

**Westborough Water District  
Annual Financial Report  
For the Fiscal Years Ended  
June 30, 2015 and 2014**



## *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, 2015**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Current Term</b>
Perry H. Bautista	President	Elected	11/2013-11/2017
David J. Irwin	Vice President	Elected	11/2015-11/2019
William O. Lopez	Director	Elected	11/2015-11/2019
Janet G. Medina	Director	Elected	11/2015-11/2019
Tom Chambers	Director	Elected	11/2013-11/2017

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

**Westborough Water District**

**Annual Financial Report**

**For the Fiscal Years Ended June 30, 2015 and 2014**

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**Table of Contents**

	<b><u>Page No.</u></b>
Table of Contents	i
<b>Introductory Section</b>	
Letter of Transmittal	1-3
<b>Financial Section</b>	
Independent Auditor’s Report	4-6
Management’s Discussion and Analysis	7-10
Basic Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13-14
Notes to the Basic Financial Statements	15-33
<b>Required Supplementary Information:</b>	
Schedule of District’s Proportionate Share of Net Pension Liability	34
Schedule of Pension Plan Contributions	35
Schedule of Funding Status – Other Post-Employment Benefits Obligation	36
<b>Supplemental Information:</b>	
Combining Schedule of Net Position – June 30, 2015	37
Combining Schedule of Net Position – June 30, 2014	38
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position for the Fiscal Year Ended June 30, 2015	39
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position for the Fiscal Year Ended June 30, 2014	40
Budgetary Comparison Schedule – June 30, 2015	41
Schedule of Capacity Charges	42
<b>Report on Internal Controls and Compliance</b>	
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>	43-44

# **Introductory Section**



November 17, 2015

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, 2015, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. The report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

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

## **District Structure and Leadership**

The Westborough Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Westborough Water District has been providing services to the residents within the district's boundaries since 1961. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Westborough Water District employs a full-time staff of 5 employees. The District's Board of Directors meets on the second Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend.

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

## **Economic Condition and Outlook**

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

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

## **Economic Condition and Outlook, (continued)**

Considering the District's ability to meet future water conservation requirements, particularly in the times of drought, the District approved Ordinance No. 64, prohibiting wasteful water use with the District's boundaries. In times of drought, wasteful water use practices constitute a potential threat to the District's ability to meet water conservation measures not only in times of drought, but at all times, is essential to ensure a reliable supply of water to meet current and future water supply needs.

## **Major Initiatives**

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

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

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

## **Internal Control Structure**

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

## **Budgetary Control**

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

## **Investment Policy**

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



## **Water and Sewer Rates and District Revenues**

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water and sewer rates are reviewed periodically. Water rates are user charges imposed on customers for services and are the primary component of the District's revenue. Water rates are composed of a commodity (usage) charge and a fixed (readiness-to-serve) charge. Sewer rates are based on customer's water consumption during January/February each year.

## **Water Conservation Programs**

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

- Mandatory Water Conservation Program
- Low-Flow Toilet Retrofit Program
- Hi-Efficiency Washers Program
- Water Usage Audit Program

## **Audit and Financial Reporting**

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

## **Risk Management**

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

## **Other References**

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

## **Acknowledgements**

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

Respectfully submitted,

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Darryl A. Barrow  
General Manager

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Patricia Mairena  
Assistant General Manager

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# **Financial Section**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
4204 Riverwalk Pkwy. Ste. 390  
Riverside, California 92505  
(951) 977-9888

### Independent Auditor's Report

Board of Directors  
Westborough Water District  
South San Francisco, California

#### Report on the Financial Statements

We have audited the accompanying financial statements of the Westborough Water District (District) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 financial statements are free from material misstatement.

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2015 and 2014, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report, (continued)**

### ***Implementation of New Accounting Standards***

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 10, and the Required Supplementary Information on pages 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section on pages 1 through 3, and the supplemental information on pages 37 through 42, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Independent Auditor's Report, continued**

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. This report can be found on pages 43 and 44.

*Fedak & Brown LLP*

**Fedak & Brown, LLP**  
Cypress, California  
November 17, 2015

**Westborough Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position decreased 3.16%, or \$306,126 to \$9,396,070 in fiscal year 2015, which was due primarily to a \$151,237 increase from operations, which was offset by a \$457,363 decrease related to the implementation of GASB 68. (See note 9 for further information). In 2014, the District's net position increased 0.24%, or \$23,616 to \$9,702,196, as a result of the year's operations.
- The District's operating revenues increased 8.22% or \$331,753 in fiscal year 2015. In 2014, the District's operating revenues increased 2.19% or \$86,476.
- The District's operating expenses increased 4.45% or \$189,633 in 2015. In 2014, the District's operating expenses increased 2.88% or \$119,319.

**Required Financial Statements**

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

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

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

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.



