Westborough Water District
Annual Financial Report

For the Fiscal Year Ended
June 30, 2018

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, 2018

Name	Title	Elected/ Appointed	Current Term
Tom Chambers	President	Elected	11/2013-11/2018
Perry H. Bautista	Vice President	Elected	11/2013-11/2018
Karema Al-Arabi	Director	Elected	06/2017-11/2018
David J. Irwin	Director	Elected	11/2015-11/2020
Janet G. Medina	Director	Elected	11/2015-11/2020

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

Westborough Water District

Annual Financial Report

For the Fiscal Year Ended June 30, 2018

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Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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Introductory Section

March 14, 2019

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, 2018, 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 and irrigation 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.

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. 69, prohibiting wasteful water use with the District's boundaries. In times of drought, wasteful water use practices constitute a potential threat to the District's ability to meet water conservation measures not only in times of drought, but at all times, is essential to ensure a reliable supply of water to meet current and future water supply needs.

Major Initiatives

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

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

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

Internal Control Structure

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

Budgetary Control

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

Investment Policy

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

Water and Sewer Rates and District Revenues

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

Water Conservation Programs

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

- Free Water Conservation Items
- 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 (ACWA/JPIA). The District participates in the Liability, Property and Workers' Compensation programs. The Property program includes Fidelity Coverage and Boiler & Machinery Coverage.

Other References

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

Acknowledgements

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

Respectfully submitted,

Darryl A. Barrow
General Manager

Patricia Mairena
Assistant General Manager

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Financial Section

Fedak & Brown LLP
Certified Public Accountants

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

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

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

Independent Auditor's Report

Board of Directors
Westborough Water District
South San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Westborough Water District (District) for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2018, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, (continued)

Emphasis of Matter

As part of our audit of the June 30, 2018, financial statements, we audited the adjustments described in note 9. An adjustment was recognized for the District's net other post-employment benefits liability and has been recorded as a prior period adjustment to restate net position as of July 1, 2017.

As discussed in note 1 to the financial statements, in June 30, 2018, the District adopted new accounting guidance *Governmental Accounting Standards Board Statement Nos. 75 and 74.* 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 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section on pages 1 through 3, and the supplemental information on pages 41 through 44, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 March 14, 2019, 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 45 and 46.

Fedak & Brown LLP

Fedak & Brown, LLP
Cypress, California
March 14, 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Westborough Water District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2018. 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 4.67%, or $442,256 to $9,019,352 due to a decrease of $25,349 from ongoing operations and a $416,907 decrease related to the implementation of GASB 75. (See note 9 for further information).
- Operating revenues increased 7.77% or $375,404 to $5,208,024.
- Operating expenses increased 7.79% or $403,636 to $5,587,595.

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.

These two statements report the District's *net position* and changes in it. One 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.

Financial Analysis of the District, (continued)

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 37.

Statements of Net Position

Condensed Statements of Net Position

		2018	2017	Change
Assets:				
Current assets	$	5,189,981	5,289,900	(99,919)
Capital assets, net		6,353,355	6,021,180	332,175
Total assets		11,543,336	11,311,080	232,256
Deferred outflows of resources		249,631	178,643	70,988
Liabilities:				
Current liabilities		1,614,533	1,408,793	205,740
Non-current liabilities		1,109,909	580,890	529,019
Total liabilities		2,724,442	1,989,683	734,759
Deferred inflows of resources		49,173	38,432	10,741
Net position:				
Net investment in capital assets		6,353,355	6,021,180	332,175
Restricted for capital projects		545,417	657,874	(112,457)
Unrestricted		2,120,580	2,782,554	(661,974)
Total net position	$	9,019,352	9,461,608	(442,256)

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 and deferred inflows by $9,019,352 as of June 30, 2018.

By far the largest portion of the District's net position (70% as of June 30, 2018) 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, 2018. 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 2018, the District showed a positive balance in its unrestricted net position of $2,120,580. See note 8 to the basic financial statements for further information.

