

Westborough Water District Annual Financial Report

**For the Fiscal Years Ended
June 30, 2020 and 2019**



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, 2020

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

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

Westborough Water District

Annual Financial Report

For the Fiscal Years Ended June 30, 2020 and 2019

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Annual Financial Report
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Introductory Section

January 14, 2021

Board of Directors
Westborough Water District

Introduction

It is our pleasure to submit the Annual Financial Report for the Westborough Water District for the fiscal years ended June 30, 2020 and 2019, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. The report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

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

District Structure and Leadership

The Westborough Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The Westborough Water District has been providing services to the residents within the district's boundaries since 1961. The District is governed by a five-member Board of Directors, elected at-large from within the District's service area. The District General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The Westborough Water District employs a full-time staff of 6 employees. The District's Board of Directors meets on the second Thursday of each month. Meetings are publicly noticed, and citizens are encouraged to attend.

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

The District's administrative offices are located in the City of South San Francisco in San Mateo County.

Economic Condition and Outlook

Since March 2020, the economic condition for the District's service area has experienced some challenges with the onset of the COVID-19 pandemic. Local restaurants, educational, fitness and religious facilities, as well as local entertainment and recreation venues have been required to cease their operations in response to federal, state, and local government mandates in efforts to promote public health and safety and mitigate the risk of spreading the COVID-19 virus. This pandemic was never expected/anticipated to have occurred; therefore, a majority of the general population and local businesses were not prepared for the immediate effects and day-to-day adjustments.

Economic Condition and Outlook, (continued)

On April 2, 2020, Governor Newsom issued Executive Order (EO) N-42-20. The District has complied with the order by suspending disconnection/shut off of water service of customer connections for nonpayment (Health and Safety Code: Section 116902, Subdivision (c)). Though the EO restricts water shutoffs due to nonpayment while the State responds to the COVID-19 health emergency, the obligation of water customers to pay for water service is not eliminated or reduced, nor is the District prevented from charging its customers for such ongoing services.

As a Special District, the risk/exposure of revenue loss, during these unprecedented times, for the District is minimal. Generation of revenue is a result of assessing Board of Director approved rates and charges rather than relying on voter approved tax assessments. It is the intent of the governing body to ensure the costs of providing goods and services to the general public on a continuing basis be recovered primarily through approved rates and charges.

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

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

Financial Section



Fedak & Brown LLP

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Westborough Water District
South San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Westborough Water District (District) for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 opinions.

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 2020 and 2019, , and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information

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 44 through 47 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 4, and the supplemental information on pages 48 through 55, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2021 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 56 and 57.

Fedak & Brown LLP

Fedak & Brown, LLP
Cypress, California
January 14, 2021

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 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, 2020 and 2019. 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

- Net position increased 3.60% or \$335,745 to \$9,673,961 as a result from ongoing operations. In fiscal year 2019, the District's net position increased 3.54%, or \$318,864 to \$9,338,216 as a result of ongoing operations.
- Operating revenues increased 4.93% or \$284,829 to \$6,057,523. In fiscal year 2019, the District's operating revenues increased 10.84% or \$564,670 to \$5,772,694.
- Operating expenses increased 9.33% or \$546,105 to \$6,398,732. In fiscal year 2019, the District's operating expenses increased 4.74% or \$265,032 to \$5,852,627.

Required Financial Statements

This annual report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements 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 Statements of Net Position include all the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All the current year's revenue and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all its costs through its rates and other charges. These statements can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statements of Cash Flows, which provide 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 Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Financial Analysis of the District, (continued)

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.

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 16 through 43.