**Westborough Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Financial Analysis of the District, (continued)**

These two statements report the District's *net position* and changes in them. You can think of the District's net position (the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 33.

**Statements of Net Position**

<b>Condensed Statements of Net Position</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 5,496,840	5,182,671	314,169
Capital assets, net	5,815,240	5,817,675	(2,435)
Total assets	11,312,080	11,000,346	311,734
<b>Deferred outflows of resources</b>	60,470	-	311,734
<b>Liabilities:</b>			
Current liabilities	1,436,913	1,259,639	177,274
Non-current liabilities	407,178	38,511	368,667
Total liabilities	1,844,091	1,298,150	545,941
<b>Deferred inflows of resources</b>	132,389	-	545,941
<b>Net position:</b>			
Net investment in capital assets	5,815,240	5,817,675	(2,435)
Restricted for capital projects	579,349	709,652	(130,303)
Unrestricted	3,001,481	3,174,869	(173,388)
<b>Total net position</b>	\$ 9,396,070	9,702,196	(306,126)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$9,396,070 and \$9,702,196 as of June 30, 2015 and 2014, respectively.

By far the largest portion of the District's net position (62% and 60% as of June 30, 2015 and 2014, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District had no outstanding long-term debt at June 30, 2015 and 2014, 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 2015 and 2014, the District showed a positive balance in its unrestricted net position of \$3,001,481 and \$3,174,869, 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, 2015 and 2014**

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

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Revenues:</b>			
Operating revenues	\$ 4,369,409	4,037,656	331,753
Non-operating revenues	<u>479,329</u>	<u>498,650</u>	<u>(19,321)</u>
Total revenues	<u>4,848,738</u>	<u>4,536,306</u>	<u>312,432</u>
<b>Expenses:</b>			
Operating expenses	4,454,602	4,264,969	189,633
Depreciation	<u>242,899</u>	<u>247,721</u>	<u>(4,822)</u>
Total expenses	<u>4,697,501</u>	<u>4,512,690</u>	<u>184,811</u>
<b>Change in net position</b>	<u>151,237</u>	<u>23,616</u>	<u>127,621</u>
<b>Net position, beginning of year</b>	9,702,196	9,678,580	23,616
<b>Prior period adjustment</b>	(457,363)	-	(457,363)
<b>Net position, beginning of year – as restated</b>	<u>9,244,833</u>	<u>9,678,580</u>	<u>(433,747)</u>
<b>Net position, end of year</b>	<u>\$ 9,396,070</u>	<u>9,702,196</u>	<u>(306,126)</u>

The statements of revenues, expenses and changes of net position show how the District's net position changed during the fiscal years. In the case of the District, net position in fiscal year 2015 decreased by \$306,126, due primarily to a \$151,237 increase from operations, which was offset by a \$457,363 decrease related to the implementation of GASB 68. (See note 9 for further information). In fiscal year 2014, net position increased by \$23,616 as a result of the year's operations.

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

In 2015, the District's total revenues increased by \$312,432, primarily due to the net effect of increases in wastewater service revenue of \$302,968, water consumption sales of \$31,523, and property taxes of \$31,995, which were offset by a decrease in non-operating revenue in the amount of \$52,263, as the result of current year operations. Additionally, total expenses increased by \$184,811 primarily due to the net effect of increases in general and administrative expenses of \$258,747, treatment and disposal expense of \$148,700, which was offset by a net decrease in salaries and benefits and employee benefits of \$223,354, as result of the current-year re-allocation of labor expenses to the general and administrative category.

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

**Westborough Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Capital Asset Administration**

At the end of fiscal year 2014 and 2013, the District's investment in capital assets amounted to \$5,815,240 and \$5,817,675, 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 buildings, water facilities, and sewer facilities.

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

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Capital assets:				
Non-depreciable assets	\$ 182,632	57,390	(14,994)	225,028
Depreciable assets	11,089,547	199,183	(43,006)	11,245,724
Accumulated depreciation	<u>(5,454,504)</u>	<u>(242,899)</u>	<u>41,891</u>	<u>(5,655,512)</u>
Total capital assets, net	<u>\$ 5,817,675</u>	<u>13,674</u>	<u>(16,109)</u>	<u>5,815,240</u>
	<u>Balance 2013</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2014</u>
Capital assets:				
Non-depreciable assets	\$ 182,632	-	-	182,632
Depreciable assets	10,955,444	134,103	-	11,089,547
Accumulated depreciation	<u>(5,206,783)</u>	<u>(247,721)</u>	<u>-</u>	<u>(5,454,504)</u>
Total capital assets, net	<u>\$ 5,931,293</u>	<u>(113,618)</u>	<u>-</u>	<u>5,817,675</u>

**Conditions Affecting Current Financial Position**

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

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Darryl A. Barrow, General Manager of Westborough Water District, 2263 Westborough Blvd., South San Francisco, CA 94083-2747.