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2017	Change
Revenues:			
Operating revenues	$ 5,208,024	4,832,620	375,404
Non-operating revenues	604,684	592,785	11,899
Total revenues	5,812,708	5,425,405	387,303
Expenses:			
Operating expenses	5,587,595	5,183,959	403,636
Depreciation	250,462	226,300	24,162
Total expenses	5,838,057	5,410,259	427,798
Change in net position	(25,349)	15,146	(40,495)
Net position, beginning of year	9,461,608	9,446,462	15,146
Prior period adjustment	(416,907)	-	(416,907)
Net position, beginning of year – as restated	9,044,701	9,446,462	(401,761)
Net position, end of year	$ 9,019,352	9,461,608	(442,256)

The Statement of Revenues, Expenses and Changes of Net Position show how the District's net position changed during the fiscal year. In the case of the District, net position in fiscal year 2018 decreased 4.67%, or $442,256 to $9,019,352, due to a decrease of $25,349 from ongoing operations and a $416,907 decrease related to the implementation of GASB 75. (See note 9 for further information).

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

Total revenues increased by $387,303 to $5,812,708, due to increases of $375,404 in operating revenues and $11,899 in non-operating revenues.

Operating revenues increased by $375,404 to $5,208,024, primarily due to increases of $134,242 in water consumption sales and $240,634 in wastewater service.

Non-operating revenues increased by $11,899 to $604,684, primarily due to increases of $33,466 in property taxes and $28,278 in interest and investment earnings, which were offset by a decrease of $49,845 in other non-operating revenue.

Total expenses increased by $427,798 to $5,838,057, due to increases of $403,636 in operating expenses and $24,162 in depreciation.

Operating expenses increased by $403,636 to $5,587,595, primarily due to increases of $208,643 in water purchases, $200,496 in treatment and disposal, $55,442 in general administrative, $26,588 in employee benefits, $19,630 in salaries and benefit, and $14,222 in utilities, which were offset by a decrease of $122,767 in system maintenance.

Capital Asset Administration

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

		Balance 2017	Additions	Transfers/ Deletions	Balance 2018
Capital assets:					
Non-depreciable assets	$	424,877	409,724	(126,481)	708,120
Depreciable assets		11,291,220	299,393	(16,510)	11,574,103
Accumulated depreciation		(5,694,916)	(250,462)	16,510	(5,928,868)
Total capital assets, net	$	6,021,181	458,655	(126,481)	6,353,355

At the end of fiscal year 2018, the District's investment in capital assets amounted to $6,353,355 (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.

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
Statement of Net Position
June 30, 2018

		2018
Current assets:		
Cash and cash equivalents (note 2)	$	4,022,752
Cash and cash equivalents – restricted (note 2)		543,128
Accrued interest receivable		16,956
Accrued interest receivable – restricted		2,289
Accounts receivable – water sales and services, net (note 3)		533,284
Property tax receivable		4,733
Materials and supplies inventory		54,345
Prepaid expenses and other deposits		12,494
Total current assets		5,189,981
Non-current assets:		
Capital assets – not being depreciated (note 4)		708,120
Capital assets – being depreciated, net (note 4)		5,645,235
Total non-current assets		6,353,355
Total assets		11,543,336
Deferred outflows of resources:		
Deferred pension outflows (note 7)		249,631
Total deferred outflows of resources	$	249,631

Continued on next page

See accompanying notes to the basic financial statements

Westborough Water District
Statement of Net Position, (continued)
June 30, 2018

		2018
Current liabilities:		
Accounts payable and accrued expenses	$	233,032
Accrued sewer service charge		1,007,102
Deposits		343,255
Unearned revenue		18,180
Long-term liabilities – due within one year:		
Compensated absences (note 5)		12,964
Total current liabilities		1,614,533
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)		38,890
Net other post-employment benefits liability (note 6)		417,372
Net pension liability (note 7)		653,647
Total non-current liabilities		1,109,909
Total liabilities		2,724,442
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 6)		1,658
Deferred pension inflows (note 7)		47,515
Total deferred inflows of resources		49,173
Net position:		
Net investment in capital assets		6,353,355
Restricted for capital projects		545,417
Unrestricted (note 8)		2,120,580
Total net position	$	9,019,352