Statements of Net Position

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>As Restated 2018</u>	<u>Change</u>
Assets:					
Current assets	\$ 5,562,874	5,296,865	266,009	5,189,981	106,884
Capital assets, net	6,904,681	6,602,283	302,398	6,353,355	248,928
Total assets	<u>12,467,555</u>	<u>11,899,148</u>	<u>568,407</u>	<u>11,543,336</u>	<u>355,812</u>
Deferred outflows of resources	<u>347,741</u>	<u>213,990</u>	<u>133,751</u>	<u>249,631</u>	<u>(35,641)</u>
Liabilities:					
Current liabilities	1,837,685	1,637,843	199,842	1,614,533	23,310
Non-current liabilities	1,093,824	1,095,748	(1,924)	1,109,909	(14,161)
Total liabilities	<u>2,931,509</u>	<u>2,733,591</u>	<u>197,918</u>	<u>2,724,442</u>	<u>9,149</u>
Deferred inflows of resources	<u>209,826</u>	<u>41,331</u>	<u>168,495</u>	<u>49,173</u>	<u>(7,842)</u>
Net position:					
Net investment in capital assets	6,904,681	6,602,283	302,398	6,353,355	248,928
Restricted for capital projects	116,573	56,486	60,087	545,417	(488,931)
Unrestricted	2,652,707	2,679,447	(26,740)	2,120,580	558,867
Total net position	<u>\$ 9,673,961</u>	<u>9,338,216</u>	<u>335,745</u>	<u>9,019,352</u>	<u>318,864</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities and deferred inflows by \$9,673,961 and \$9,338,216, as of June 30, 2020 and 2019, respectively.

By far the largest portion of the District's net position (71% as of June 30, 2020 and 2019, respectively) reflects the District's net investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District had no outstanding long-term debt at June 30, 2020 and 2019, respectively. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Statements of Net Position, (continued)

At the end of fiscal years 2020 and 2019, the District showed a positive balance in its unrestricted net position of \$2,422,177 and \$2,673,678, respectively. 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

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>As Restated 2018</u>	<u>Change</u>
Revenues:					
Operating revenues	\$ 6,057,523	5,772,694	284,829	5,208,024	564,670
Non-operating revenues	974,212	676,632	297,580	604,684	71,948
Total revenues	<u>7,031,735</u>	<u>6,449,326</u>	<u>582,409</u>	<u>5,812,708</u>	<u>636,618</u>
Expenses:					
Operating expenses	6,398,732	5,852,627	546,105	5,587,595	265,032
Depreciation	297,258	277,835	19,423	250,462	27,373
Total expenses	<u>6,695,990</u>	<u>6,130,462</u>	<u>565,528</u>	<u>5,838,057</u>	<u>292,405</u>
Change in net position	<u>335,745</u>	<u>318,864</u>	<u>16,881</u>	<u>(25,349)</u>	<u>344,213</u>
Net position, beginning of year					
– as restated	<u>9,338,216</u>	<u>9,019,352</u>	<u>318,864</u>	<u>9,044,701</u>	<u>(25,349)</u>
Net position, end of year	<u>\$ 9,673,961</u>	<u>9,338,216</u>	<u>335,745</u>	<u>9,019,352</u>	<u>318,864</u>

The Statements of Revenues, Expenses and Changes of Net Position show how the District's net position changed during the fiscal years. In the case of the District, net position increased 3.60% or \$335,745 to \$9,673,961, as a result of ongoing operations. In fiscal year 2019, the District's net position increased 3.54% or \$318,864 to \$9,338,216, as a result of ongoing operations.

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

Total revenues increased 9.03% or \$582,409 to \$7,031,735. Operating revenues increased 4.93% or \$284,829, primarily due to increases of \$248,374 in water consumption sales and \$74,369 in wastewater service, offset by a decrease of \$37,914 in other charges and services. Non-operating revenues increased 43.98% or \$297,580, primarily due to increases of \$286,815 in other non-operating revenue and \$20,551 in property taxes, which were offset by a decrease of \$9,786 in interest and investment earnings. In fiscal year 2019, total revenues increased 10.95% or \$636,618 to \$6,449,326. Operating revenues increased 10.84% or \$564,670, primarily due to increases of \$157,392 in water consumption sales and \$375,978 in wastewater service and \$31,000 in other charges and services. Non-operating revenues increased 11.90% or \$71,948, primarily due to increases of \$56,077 in property taxes and \$54,812 in interest and investment earnings, which were offset by a decrease of \$38,941 in other non-operating revenue.