# **Basic Financial Statements**

**Westborough Water District**  
**Statements of Net Position**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 4,410,412	3,991,246
Cash and cash equivalents – restricted (note 2)	578,765	709,312
Accrued interest receivable	2,489	1,910
Accrued interest receivable – restricted	584	340
Accounts receivable – water sales and services, net (note 3)	431,084	405,424
Property tax receivable	4,482	4,066
Materials and supplies inventory	56,712	57,237
Prepaid expenses and other deposits	12,312	13,136
Total current assets	5,496,840	5,182,671
<b>Non-current assets:</b>		
Capital assets – not being depreciated (note 4)	225,029	182,632
Capital assets – being depreciated, net (note 4)	5,590,211	5,635,043
Total non-current assets	5,815,240	5,817,675
<b>Total assets</b>	11,312,080	11,000,346
<b>Deferred outflows of resources:</b>		
Deferred pension outflows (note 7)	60,470	-
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	211,685	136,169
Accrued sewer service charge	875,482	797,433
Deposits	337,558	313,200
Long-term liabilities – due within one year:		
Compensated absences (note 5)	12,188	12,837
Total current liabilities	1,436,913	1,259,639
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	36,563	38,511
Net pension liability (note 7)	370,615	-
Total non-current liabilities	407,178	38,511
<b>Total liabilities</b>	1,844,091	1,298,150
<b>Deferred inflows of resources:</b>		
Deferred pension inflows (note 7)	132,389	-
<b>Net position:</b>		
Net investment in capital assets	5,815,240	5,817,675
Restricted for capital projects	579,349	709,652
Unrestricted (note 8)	3,001,481	3,174,869
<b>Total net position</b>	\$ 9,396,070	9,702,196

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Operating revenues:</b>		
Water consumption sales	\$ 2,115,071	2,083,548
Wastewater service	2,231,104	1,928,136
Other charges and services	23,234	25,972
Total operating revenues	4,369,409	4,037,656
<b>Operating expenses:</b>		
Salaries and benefits	247,075	418,717
Employee benefits	65,380	117,092
Payroll taxes	19,433	28,607
Water purchases	1,259,699	1,243,158
Utilities	161,937	166,326
System maintenance	24,445	32,197
Supplies and small tools	8,945	12,151
Special services	42,810	29,636
Technical communications	5,526	5,441
Vehicles	20,010	19,749
Treatment and disposal	1,743,350	1,594,650
General and administrative	855,992	597,245
Total operating expenses	4,454,602	4,264,969
Operating loss before depreciation	(85,193)	(227,313)
Depreciation	(242,899)	(247,721)
<b>Operating loss</b>	<b>(328,092)</b>	<b>(475,034)</b>
<b>Non-operating revenue(expense)</b>		
Property taxes	396,510	364,515
Interest and investment earnings	13,299	12,352
Other non-operating revenue	69,520	121,783
Total non-operating revenues, net	479,329	498,650
<b>Change in net position</b>	<b>151,237</b>	<b>23,616</b>
<b>Net position, beginning of year</b>	<b>9,702,196</b>	<b>9,678,580</b>
<b>Prior period adjustment (note 9)</b>	<b>(457,363)</b>	<b>-</b>
<b>Net position, beginning of year – as restated</b>	<b>9,244,833</b>	<b>-</b>
<b>Net position, end of year</b>	<b>\$ 9,396,070</b>	<b>9,702,196</b>

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 4,343,749	4,037,656
Cash paid to vendors and suppliers for materials and services	(3,536,618)	(3,536,757)
Cash paid to employees for salaries and wages	(664,156)	(637,831)
Net cash provided by (used in) operating activities	142,975	(136,932)
Cash flows from non-capital financing activities:		
Proceeds from property taxes	396,094	364,515
Net cash provided by non-capital financing activities	396,094	364,515
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(264,572)	(134,103)
Net cash used in capital and related financing activities	(264,572)	(134,103)
Cash flows from investing activities:		
Interest and investment earnings	14,122	12,802
Net cash provided by investing activities	14,122	12,802
<b>Net increase in cash and cash equivalents</b>	288,619	106,282
Cash and cash equivalents, beginning of year	4,700,558	4,594,276
Cash and cash equivalents, end of year	\$ 4,989,177	4,700,558
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 4,410,412	3,991,246
Cash and cash equivalents – restricted	578,765	709,312
Total cash and cash equivalents	\$ 4,989,177	4,700,558