See accompanying notes to the basic financial statements

Westborough Water District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

		2018
Operating revenues:		
Water consumption sales	$	2,656,345
Wastewater service		2,527,015
Other charges and services		24,664
Total operating revenues		5,208,024
Operating expenses:		
Salaries and benefits		261,925
Employee benefits		102,589
Payroll taxes		20,684
Water purchases		1,798,949
Utilities		185,393
System maintenance		77,493
Supplies and small tools		6,948
Special services		40,338
Technical communications		6,792
Vehicles		32,337
Treatment and disposal		2,019,372
General and administrative		1,034,775
Total operating expenses		5,587,595
Operating loss before depreciation		(379,571)
Depreciation		(250,462)
Operating loss		(630,033)
Non-operating revenue		
Property taxes		454,551
Interest and investment earnings		52,662
Other non-operating revenue		97,471
Total non-operating revenues, net		604,684
Change in net position		(25,349)
Net position, beginning of year – as restated (note 9)		9,044,701
Net position, end of year	$	9,019,352

See accompanying notes to the basic financial statements

Westborough Water District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

		2018
Cash flows from operating activities:		
Cash receipts from customers for sales and services	$	5,169,827
Cash paid to vendors and suppliers for materials and services		(4,501,836)
Cash paid to employees for salaries and wages		(730,802)
Net cash used in operating activities		(62,811)
Cash flows from non-capital financing activities:		
Proceeds from property taxes		455,017
Net cash provided by non-capital financing activities		455,017
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(603,647)
Net cash used in capital and related financing activities		(603,647)
Cash flows from investing activities:		
Interest and investment earnings		62,934
Net cash provided by investing activities		62,934
Net decrease in cash and cash equivalents		(148,507)
Cash and cash equivalents, beginning of year		4,714,387
Cash and cash equivalents, end of year	$	4,565,880

Reconciliation of cash and cash equivalents to statement of financial position:

Cash and cash equivalents	$	4,022,752
Cash and cash equivalents – restricted		543,128
Total cash and cash equivalents	$	4,565,880

Continued on next page

See accompanying notes to the basic financial statements

Westborough Water District
Statement of Cash Flows, (continued)
For the Fiscal Year Ended June 30, 2018

	2018
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (630,033)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	250,462
Other non-operating, net	97,471
Change in assets – (increase) decrease:	
Accounts receivable – sales and services, net	(38,197)
Property tax receivable	466
Materials and supplies inventory	(868)
Prepaid expenses and other deposits	283
Changes in deferred outflows – (increase):	
Deferred pension outflows	(70,988)
Change in liabilities – increase (decrease):	
Accounts payable and accrued expenses	180,944
Deposits	21,084
Unearned revenue	4,911
Compensated absences	(4,799)
Net other post-employment benefit liability	465
Net pension liability	115,247
Changes in deferred inflows – increase:	
Deferred other post-employment benefits inflows	1,658
Deferred pension inflows	9,083
Total adjustments	567,222
Net cash used in operating activities	$ (62,811)
Non-cash investing, capital and financing transactions:	
Change in fair-market value of funds deposited with LAIF	$ (8,141)

See accompanying notes to the basic financial statements

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 serve overlapping four-year terms.

Basis of Accounting and Measurement Focus

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

Operating revenues and expenses, such as water sales and 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 preformed 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. 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 June 15, 2017. There currently is no impact of the implementation of this Statement to the District's financial statements at this time.

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

Financial Reporting, (continued)

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. There currently is no impact of the implementation of this Statement to the District's financial statements at this time.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits - OPEB).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. There currently is no impact of the implementation of this Statement to the District's financial statements at this time.

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.

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

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – This valuation level is based on quoted prices in active markets for identical assets.
- **Level 2** – This valuation level is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – This valuation level is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

Accounts Receivable and Allowance for Uncollectible Accounts

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

Property Taxes and Assessments

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

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

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

Prepaids

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.

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

Capital Assets

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

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

Deferred Outflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The District has the following items that qualify for reporting in this category:

Pensions

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

Compensated Absences

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

Upon separation from the District as a result of retirement, disability or death, permanent employees are entitled to receive compensation at their current base salary for all unused vacation 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.

