receivable – property tax from state	21,207	-	21,207
Capital assets – not being depreciated	182,632	-	182,632
Capital assets – being depreciated, net	<u>4,133,486</u>	<u>1,684,888</u>	<u>5,818,374</u>
Total non-current assets	<u>4,337,325</u>	<u>1,684,888</u>	<u>6,022,213</u>
Total assets	<u>\$ 8,403,996</u>	<u>2,695,782</u>	<u>11,099,778</u>
<hr/> <i>Liabilities and Net Assets</i> <hr/>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 145,144	-	145,144
Accrued sewer service charge	-	743,779	743,779
Deposits	279,825	-	279,825
Long-term liabilities – due within one year:			
Compensated absences	11,064	-	11,064
Pension-related debt	<u>36,851</u>	<u>-</u>	<u>36,851</u>
Total current liabilities	<u>472,884</u>	<u>743,779</u>	<u>1,216,663</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	33,194	-	33,194
Pension-related debt	<u>231,876</u>	<u>-</u>	<u>231,876</u>
Total non-current liabilities	<u>265,070</u>	<u>-</u>	<u>265,070</u>
Total liabilities	<u>737,954</u>	<u>743,779</u>	<u>1,481,733</u>
Net assets:			
Net investment in capital assets	4,316,118	1,684,888	6,001,006
Restricted for future capital facilities	770,690	-	770,690
Unrestricted	<u>2,579,234</u>	<u>267,115</u>	<u>2,846,349</u>
Total net assets	<u>7,666,042</u>	<u>1,952,003</u>	<u>9,618,045</u>
Total liabilities and net assets	<u>\$ 8,403,996</u>	<u>2,695,782</u>	<u>11,099,778</u>

See accompanying notes to the basic financial statements

Westborough Water District
Combining Schedule of Net Assets
For the Fiscal Years Ended June 30, 2011

<i>Assets</i>	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Current assets:			
Cash and cash equivalents	\$ 3,122,074	764,534	3,886,608
Cash and cash equivalents – restricted	949,225	-	949,225
Accrued interest receivable	4,208	-	4,208
Accrued interest receivable – restricted	1,052	-	1,052
Accounts receivable – water sales and services, net	280,178	16,989	297,167
Property tax receivable	61,108	-	61,108
Materials and supplies inventory	49,691	-	49,691
Prepaid expenses and other deposits	8,758	-	8,758
Total current assets	<u>4,476,294</u>	<u>781,523</u>	<u>5,257,817</u>
Non-current assets:			
Note receivable – property tax from state	20,802	-	20,802
Capital assets – not being depreciated	182,632	-	182,632
Capital assets – being depreciated, net	4,035,781	1,673,183	5,708,964
Total non-current assets	<u>4,239,215</u>	<u>1,673,183</u>	<u>5,912,398</u>
Total assets	<u>\$ 8,715,509</u>	<u>2,454,706</u>	<u>11,170,215</u>
<i>Liabilities and Net Assets</i>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 123,092	-	123,092
Accrued sewer service charge	-	740,468	740,468
Deposits	267,460	-	267,460
Long-term liabilities – due within one year:			
Compensated absences	9,809	-	9,809
Total current liabilities	<u>400,361</u>	<u>740,468</u>	<u>1,140,829</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	29,426	-	29,426
Total non-current liabilities	<u>29,426</u>	<u>-</u>	<u>29,426</u>
Total liabilities	<u>429,787</u>	<u>740,468</u>	<u>1,170,255</u>
Net assets:			
Net investment in capital assets	4,218,413	1,673,183	5,891,596
Restricted for future capital facilities	950,277	-	950,277
Unrestricted	3,117,032	41,055	3,158,087
Total net assets	<u>8,285,722</u>	<u>1,714,238</u>	<u>9,999,960</u>
Total liabilities and net assets	<u>\$ 8,715,509</u>	<u>2,454,706</u>	<u>11,170,215</u>