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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (328,092)	(475,034)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	242,899	247,721
Other non-operating, net	69,520	121,783
Change in assets – (increase) decrease:		
Accounts receivable – sales and services, net	(25,660)	(6,926)
Property tax receivable	(416)	(4,066)
Materials and supplies inventory	525	6,319
Prepaid expenses and other deposits	824	107
Changes in deferred outflows – (increase) decrease:	11,439	-
Change in liabilities – increase (decrease):		
Accounts payable and accrued expenses	153,565	(49,308)
Deposits	24,358	17,368
Compensated absences	(2,597)	5,104
Net pension liability	(135,779)	-
Changes in deferred inflows – increase (decrease):	132,389	-
Total adjustments	471,067	338,102
Net cash provided by (used in) operating activities	\$ 142,975	(136,932)
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ 1,730	1,283

See accompanying notes to the basic financial statements



**Westborough Water District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

**Reporting Entity**

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

**Basis of Accounting and Measurement Focus**

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

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

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

**Financial Reporting**

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

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

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

***Governmental Accounting Standards Board 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.

**Westborough Water District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

**Financial Reporting, (continued)**

*Governmental Accounting Standards Board Statement No. 69 – Government Combinations and Disposals of Government Operations.* The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. At June 30, 2015, there was no impact to the District's financial statements related to the adoption of this Statement.

*Governmental Accounting Standards Board Statement No. 71 – Government Combinations and Disposals of Government Operations.* The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

**Prior Year Financial Data Presentation**

The District has determined to present the annual financial statements with prior year data for comparative purposes. The District has not restated comparative prior year data with regard to GASB 68 and 71, the prior year data as all information available to restate prior year amounts was not readily available. Please see note 9 for further information.

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

**Investments and Investment Policy**

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

**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.

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

**Property Taxes and Assessments**

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

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

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

**Prepaid Expenses**

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

**Inventory**

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

**Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$500. Contributed assets are recorded at estimated fair market value at the date of contribution. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

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

**Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of resources applicable to future periods.

**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.

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

**Compensated Absences, (continued)**

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, 2015:

<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)

**Pensions**

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

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

- Valuation Date: June 30, 2013
- Measurement Date: June 30, 2014
- Measurement Period: July 1, 2013 to June 30, 2014

**Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

**Deposit Connection Fees**

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

**Water and Sewer Sales**

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

**Capital Contributions**

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

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

**Net Position**

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

- *Net Investment in Capital Assets* – Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – Unrestricted consists of any remaining balance of the District’s net position that do not meet the definition of “restricted” or “net investment in capital assets”.

**Budgetary Policies**

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

**Reclassification**

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

**Note 2 – Cash and Investments**

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

	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 4,410,412	3,991,246
Cash and cash equivalents – restricted	578,765	709,312
Total cash and cash equivalents	\$ 4,989,177	4,700,558

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

	<b>2015</b>	<b>2014</b>
Cash on hand	\$ 600	600
Deposits with financial institutions	241,075	262,433
Deposits held with California Local Agency Investment Fund (LAIF)	4,747,502	4,437,525
Total cash and investments	\$ 4,989,177	4,700,558

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

	<b>2015</b>	<b>2014</b>
Deposits held with California Local Agency Investment Fund (LAIF)	239 days	232 days

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

***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.

***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.

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

The balance at June 30, consists of the following:

	<b>2015</b>	<b>2014</b>
Accounts receivable – water sales and services	\$ 432,084	406,424
Allowance for uncollectible accounts	(1,000)	(1,000)
Accounts receivable – water sales, net	\$ 431,084	405,424

**Note 4 – Capital Assets**

Changes in capital assets for the year were as follows:

	<b>Balance 2014</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>Balance 2015</b>
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Construction in progress	-	57,390	(14,994)	42,396
Total non-depreciable assets	182,632	57,390	(14,994)	225,028
Depreciable assets:				
Buildings	954,855	27,950	(4,785)	978,020
Water facilities	5,709,710	73,964	(11,348)	5,772,326
Sewer facilities	2,823,268	83,478	(4,008)	2,902,738
Joint use facilities	132,113	-	(818)	131,295
Maintenance facilities	455,943	784	(4,715)	452,012
Water meters	629,128	11,432	(5,026)	635,534
Furniture and equipment	384,530	1,575	(12,306)	373,799
Total depreciable assets	11,089,547	199,183	(43,006)	11,245,724
Accumulated depreciation:				
Buildings	(501,044)	(30,981)	4,785	(527,240)
Water facilities	(2,353,756)	(113,984)	11,348	(2,456,392)
Sewer facilities	(1,217,673)	(58,664)	4,008	(1,272,329)
Joint use facilities	(106,940)	(2,827)	818	(108,949)
Maintenance facilities	(400,759)	(7,508)	4,715	(403,552)
Water meters	(539,673)	(18,939)	3,911	(554,701)
Furniture and equipment	(334,659)	(9,996)	12,306	(332,349)
Total accumulated depreciation	(5,454,504)	(242,899)	41,891	(5,655,512)
Total depreciable assets, net	5,635,043	(43,716)	(1,115)	5,590,212
Total capital assets, net	\$ 5,817,675	13,674	(16,109)	5,815,240

Changes to capital assets in 2015 consisted primarily of \$83,478 in upgrades to sewer facilities, \$73,964 in upgrades to the water facilities, \$27,950 in upgrades to buildings, \$11,432 in additions to water meters, \$1,575 in additions to furniture and equipment, and \$784 in upgrades to maintenance facilities.