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

Compensated Absences, continued

The following vacation accrual schedule as of June 30, 2018:

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

Post-Employment Benefits Other Than Pensions (OPEB)

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

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

- Valuation Date: June 30, 2017
- Measurement Date: June 30, 2018
- Measurement Period: July 1, 2017 to June 30, 2018

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, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of resources applicable to future periods and therefore will *not* be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred inflow for the net differences between the projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

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

Deferred Inflows of Resources, continued

Pensions

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

Deposit Connection Fees

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

Water and Sewer Sales

The District recognizes water and sewer 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.

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.

Net Position

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

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

Note 2 – Cash and Investments

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

		2018
Cash and cash equivalents	$	4,022,752
Cash and cash equivalents – restricted		543,128
Total cash and cash equivalents	$	4,565,880

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

		2018
Cash on hand	$	600
Deposits with financial institutions		90,481
Deposits held with California Local Agency Investment Fund (LAIF)		4,474,799
Total cash and investments	$	4,565,880

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

	2018
Deposits held with California Local Agency Investment Fund (LAIF)	193 days

Custodial Credit Risk

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

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

Note 2 – Cash and Investments, (continued)

Investment in State Investment Pool

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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.

Fair Value Measurements

At June 30, 2018, the District did not hold any investments which require measurement at fair value on a recurring and non-recurring basis.

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

The balance at June 30 consists of the following:

		2018
Accounts receivable – water sales and services	$	534,284
Allowance for uncollectible accounts		(1,000)
Accounts receivable – water sales, net	$	533,284

Note 4 – Capital Assets

Changes in capital assets for the year were as follows:

	Balance 2017	Additions/ Transfers	Deletions/ Transfers	Balance 2018
Non-depreciable assets:				
Land	$ 182,632	-	-	182,632
Construction in progress	242,245	409,724	(126,481)	525,488
Total non-depreciable assets	424,877	409,724	(126,481)	708,120
Depreciable assets:				
Buildings	1,001,021	12,500	-	1,013,521
Water facilities	5,828,550	265,358	-	6,093,908
Sewer facilities	3,132,004	-	-	3,132,004
Joint use facilities	132,675	1,267	-	133,942
Maintenance facilities	436,897	-	(16,510)	420,387
Water meters	559,739	19,673	-	579,412
Furniture and equipment	200,334	595	-	200,929
Total depreciable assets	11,291,220	299,393	(16,510)	11,574,103
Accumulated depreciation:				
Buildings	(535,409)	(31,501)	-	(566,910)
Water facilities	(2,666,003)	(122,673)	-	(2,788,676)
Sewer facilities	(1,386,908)	(61,922)	-	(1,448,830)
Joint use facilities	(112,477)	(1,669)	-	(114,146)
Maintenance facilities	(350,122)	(17,035)	16,510	(350,647)
Water meters	(470,804)	(10,308)	-	(481,112)
Furniture and equipment	(173,193)	(5,354)	-	(178,547)
Total accumulated depreciation	(5,694,916)	(250,462)	16,510	(5,928,868)
Total depreciable assets, net	5,596,304	48,931	-	5,645,235
Total capital assets, net	$ 6,021,181	458,655	(126,481)	6,353,355

Major changes to capital assets consisted primarily of additions of $409,724 in construction in progress, $265,358 in upgrades to water facilities, $19,673 in additions to water meters, and $12,500 in upgrades to buildings. Major deletions included $126,481 in transfers from construction in progress to depreciable assets, and $16,510 for the disposal of a maintenance facility vehicle.

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:

Balance 2017	Earned	Taken	Balance 2018	Current Portion	Long-term Portion
$ 56,653	59,633	(64,432)	51,854	12,964	38,891

Note 6 – Other Post-Employment Benefits (OPEB) Plan

General Information about the OPEB Plan

Plan Description

The District provides other post-employment benefits (OPEB) to qualified employees who retire from the District and meet the District's vesting requirements. The 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.