Total expenses increased 9.22% or \$565,528 to \$6,695,990. Operating expenses increased 9.33% or \$546,105, primarily due to increases of \$218,369 in general and administrative expenses, \$159,048 in water purchases, \$61,930 in salaries and benefits, \$55,896 in treatment and disposal and \$46,412 in utility expenses. In fiscal year 2019, total expenses increased 5.01% or \$292,405 to \$6,130,462. Operating expenses increased 4.74% or \$265,032, primarily due to increases of \$231,167 in treatment and disposal and \$35,948 in general and administrative expenses, \$22,878 in special services, and \$17,297 in system maintenance, which were offset by decreases of \$40,453 in water purchases and \$14,657 in vehicles expense.

Westborough Water District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2020 and 2019

Capital Asset Administration

Changes in capital asset amounts for 2020 were as follows:

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

Changes in capital asset amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 708,120	142,052	(648,553)	201,619
Depreciable assets	11,574,103	1,033,263	-	12,607,366
Accumulated depreciation	<u>(5,928,868)</u>	<u>(277,834)</u>	<u>-</u>	<u>(6,206,702)</u>
Total capital assets, net	<u>\$ 6,353,355</u>	<u>897,481</u>	<u>(648,553)</u>	<u>6,602,283</u>

At the end of fiscal year 2020 and 2019, the District's investment in capital assets amounted to \$6,904,681 and \$6,602,283 (net of accumulated depreciation), respectively. These investments in capital assets includes land, transmission and distribution systems, reservoirs, tanks, pumps, buildings and structures, equipment, and vehicles, etc. See note 4 to the basic financial statements for further detailed information on the District's capital assets.

Conditions Affecting Current Financial Position

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

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

Requests for Information

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

Basic Financial Statements

Westborough Water District
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,564,927	4,615,151
Cash and cash equivalents – restricted (note 2)	116,209	56,483
Accrued interest receivable	14,303	24,792
Accrued interest receivable – restricted	364	303
Accounts receivable – water sales and services, net (note 3)	607,938	535,544
Property tax receivable	12,711	4,469
Materials and supplies inventory	238,859	54,370
Prepaid expenses and other deposits	<u>7,563</u>	<u>5,753</u>
Total current assets	<u>5,562,874</u>	<u>5,296,865</u>
Non-current assets:		
Capital assets – not being depreciated (note 4)	306,624	201,619
Capital assets – being depreciated, net (note 4)	<u>6,598,057</u>	<u>6,400,664</u>
Total non-current assets	<u>6,904,681</u>	<u>6,602,283</u>
Total assets	<u>12,467,555</u>	<u>11,899,148</u>
Deferred outflows of resources:		
Deferred other post-employment benefits outflows (note 6)	115,775	2,176
Deferred pension outflows (note 7)	<u>231,966</u>	<u>211,814</u>
Total deferred outflows of resources	<u>\$ 347,741</u>	<u>213,990</u>

Continued on next page

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Net Position, (continued)
June 30, 2020 and 2019

	2020	2019
Current liabilities:		
Accounts payable and accrued expenses	\$ 305,332	148,298
Accrued sewer service charge	1,150,801	1,122,627
Deposits	344,519	338,899
Unearned revenue	18,529	15,498
Long-term liabilities – due within one year:		
Compensated absences (note 5)	18,504	12,521
Total current liabilities	1,837,685	1,637,843
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 5)	55,511	37,563
Net other post-employment benefits liability (note 6)	321,161	423,357
Net pension liability (note 7)	717,152	634,828
Total non-current liabilities	1,093,824	1,095,748
Total liabilities	2,931,509	2,733,591
Deferred inflows of resources:		
Deferred other post-employment benefits inflows (note 6)	146,989	-
Deferred pension inflows (note 7)	62,837	41,331
Total deferred inflows of resources	209,826	41,331
Net position:		
Net investment in capital assets	6,904,681	6,602,283
Restricted for capital projects	116,573	56,486
Unrestricted (note 8)	2,652,707	2,679,447
Total net position	\$ 9,673,961	9,338,216