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 4 – Capital Assets, (continued)**

Changes in capital assets for the year were as follows:

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

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

**Note 5 – Compensated Absences**

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

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

	<u>Balance 2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2015</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>51,348</u>	<u>57,681</u>	<u>(60,278)</u>	<u>48,751</u>	<u>12,188</u>	<u>36,563</u>
	<u>Balance 2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance 2014</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$	<u>44,243</u>	<u>55,460</u>	<u>(48,355)</u>	<u>51,348</u>	<u>12,837</u>	<u>38,511</u>



**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 6 – Other Post-Employment Benefits**

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

***Plan Description – Eligibility***

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

Employees hired before May 1, 2011, who retire from the District after attainment of age 55 and with 15 years of service.

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

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Active plan members	5	5	5
Retirees and beneficiaries receiving benefits	-	-	-
Separated plan members entitled to but not yet receiving benefits	-	-	-
	<b>5</b>	<b>5</b>	<b>5</b>
	<b>5</b>	<b>5</b>	<b>5</b>

***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 2015 ARC rate is 5.89% of the annual covered payroll.

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

***Annual Cost***

For the year ended June 30, 2015, the District’s ARC cost is \$41,935. The District’s net OPEB payable obligation amounted to \$0 for the year ended June 30, 2015. The District contributed \$39,100 in age adjusted contributions and premiums for current retiree OPEB premiums for the year ended June 30, 2015.

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 6 – Other Post-Employment Benefits, (continued)**

*Annual Cost, (continued)*

The balance at June 30, consists of the following:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 41,935	40,541	50,193
Interest on net OPEB obligation	(2,835)	(2,741)	(3,393)
Adjustment to annual required contribution	-	-	-
Total annual OPEB expense	39,100	37,800	46,800
Change in net OPEB payable obligation:			
Age adjusted contributions made	(39,100)	(37,800)	(46,800)
Total change in net OPEB payable obligation	-	-	-
OPEB payable – beginning of year	-	-	-
OPEB payable – end of year	\$ -	-	-

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 2015 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>
2015	\$ 41,935	-	39,100	100.00%	\$ -
2014	40,541	-	37,800	100.00%	-
2013	50,193	-	46,800	100.00%	-

The most recent valuation (dated June 30, 2013, includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$388,400. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was estimated at \$388,400. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 67.18%.

***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, 2015 and 2014**

**Note 6 – Other Post-Employment Benefits, (continued)**

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	30 year smoothed market
Actuarial assumptions:	
Discount rate	7.25%
Inflation–discount rate	5.00%

**Note 7 – Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the District’s separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

***Benefits Provided***

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

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

The Plans’ provision and benefits in effect at June 30, 2015 are summarized as follows:

	<b>Miscellaneous Plan</b>	
	<b>Tier 1</b>	<b>Tier 2</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	11.032%	6.25%

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 7 – Defined Benefit Pension Plan, (continued)**

As of June 30, 2015, an actuarial report was not prepared by CalPERS for the District’s PEPRA tier. CalPERS made this determination as a result of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions recognized as part of pension expense for the Plan was as follows:

	<b>Miscellaneous Plan</b>
	<b>2015</b>
Contributions – employer	\$ 60,470
Contributions – employee (paid by employer)	5,481
Total employer paid contributions	\$ 65,951

**Net Pension Liability**

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

	<b>Proportionate Share of Pension Liability</b>
	<b>2015</b>
Miscellaneous Plan	\$ 370,615

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	<b>Miscellaneous Plan</b>
Proportion – June 30, 2013	0.00628%
Proportion – June 30, 2014	0.00596%
Change – Increase (Decrease)	-0.00032%

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 7 – Defined Benefit Pension Plan, (continued)**

*Net Pension Liability, (continued)*

As a result of the implementation of the GASB 68 pronouncement, the District recognized pension expense of \$45,641 at June 30, 2015.

*Deferred Pension Outflows (Inflows) of Resources*

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 60,470	-
Net differences between projected and actual earnings on plan investments of the net pension liability	-	(124,544)
Adjustment due to differences in proportions of the net pension liability	-	(7,845)
Total	<u>\$ 60,470</u>	<u>(132,389)</u>

As of June 30 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$60,470 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$ (33,938)
2017	(33,938)
2018	(33,377)
2019	(31,136)
2020	-
Thereafter	-

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 7 – Defined Benefit Pension Plan, (continued)**

***Actuarial Assumptions***

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

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

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. Further details of the Experience Study can be found on the CalPERS website.