Benefits Provided

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

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	2018
Active plan members	5
Retirees and beneficiaries receiving benefits	-
Separated plan members entitled to but not yet receiving benefits	-
Total Plan membership	5

Contributions

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

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

	2018
Contributions – employer	$ 50,031

As of June 30 2018, employer's pension contributions of $50,031 reported as deferred outflows of resources related to contributions subsequent to the measurement date were recognized as a reduction of net OPEB liability in the fiscal year ended June 30, 2018.

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

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total net liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

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

Inflation	3.00 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	7.25 percent
Healthcare cost trend rates	7.00 percent for 2017, 6.50 percent for 2018, 6.00 percent for 2019 5.50 percent for 2020, and 5.00 percent for 2021 and later years
Retirees' share of benefit-related costs	100 percent of the District's share of projected health insurance premiums for retirees age 55 with a minimum 15 years of service hired before January 1, 2013.
	100 percent of the District's share of projected health insurance premiums for retirees age 60 with a minimum 15 years of service hired on or after January 1, 2013.

Discount Rate

The discount rate used to measure the net OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Net OPEB Liability

		Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/17	$	723,684	306,777	416,907
Changes for the year:				
Service cost		22,390	-	22,390
Interest		52,467	-	52,467
Changes in benefit terms		-	-	-
Difference between expected				-
and actual experience		-	-	-
Changes in assumptions		-	-	-
Employer contributions		-	50,031	(50,031)
Net investment income		-	24,637	(24,637)
Trustee fees		-	(116)	116
Adminstrative expenses		-	(160)	160
Net changes		74,857	74,392	465
Balance at 6/30/18	$	798,541	381,169	417,372

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

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current discount rate:

	Discount Rate - 1% (6.25%)	Current Discount Rate (7.25%)	Discount Rate + 1% (8.25%)
District's Net OPEB Liability	522,654	417,372	329,664

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.00 decreasing to 4.00 percent) or 1-percentage-point higher (8.00 decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (6.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (7.00% decreasing to 6.00%)	1% Increase (8.00% decreasing to
District's Net OPEB Liability	311,506	417,372	548,234

For the year ended June 30, 2018, the District recognized OPEB expense of $52,154.

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

At June 30, 2018, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual return on investments	$ -	(1,658)

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

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

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

Actuarially Determined Deferred Outflows and (Inflows) - OPEB Plan

Fiscal Year Ending June 30:	Net, Differences between Projected and Actual Return on Investments	Net, Deferred Outflows/ (Inflows) of Resources
2019	$ (414)	$ (414)
2020	(414)	(414)
2021	(414)	(414)
2022	(416)	(416)
2023	-	-
Thereafter	-	-
Total	$ (1,658)	$ (1,658)

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

See page 38 for the Required Supplementary Schedule.

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, 2012. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Note 7 – Defined Benefit Pension Plan, (continued)

Benefits Provided, continued

The Plans' provision and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	**Tier 2**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of servic
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	6.896%	6.50%
Required employer contribution rates	8.418%	6.37%

As of the fiscal year ended June 30, 2018, the District did not have any employees classified under Tier 2 (PEPRA).

Contributions

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

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

		Miscellaneous Plan
		2018
Contributions – employer	$	76,133
Contributions – employee (paid by employer)		6,277
Total employer paid contributions	$	82,410

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:

		Proportionate Share of Net Pension Liability
		2018
Miscellaneous Plan	$	653,647

Note 7 – Defined Benefit Pension Plan, (continued)

Net Pension Liability, continued

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, 2017, 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, 2016, rolled forward to June 30, 2017, using standard update procedures.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's change in the proportionate share of the pension liability for the District's Plan as of the measurement dates June 30, 2017 and 2016, were as follows:

	Miscellaneous Plan
Proportion – June 30, 2016	0.00622%
Proportion – June 30, 2017	0.00659%
Change – Increase (Decrease)	0.00037%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2018, the District recognized pension expense of $129,476.