See accompanying notes to the basic financial statements

Westborough Water District
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2012

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
Operating revenues:			
Water consumption sales	\$ 1,932,106	-	1,932,106
Wastewater service	-	1,828,670	1,828,670
Other charges and services	30,159	-	30,159
Total operating revenues	<u>1,962,265</u>	<u>1,828,670</u>	<u>3,790,935</u>
Operating expenses:			
Salaries and benefits	383,087	-	383,087
Employee benefits	429,078	-	429,078
Payroll taxes	30,905	-	30,905
Water purchases	1,176,914	-	1,176,914
Utilities	99,378	39,853	139,231
System maintenance	64,577	10,919	75,496
Supplies and small tools	6,739	-	6,739
Special services	33,514	-	33,514
Technical communications	7,183	-	7,183
Vehicles	23,431	-	23,431
Treatment and disposal	-	1,487,032	1,487,032
General and administrative	532,820	-	532,820
Total operating expenses	<u>2,787,626</u>	<u>1,537,804</u>	<u>4,325,430</u>
Operating income(loss) before depreciation	(825,361)	290,866	(534,495)
Depreciation	(185,651)	(53,101)	(238,752)
Operating income(loss)	<u>(1,011,012)</u>	<u>237,765</u>	<u>(773,247)</u>
Non-operating revenue(expense)			
Property taxes	330,287	-	330,287
Interest and investment earnings	14,162	-	14,162
Other non-operating revenue	46,883	-	46,883
Total non-operating revenues, net	<u>391,332</u>	<u>-</u>	<u>391,332</u>
Change in net assets	<u>(619,680)</u>	<u>237,765</u>	<u>(381,915)</u>
Net assets, beginning of year	<u>8,285,722</u>	<u>1,714,238</u>	<u>9,999,960</u>
Net assets, end of year	<u>\$ 7,666,042</u>	<u>1,952,003</u>	<u>9,618,045</u>

See accompanying notes to the basic financial statements

Westborough Water District
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2011

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues:			
Water consumption sales	\$ 1,649,383	-	1,649,383
Wastewater service	-	1,816,156	1,816,156
Other charges and services	21,949	-	21,949
Total operating revenues	<u>1,671,332</u>	<u>1,816,156</u>	<u>3,487,488</u>
Operating expenses:			
Salaries and benefits	365,124	-	365,124
Employee benefits	107,765	-	107,765
Payroll taxes	26,038	-	26,038
Water purchases	866,793	-	866,793
Utilities	83,432	39,967	123,399
System maintenance	23,453	27,795	51,248
Supplies and small tools	6,263	-	6,263
Special services	26,189	-	26,189
Technical communications	7,144	-	7,144
Vehicles	16,273	-	16,273
Treatment and disposal	-	1,484,007	1,484,007
General and administrative	509,560	-	509,560
Total operating expenses	<u>2,038,034</u>	<u>1,551,769</u>	<u>3,589,803</u>
Operating income(loss) before depreciation	(366,702)	264,387	(102,315)
Depreciation	(171,842)	(52,720)	(224,562)
Operating income(loss)	<u>(538,544)</u>	<u>211,667</u>	<u>(326,877)</u>
Non-operating revenue(expense)			
Property taxes	324,333	-	324,333
Interest and investment earnings	15,006	-	15,006
Other non-operating revenue	49,084	-	49,084
Total non-operating revenues, net	<u>388,423</u>	<u>-</u>	<u>388,423</u>
Change in net assets	<u>(150,121)</u>	<u>211,667</u>	<u>61,546</u>
Net assets, beginning of year	<u>8,435,843</u>	<u>1,502,571</u>	<u>9,938,414</u>
Net assets, end of year	<u>\$ 8,285,722</u>	<u>1,714,238</u>	<u>9,999,960</u>