***Discount Rate***

The Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

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

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 7 – Defined Benefit Pension Plan, (continued)**

*Discount Rate, (continued)*

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

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

The following table presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Discount Rate – 1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate + 1% (8.50%)</u>
District's Net Pension Liability \$	<u>660,321</u>	<u>370,615</u>	<u>130,186</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 34 through 35 for the Required Supplementary Schedules.

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 8 – Unrestricted Net Position**

Unrestricted net position is comprised of the following:

	<b>2015</b>	<b>2014</b>
Non-spendable net assets:		
Materials and supplies inventory	\$ 56,712	57,237
Prepaid expenses	12,312	13,136
Total non-spendable net assets	69,024	70,373
Spendable net assets are designated as follows:		
Reserved for operations	2,932,457	3,104,496
Unrestricted	2,932,457	3,104,496
Total spendable net position	2,932,457	3,104,496
Total unrestricted net position	\$ 3,001,481	3,174,869

**Note 9 – Adjustment to Net Position**

**Net Pension Liability – GASB 68 Implementation**

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability. As a result of the implementation, the District recognized the pension liability and recorded a prior period adjustment, a (decrease) to net position, of \$506,394 at July 1, 2014. The District recorded a prior period adjustment, increase to net position, to reclassify from expense to deferred outflows of resources, the prior year’s proportionate share of employer pension of \$49,031 at July 1, 2014.

The adjustment to net position is as follows:

Net position at June 30, 2014, as previously stated	\$ 9,702,196
Effect of adjustment to record net pension liability	\$ (506,394)
Effect of adjustment to record deferred pension outflows	49,031
Total adjustment to net position	(457,363)
Net position at July 1, 2014, as previously stated	\$ 9,244,833

**Note 10 – Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2015, the District participated in the liability, property, and workers’ compensation programs of the ACWA/JPIA as follows:

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



**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

**Note 10 – Risk Management, (continued)**

In addition to the coverage on page 30, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$100,000 per loss includes public employee dishonesty, forgery or alteration, theft, and disappearance coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$150 million per occurrence, subject to a \$2,500 deductible per occurrence. Mobile equipment and vehicles, on file, are paid on actual cost value basis at time of loss and subject to \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$150 million per occurrence, subject to various deductibles depending on the type of equipment, on file.
- Workers' compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2015, 2014 and 2013. 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, 2015, 2014, and 2013, respectively.

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 72***

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. 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. 73***

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

**Westborough Water District**  
**Notes to the Basic Financial Statements, (continued)**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

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

***Governmental Accounting Standards Board Statement No. 73, continued***

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. 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. 74***

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. 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. 75***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. 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, 2015 and 2014**

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

***Governmental Accounting Standards Board Statement No. 76***

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

***Governmental Accounting Standards Board Statement No. 77***

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

**Note 12 – Commitments and Contingencies**

***Litigation***

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

**Note 13 – Subsequent Event**

Events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure as of November 17, 2015, which is the date the financial statements were available to be issued.

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## **Required Supplementary Information**



**Westborough Water District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**As of June 30, 2015**  
**Last Ten Years\***

<u>Description</u>	<u>Measurement Date</u> <u>6/30/2014 (a)</u>
District's Proportion of the Net Pension Liability	0.00596%
District's Proportionate Share of the Net Pension Liability	\$ 370,615
District's Covered-Employee Payroll (b)	\$ 518,567
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	71.47%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.15%

**Notes:**

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.

\* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

**Westborough Water District**  
**Schedule of Pension Plan Contributions**  
**As of June 30, 2015**  
**Last Ten Years\***

<b>Schedule of Pension Plan Contributions (a):</b>	<b>Fiscal Year 2013-2014</b>
Actuarially Determined Contribution (b)	\$ 54,569
Contributions in Relation to the Actuarially Determined Contribution (b)	(54,569)
Contribution Deficiency (Excess)	\$ -
Covered Payroll (c), (d)	\$ 518,567
Contribution's as a percentage of Covered-employee Payroll (c)	10.52%

**Notes:**

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
- (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
- (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
- (d) Payroll from prior year (\$651,021) was assumed to increase by the 3.00 percent payroll growth assumption.

\* Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.