As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$	76,133	-
Net differences between actual and expected experience		-	(13,948)
Net changes in assumptions		119,956	-
Net differences between projected and actual earnings on plan investments		29,368	-
Net differences between actual contribution and proportionate share of contribution		-	(33,567)
Net adjustment due to differences in proportions of net pension liability		24,174	-
Total	$	249,631	(47,515)

As of June 30 2018, employer pension contributions of $76,133, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019.

Note 7 – Defined Benefit Pension Plan, (continued)

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30 2018, 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.

Fiscal Year Ending June 30:		Deferred Outflows/ (Inflows) of Resources
2019	$	25,312
2020		73,484
2021		42,372
2022		(15,185)
2023		-
Thereafter		-

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation reports were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrativ 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

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

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

Note 7 – Defined Benefit Pension Plan, (continued)

Discount Rate, continued

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

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

The table below 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.

Asset Class	New Strategic Allocation	Real Return Years 1–10*	Real Return Year 11+**
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

The following tables present the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's 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.

At June 30, 2018, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net Pension Liability	$ 1,081,695	653,647	299,130

Note 7 – Defined Benefit Pension Plan, (continued)

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 39 through 40 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2018, the District reported no payables for the outstanding amount of contribution to the pension plan.

Note 8 – Unrestricted Net Position

Unrestricted net position is comprised of the following:

		2018
Non-spendable net position:		
Materials and supplies inventory	$	54,345
Prepaid expenses		12,494
Total non-spendable net assets		66,839

Spendable net position is designated as follows:

Spendable net position are designated as follows:		
Reserved for operations		2,599,158
Unrestricted		2,599,158
Total spendable net position		2,599,158
Total unrestricted net position	$	2,665,997

Note 9 – Adjustment to Net Position

Other Post-employment Benefits (OPEB) – GASB 75 Implementation

In fiscal year 2018, the District implemented GASB pronouncements 74 and 75 to recognize its total other post-employment benefits (OPEB) liability. As a result of the implementation, the District recognized the OPEB liability and recorded a prior period adjustment, a (decrease) to net position, of $416,907 at July 1, 2017.

Net position at July 1, 2017, as previously stated	$	9,461,608
Effect of adjustment to record net OPEB liability		(416,907)
Net position at July 1, 2017, as restated	$	9,044,701

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.

Note 10 – Risk Management, continued

At June 30, 2018, the District participates in the ACWA/JPIA pooled programs for liability, property, and workers' compensation programs as follows:

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

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

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

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, 2018, 2017, 2016. 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, 2018, 2017, 2016.

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, 2018, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) and requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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

Governmental Accounting Standards Board Statement No. 84

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.

This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 88

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

Governmental Accounting Standards Board Statement No. 88, continued

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. 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. 89

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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

Governmental Accounting Standards Board Statement No. 90

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

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, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of March 14, 2019, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Westborough Water District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
As of June 30, 2018
Last Ten Years*

		2018
Total OPEB Liability		
Service cost	$	22,390
Interest		52,467
Changes in benefit terms		-
Differences in expected and actual experience		-
Changes in assumptions		-
Benefit payments		-
Net change in total OPEB liability		74,857
Total OPEB liability – beginning		723,684
Total OPEB liability – ending	$	798,541
Plan Fiduciary Net Position		
Contributions employer	$	50,031
Net investment income		24,637
Benefit payments		-
Trustee fees		(116)
Administrative expense		(160)
Net change in plan fidcuciary net position		74,392
Plan fiduciary net position – beginning		306,777
Plan fiduciary net position – ending	$	381,169
Net OPEB liability – ending	$	417,372
Covered payroll	$	478,714
Net OPEB liability as a percentage of covered payroll		87.19%

Notes:

***** Historical information presented above follows the measurement periods for which GASB 74 & 75 were applicable. The fiscal year ended June 30, 2018, (valuation date of June 30, 2017) was the first year of implementation required by GASB 74 & 75, therefore only one year is shown.