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Water consumption sales	\$ 3,062,111	2,813,737
Wastewater service	2,977,362	2,902,993
Other charges and services	18,050	55,964
Total operating revenues	6,057,523	5,772,694
Operating expenses:		
Salaries and benefits	338,731	276,801
Employee benefits	108,121	95,409
Payroll taxes	26,336	21,341
Water purchases	1,917,544	1,758,496
Utilities	228,906	182,494
System maintenance	82,389	94,790
Supplies and small tools	11,376	14,217
Special services	59,597	63,216
Technical communications	6,754	6,921
Vehicles	23,451	17,680
Treatment and disposal	2,306,435	2,250,539
General and administrative	1,289,092	1,070,723
Total operating expenses	6,398,732	5,852,627
Operating loss before depreciation	(341,209)	(79,933)
Depreciation	(297,258)	(277,835)
Operating loss	(638,467)	(357,768)
Non-operating revenue		
Property taxes	531,179	510,628
Interest and investment earnings	97,688	107,474
Other non-operating revenue	345,345	58,530
Total non-operating revenues, net	974,212	676,632
Change in net position	335,745	318,864
Net position, beginning of year	9,338,216	9,019,352
Net position, end of year	\$ 9,673,961	9,338,216

See accompanying notes to the basic financial statements

Westborough Water District
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash receipts from customers for sales and services	\$ 5,985,129	5,770,434
Cash paid to vendors and suppliers for materials and services	(5,166,769)	(4,970,778)
Cash paid to employees for salaries and wages	(848,497)	(779,391)
Net cash (used in) provided by operating activities	(30,137)	20,265
Cash flows from non-capital financing activities:		
Proceeds from property taxes	531,179	510,628
Net cash provided by non-capital financing activities	531,179	510,628
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(599,656)	(526,763)
Net cash used in capital and related financing activities	(599,656)	(526,763)
Cash flows from investing activities:		
Interest and investment earnings	108,116	101,624
Net cash provided by investing activities	108,116	101,624
Net increase in cash and cash equivalents	9,502	105,754
Cash and cash equivalents, beginning of year	4,671,634	4,565,880
Cash and cash equivalents, end of year	\$ 4,681,136	4,671,634
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 4,564,927	4,615,151
Cash and cash equivalents – restricted	116,209	56,483
Total cash and cash equivalents	\$ 4,681,136	4,671,634

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See accompanying notes to the basic financial statements

Westborough Water District
Statements of Cash Flows, (continued)
For the Fiscals Year Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Operating loss	\$ <u>(638,467)</u>	<u>(357,768)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	297,258	277,835
Other non-operating, net	345,345	58,530
Change in assets – (increase) decrease:		
Accounts receivable – sales and services, net	(72,394)	(2,260)
Property tax receivable	(8,242)	264
Materials and supplies inventory	(184,489)	(25)
Prepaid expenses and other deposits	(1,810)	6,741
Changes in deferred outflows – (increase) decrease:		
Deferred other post-employment benefits outflows	(113,599)	(2,176)
Deferred pension outflows	(20,152)	37,817
Change in liabilities – increase (decrease):		
Accounts payable and accrued expenses	185,208	30,791
Deposits	5,620	(4,356)
Unearned revenue	3,031	(2,682)
Compensated absences	23,931	(1,770)
Net other post-employment benefit liability	(102,196)	5,985
Net pension liability	82,324	(18,819)
Changes in deferred inflows – (decrease) increase:		
Deferred other post-employment benefits inflows	146,989	(1,658)
Deferred pension inflows	<u>21,506</u>	<u>(6,184)</u>
Total adjustments	<u>608,330</u>	<u>378,033</u>
Net cash (used in) provided by operating activities	\$ <u><u>(30,137)</u></u>	<u><u>20,265</u></u>
Non-cash investing, capital and financing transactions:		
Change in fair-market value of funds deposited with LAIF	\$ <u><u>20,435</u></u>	<u><u>7,445</u></u>

See accompanying notes to the basic financial statements

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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 performed every month. The District accrues revenues with respect to water and sewer service sold but not billed at the end of a fiscal period.