**Westborough Water District**  
**Schedule of Funding Status – Other Post-Employment Benefits Payable**  
**For the Fiscal Year Ended June 30, 2015 and 2014**

*Funded Status and Funding Progress of the Plan*

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets ( a )</b>	<b>Actuarial Accrued Liability ( b )</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) ( b-c )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll (( b-a )/c )</b>
6/30/2013	\$ 39,100	485,300	388,400	8.06%	\$ 664,156	67.18%

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

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## **Supplemental Information**



**Westborough Water District  
Combining Schedule of Net Position  
For the Fiscal Years Ended June 30, 2015**

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
<b>Current assets:</b>			
Cash and cash equivalents	\$ 2,525,603	1,884,809	4,410,412
Cash and cash equivalents – restricted	578,765	-	578,765
Accrued interest receivable	2,489	-	2,489
Accrued interest receivable – restricted	584	-	584
Accounts receivable – water sales and services, net	351,328	79,756	431,084
Property tax receivable	4,482	-	4,482
Materials and supplies inventory	56,712	-	56,712
Prepaid expenses and other deposits	12,312	-	12,312
Total current assets	<u>3,532,275</u>	<u>1,964,565</u>	<u>5,496,840</u>
<b>Non-current assets:</b>			
Capital assets – not being depreciated	225,029	-	225,029
Capital assets – being depreciated, net	3,959,803	1,630,408	5,590,211
Total non-current assets	<u>4,184,832</u>	<u>1,630,408</u>	<u>5,815,240</u>
<b>Total assets</b>	<u>7,717,107</u>	<u>3,594,973</u>	<u>11,312,080</u>
<b>Deferred outflows of resources</b>			
Deferred pension outflows	60,470	-	60,470
<b>Total deferred outflows of resources</b>	<u>60,470</u>	<u>-</u>	<u>60,470</u>
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	211,685	-	211,685
Accrued sewer service charge	-	875,482	875,482
Deposits and unearned revenue	337,558	-	337,558
Long-term liabilities – due within one year:			
Compensated absences	12,188	-	12,188
Total current liabilities	<u>561,431</u>	<u>875,482</u>	<u>1,436,913</u>
<b>Non-current liabilities:</b>			
Long-term liabilities – due in more than one year:			
Compensated absences	36,563	-	36,563
Net pension liability	370,615	-	370,615
Total non-current liabilities	<u>407,178</u>	<u>-</u>	<u>407,178</u>
<b>Total liabilities</b>	<u>968,609</u>	<u>875,482</u>	<u>1,844,091</u>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	132,389	-	132,389
<b>Total deferred inflows of resources</b>	<u>132,389</u>	<u>-</u>	<u>132,389</u>
<b>Net position:</b>			
Net investment in capital assets	4,184,832	1,630,408	5,815,240
Restricted for future capital facilities	579,349	-	579,349
Unrestricted	1,912,398	1,089,083	3,001,481
<b>Total net position</b>	<u>\$ 6,676,579</u>	<u>2,719,491</u>	<u>9,396,070</u>

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements

**Westborough Water District**  
**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2015**

	<b>Enterprise Funds</b>		<b>Total</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	
Operating revenues:			
Water consumption sales	\$ 2,115,071	-	2,115,071
Wastewater service	-	2,231,104	2,231,104
Other charges and services	23,234	-	23,234
Total operating revenues	<u>2,138,305</u>	<u>2,231,104</u>	<u>4,369,409</u>
Operating expenses:			
Salaries and benefits	247,075	-	247,075
Employee benefits	65,380	-	65,380
Payroll taxes	19,433	-	19,433
Water purchases	1,259,699	-	1,259,699
Utilities	91,011	70,926	161,937
System maintenance	22,219	2,226	24,445
Supplies and small tools	8,945	-	8,945
Special services	42,810	-	42,810
Technical communications	5,526	-	5,526
Vehicles	20,010	-	20,010
Treatment and disposal	-	1,743,350	1,743,350
General and administrative	853,241	2,751	855,992
Total operating expenses	<u>2,635,349</u>	<u>1,819,253</u>	<u>4,454,602</u>
Operating income(loss) before depreciation	(497,044)	411,851	(85,193)
Depreciation	(184,235)	(58,664)	(242,899)
<b>Operating income(loss)</b>	<u>(681,279)</u>	<u>353,187</u>	<u>(328,092)</u>
Non-operating revenue(expense)			
Property taxes	396,510	-	396,510
Interest and investment earnings	13,299	-	13,299
Other non-operating revenue	69,520	-	69,520
Total non-operating revenues, net	<u>479,329</u>	<u>-</u>	<u>479,329</u>
<b>Change in net position</b>	<u>(201,950)</u>	<u>353,187</u>	<u>151,237</u>
Net position, beginning of year	<u>7,335,892</u>	<u>2,366,304</u>	<u>9,702,196</u>
Prior period adjustment	(457,363)	-	(457,363)
Net position, beginning of year – as restated	<u>7,335,892</u>	<u>2,366,304</u>	<u>9,702,196</u>
Net position, end of year	<u>\$ 6,676,579</u>	<u>2,719,491</u>	<u>9,396,070</u>