Westborough Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2018
Last Ten Years*

Description		Measurement Date			
		6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the Net Pension Liability		0.00659%	0.00622%	0.00622%	0.00560%
District's Proportionate Share of the Net Pension Liability	$	653,647	538,400	384,145	370,615
District's Covered-Employee Payroll	$	616,165	564,574	546,648	518,567
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll		106.08%	95.36%	70.27%	71.47%
District's Fiduciary Net Position as a Percentage of the District's Total Pension Liability		79.00%	79.63%	84.06%	83.03%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2017, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2017, the discount rate was reduced from 7.65% percent to 7.15%

***** Historical information presented above follows the measurement periods for which GASB 68 & 71were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore only four years are shown.

Westborough Water District
Schedules of Pension Plan Contributions
As of June 30, 2018
Last Ten Years*

Schedule of Pension Plan Contributions:		Fiscal Year 6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarially Determined Contribution	$	74,208	67,046	59,092	55,655	54,569
Contributions in Relation to the Actuarially Determined Contribution		(76,133)	(67,156)	(51,191)	(60,470)	(54,569)
Contribution Deficiency (Excess)	$	(1,925)	(110)	7,901	(4,815)	-
Covered Payroll	$	616,165	585,652	564,574	546,648	518,567
Contribution's as a percentage of Covered-employee Payroll		12.04%	11.45%	10.47%	10.18%	10.52%

Notes:

* Historical information presented above follows the measurement periods for which GASB 68 & 71were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore only five years are shown.

Supplemental Information

Westborough Water District
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2018

		Enterprise Funds		
		Water Fund	Sewer Fund	Total
Current assets:				
Cash and cash equivalents	$	1,509,517	2,513,235	4,022,752
Cash and cash equivalents – restricted		365,261	177,867	543,128
Accrued interest receivable		16,956	-	16,956
Accrued interest receivable – restricted		2,289	-	2,289
Accounts receivable – water sales and services, net		470,858	62,426	533,284
Property tax receivable		4,733	-	4,733
Materials and supplies inventory		54,345	-	54,345
Prepaid expenses and other deposits		12,494	-	12,494
Total current assets		2,436,453	2,753,528	5,189,981
Non-current assets:				
Capital assets – not being depreciated		708,120	-	708,120
Capital assets – being depreciated, net		3,962,061	1,683,174	5,645,235
Total non-current assets		4,670,181	1,683,174	6,353,355
Total assets		7,106,634	4,436,702	11,543,336
Deferred outflows of resources				
Deferred pension outflows		249,631	-	249,631
Current liabilities:				
Accounts payable and accrued expenses		233,032	-	233,032
Accrued sewer service charge		-	1,007,102	1,007,102
Deposits and		343,255	-	343,255
Unearned revenue		18,180	-	18,180
Long-term liabilities – due within one year:				
Compensated absences		12,964	-	12,964
Total current liabilities		607,431	1,007,102	1,614,533
Non-current liabilities:				
Long-term liabilities – due in more than one year:				
Compensated absences		38,890	-	38,890
Net OPEB liability		417,372	-	417,372
Net pension liability		653,647	-	653,647
Total non-current liabilities		1,109,909	-	1,109,909
Total liabilities		1,717,340	1,007,102	2,724,442
Deferred inflows of resources				
Deferred other post-employment benefits inflows		1,658	-	1,658
Deferred pension inflows		47,515	-	47,515
Total deferred inflows of resources		49,173	-	49,173
Net position:				
Net investment in capital assets		4,670,181	1,683,174	6,353,355
Restricted for future capital facilities		367,550	177,867	545,417
Unrestricted		552,021	1,568,559	2,120,580
Total net position	$	5,589,752	3,429,600	9,019,352