See accompanying notes to the basic financial statements

**Westborough Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2012**

	<u>Adopted Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:				
Water consumption sales	\$ 2,041,000	2,041,000	1,932,106	(108,894)
Wastewater service	1,810,141	1,810,141	1,828,670	18,529
Other charges and services	-	-	30,159	30,159
Total operating revenues	<u>3,851,141</u>	<u>3,851,141</u>	<u>3,790,935</u>	<u>(60,206)</u>
Operating expenses:				
Salaries and benefits	367,005	367,005	383,087	(16,082)
Employee benefits	123,763	123,763	429,078	(305,315)
Payroll taxes	28,231	28,231	30,905	(2,674)
Water purchases	1,187,012	1,187,012	1,176,914	10,098
Utilities	120,000	120,000	139,231	(19,231)
System maintenance	45,000	45,000	75,496	(30,496)
Supplies and small tools	6,000	6,000	6,739	(739)
Special services	24,100	24,100	33,514	(9,414)
Technical communications	7,050	7,050	7,183	(133)
Vehicles	15,000	15,000	23,431	(8,431)
Treatment and disposal	1,509,577	1,509,577	1,487,032	22,545
General and administrative	505,284	505,284	532,820	(27,536)
Total operating expenses	<u>3,938,022</u>	<u>3,938,022</u>	<u>4,325,430</u>	<u>(387,408)</u>
Operating loss before depreciation and amortization	(86,881)	(86,881)	(534,495)	(447,614)
Depreciation and amortization	<u>(266,500)</u>	<u>(266,500)</u>	<u>(238,752)</u>	<u>27,748</u>
Operating loss	<u>(353,381)</u>	<u>(353,381)</u>	<u>(773,247)</u>	<u>(419,866)</u>
Non-operating revenue(expense)				
Property taxes	290,000	290,000	330,287	40,287
Interest and investment earnings	23,009	23,009	14,162	(8,847)
Other non-operating revenue	44,600	44,600	46,883	2,283
Total non-operating revenues, net	<u>357,609</u>	<u>357,609</u>	<u>391,332</u>	<u>33,723</u>
Change in net assets	<u>\$ 4,228</u>	<u>4,228</u>	<u>(381,915)</u>	<u>(386,143)</u>
Net assets, beginning of year			<u>9,999,960</u>	
Net assets, end of year			<u>\$ 9,618,045</u>	

**Westborough Water District
Schedule of Capacity Charges
For the Year Ended June 30, 2012**

	Water	Sewer	Total
Beginning balance as of July 1, 2011	\$ 949,225	-	949,225
Capacity fees received	-	-	-
Total capacity charges	\$ 949,225	-	949,225

Public improvement expenditures for the fiscal year ended June 30, 2012 are as follows:

Public improvement projects	Project expenditures			Percentage complete	Project expenditures funded with the above fees	
	Water	Sewer	Total		Amount	Percentage
Skyline tank cathodic protection and inspection	\$ 79,995	-	79,995	100%	\$ 79,995	100%
Skyline tank mixer and electrical	37,386	-	37,386	100%	37,386	100%
Skyline pump station door replacement	1,390	-	1,390	100%	1,390	100%
District water and sewer map update	28,376	-	28,376	100%	28,376	100%
District-wide seismic study	12,100	-	12,100	100%	12,100	100%
Avalon pump replacement	18,963	-	18,963	100%	18,963	100%
Sampling station installation	955	-	955	100%	955	100%
Total expenditures	179,165	-	179,165			
Excess expenditures over fees	770,060	-	770,060			
Ending balance as of June 30, 2012	\$ 770,060	-	770,060			

See accompanying notes to the schedule of capacity charges

Report on Internal Controls and Compliance



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

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com
WEB www.czfcpa.com

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 the basic financial statements of the Westborough Water District (District) as of and for the Fiscal years ended June 30, 2012 and 2011, and have issued our report thereon dated December 31, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation
Cypress, California
December 31, 2012