See accompanying notes to the basic financial statements

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

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

See accompanying notes to the basic financial statements



**Westborough Water District  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2015**

	<b>Adopted Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>Operating revenues:</b>				
Water consumption sales	\$ 2,346,010	2,346,010	2,115,071	(230,939)
Wastewater service	2,154,281	2,154,281	2,231,104	76,823
Other charges and services	-	-	23,234	23,234
Total operating revenues	<u>4,500,291</u>	<u>4,500,291</u>	<u>4,369,409</u>	<u>(130,882)</u>
<b>Operating expenses:</b>				
Salaries and benefits	228,460	228,460	247,075	(18,615)
Employee benefits	79,818	79,818	65,380	14,438
Payroll taxes	17,632	17,632	19,433	(1,801)
Water purchases	1,468,263	1,468,263	1,259,699	208,564
Utilities	157,151	157,151	161,937	(4,786)
System maintenance	45,000	45,000	24,445	20,555
Supplies and small tools	7,000	7,000	8,945	(1,945)
Special services	27,600	27,600	42,810	(15,210)
Technical communications	7,325	7,325	5,526	1,799
Vehicles	20,000	20,000	20,010	(10)
Treatment and disposal	1,783,802	1,783,802	1,743,350	40,452
General and administrative	828,630	828,630	855,992	(27,362)
Total operating expenses	<u>4,670,681</u>	<u>4,670,681</u>	<u>4,454,602</u>	<u>216,079</u>
Operating loss before depreciation and amortization	(170,390)	(170,390)	(85,193)	85,197
Depreciation and amortization	<u>(252,931)</u>	<u>(252,931)</u>	<u>(242,899)</u>	<u>10,032</u>
<b>Operating loss</b>	<u>(423,321)</u>	<u>(423,321)</u>	<u>(328,092)</u>	<u>95,229</u>
<b>Non-operating revenue(expense)</b>				
Property taxes	358,000	358,000	396,510	38,510
Interest and investment earnings	20,234	20,234	13,299	(6,935)
Other non-operating revenue	47,800	47,800	69,520	21,720
Total non-operating revenues, net	<u>426,034</u>	<u>426,034</u>	<u>479,329</u>	<u>53,295</u>
<b>Change in net position</b>	<u>\$ 2,713</u>	<u>2,713</u>	<u>151,237</u>	<u>148,524</u>
Net position, beginning of year			9,702,196	
Prior period adjustment			<u>(457,363)</u>	
Net position, beginning of year – as restated			<u>9,244,833</u>	
Net position, end of year			<u>\$ 9,396,070</u>	

**Westborough Water District  
Schedule of Capacity Charges  
For the Year Ended June 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning balance as of July 1, 2014	\$ 613,882	95,430	709,312
Capacity fees received for the fiscal year ended June 30, 2015			
Storage and transmission fees	-	18,001	18,001
Total capacity charges	\$ <u>613,882</u>	<u>113,431</u>	<u>727,313</u>

Public improvement expenditures for the fiscal year ended June 30, 2015 are as follows:

<u>Public improvement projects</u>	<u>Project expenditures</u>			<u>Percentage complete</u>	<u>Project expenditures funded with the above fees</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>		<u>Amount</u>	<u>Percentage</u>
Skyline Storage Building Modification	\$ 26,781	-	26,781	100%	\$ 26,781	100%
ADA Parking Lot Project	9,373	-	9,373	100%	9,373	100%
Parking Lot Resurfacing	15,567	-	15,567	100%	15,567	100%
Nitrification Monitoring and Control Plan	15,615	-	15,615	100%	15,615	100%
Pressure Reducing Valves Vault	5,620	-	5,620	100%	5,620	100%
Westborough Sewer Pump Station	-	24,220	24,220	100%	24,220	100%
Rowntree Sewer Pump Station	-	51,372	51,372	100%	51,372	100%
Total expenditures	<u>72,956</u>	<u>75,592</u>	<u>148,548</u>			
Excess fees over expenditures	<u>540,926</u>	<u>37,839</u>	<u>578,765</u>			
Ending balance as of June 30, 2015	\$ <u>540,926</u>	<u>37,839</u>	<u>578,765</u>			

See accompanying notes to the schedule of capacity charges

# **Report on Internal Controls and Compliance**





Charles Z. Fedak, CPA, MBA  
Christopher J. Brown, CPA, CGMA  
Jonathan P. Abadesco, CPA

## Fedak & Brown LLP

Certified Public Accountants

Cypress Office:  
6081 Orange Avenue  
Cypress, California 90630  
(657) 214-2307  
FAX (714) 527-9154

Riverside Office:  
4204 Riverwalk Pkwy. Ste. 390  
Riverside, California 92505  
(951) 977-9888

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

Board of Directors  
Westborough Water District  
South San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Westborough Water District (District), as of and for the years June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 17, 2015.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the district's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fedak & Brown LLP*

**Fedak & Brown, LLP**  
Cypress, California  
November 17, 2015