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, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water consumption sales	$ 2,656,345	-	2,656,345
Wastewater service	-	2,527,015	2,527,015
Other charges and services	24,664	-	24,664
Total operating revenues	2,681,009	2,527,015	5,208,024
Operating expenses:			
Salaries and benefits	261,925	-	261,925
Employee benefits	102,589	-	102,589
Payroll taxes	20,684	-	20,684
Water purchases	1,798,949	-	1,798,949
Utilities	91,247	94,146	185,393
System maintenance	38,523	38,970	77,493
Supplies and small tools	6,948	-	6,948
Special services	40,338	-	40,338
Technical communications	6,792	-	6,792
Vehicles	32,337	-	32,337
Treatment and disposal	-	2,019,372	2,019,372
General and administrative	1,028,514	6,261	1,034,775
Total operating expenses	3,428,846	2,158,749	5,587,595
Operating income(loss) before depreciation	(747,837)	368,266	(379,571)
Depreciation	(188,540)	(61,922)	(250,462)
Operating income(loss)	(936,377)	306,344	(630,033)
Non-operating revenue			
Property taxes	454,551	-	454,551
Interest and investment earnings	52,662	-	52,662
Other non-operating revenue	97,471	-	97,471
Total non-operating revenues, net	604,684	-	604,684
Change in net position	(331,693)	306,344	(25,349)
Net position, beginning of year	6,338,352	3,123,256	9,461,608
Prior period adjustment	(416,907)	-	(416,907)
Net position, beginning of year – as restated	5,921,445	3,123,256	9,044,701
Net position, end of year	$ 5,589,752	3,429,600	9,019,352

See accompanying notes to the basic financial statements

Westborough Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Adopted Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Operating revenues:				
Water consumption sales	$ 2,542,700	2,542,700	2,656,345	113,645
Wastewater service	2,513,634	2,513,634	2,527,015	13,381
Other charges and services	-	-	24,664	24,664
Total operating revenues	5,056,334	5,056,334	5,208,024	151,690
Operating expenses:				
Salaries and benefits	260,757	260,757	261,925	(1,168)
Employee benefits	89,062	89,062	102,589	(13,527)
Payroll taxes	20,524	20,524	20,684	(160)
Water purchases	1,620,168	1,620,168	1,798,949	(178,781)
Utilities	162,150	162,150	185,393	(23,243)
System maintenance	35,000	35,000	77,493	(42,493)
Supplies and small tools	8,000	8,000	6,948	1,052
Special services	29,130	29,130	40,338	(11,208)
Technical communications	7,375	7,375	6,792	583
Vehicles	12,000	12,000	32,337	(20,337)
Treatment and disposal	2,055,718	2,055,718	2,019,372	36,346
General and administrative	920,659	920,659	1,034,775	(114,116)
Total operating expenses	5,220,543	5,220,543	5,587,595	(367,052)
Operating loss before depreciation and amortization	(164,209)	(164,209)	(379,571)	(215,362)
Depreciation and amortization	(265,285)	(265,285)	(250,462)	14,823
Operating loss	(429,494)	(429,494)	(630,033)	(200,539)
Non-operating revenue				
Property taxes	396,000	396,000	454,551	58,551
Interest and investment earnings	28,985	28,985	52,662	23,677
Other non-operating revenue	28,088	28,088	97,471	69,383
Total non-operating revenues, net	453,073	453,073	604,684	151,611
Change in net position	$ 23,579	23,579	(25,349)	(48,928)
Net position, beginning of year – as restated			9,044,701	
Net position, end of year			$ 9,019,352	

Westborough Water District
Schedule of Capacity Charges
For the Year Ended June 30, 2018

		Water	Sewer	Total
Beginning balance as of July 1, 2017	$	714,020	174,283	888,303
Capacity fees received for the fiscal year ended June 30, 2018				
Storage and transmission fees		-	3,584	3,584
Total capacity charges	$	714,020	177,867	891,887

Public improvement expenditures for the fiscal year ended June 30, 2018, are as follows:

		Project expenditures			Percentage		Project expenditures funded with the above fees	
Public improvement projects		Water	Sewer	Total	complete		Amount	Percentage
Skyline Storage Building Modification	$	331,191	-	331,191	90%	$	331,191	100%
Skyline Tanks Structural Analysis/Coating Inspection & Paint		17,568	-	17,568	100%		17,568	100%
Total expenditures		348,759	-	348,759				
Excess fees over expenditures		365,261	177,867	543,128				
Ending balance as of June 30, 2018	$	365,261	177,867	543,128				

See accompanying notes to the schedule of capacity charges

Report on Internal Controls and Compliance

Fedak & Brown LLP
Certified Public Accountants

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

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

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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 audit contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Westborough Water District (District), as of and for the years June 30, 2018, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated March 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
March 14, 2019