Financial Reporting

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

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

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

Governmental Accounting Standards Board Statement No. 95

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

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.

Uncertainty

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

Cash and Cash Equivalents

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

Investments and Investment Policy

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

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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

Property Taxes and Assessments

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

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

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

Prepays

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

Inventory

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

Capital Assets

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

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

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:

Post-Employment Benefits Other Than Pensions (OPEB)

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net other post-employment benefits liability. This amount will be amortized-in-full against the net other post-employment benefits 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 post-employment benefits through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the plans fiduciary net position. This amount is amortized over a 5 year period.

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 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 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 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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

Compensated Absences, continued

Upon separation from the District as a result of retirement, disability or death, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave, up to a maximum of 120 days except for those employees that have not completed the probationary period or separated from the District upon termination.

The following vacation accrual schedule as of June 30, 2020:

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

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability 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 Dates: June 30, 2019 and 2017
- Measurement Dates: June 30, 2019
- Measurement Periods: July 1, 2018 to June 30, 2019

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 Dates: June 30, 2018 and June 30, 2017
- Measurement Dates: June 30, 2019 and June 30, 2018
- Measurement Periods: July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

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 actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.

Pensions

- Deferred inflow for the net 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.
- Deferred inflow 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.

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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

Net Position

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

- *Net Investment in Capital Assets* – consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – 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:

	2020	2019
Cash and cash equivalents	\$ 4,564,927	4,615,151
Cash and cash equivalents – restricted	116,209	56,483
Total cash and cash equivalents	\$ 4,681,136	4,671,634

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

	2020	2019
Cash on hand	\$ 600	600
Deposits with financial institutions	352,938	173,284
Deposits held with California Local Agency Investment Fund (LAIF)	4,327,598	4,497,750
Total cash and investments	\$ 4,681,136	4,671,634

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

	2020	2019
Deposits held with California Local Agency Investment Fund (LAIF)	191 days	173 days

Custodial Credit Risk

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 2 – Cash and Investments, (continued)

Custodial Credit Risk , continued

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

Investment in State Investment Pool

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

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, 2020 and 2019, the District did not hold any investments which require measurement at fair value on a recurring and non-recurring basis, respectively.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

The balance at June 30 consists of the following:

	2020	2019
Accounts receivable – water sales and services	\$ 608,938	536,544
Allowance for uncollectible accounts	(1,000)	(1,000)
Accounts receivable – water sales, net	\$ 607,938	535,544

Note 4 – Capital Assets

Changes in capital assets for 2020 were as follows:

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 4 – Capital Assets, (continued)

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

Changes in capital assets for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Land	\$ 182,632	-	-	182,632
Construction in progress	<u>525,488</u>	<u>142,052</u>	<u>(648,553)</u>	<u>18,987</u>
Total non-depreciable assets	<u>708,120</u>	<u>142,052</u>	<u>(648,553)</u>	<u>201,619</u>
Depreciable assets:				
Buildings	1,013,521	503,304	-	1,516,825
Water facilities	6,093,908	334,972	-	6,428,880
Sewer facilities	3,132,004	176,270	-	3,308,274
Joint use facilities	133,942	-	-	133,942
Maintenance facilities	420,387	-	-	420,387
Water meters	579,412	18,717	-	598,129
Furniture and equipment	<u>200,929</u>	<u>-</u>	<u>-</u>	<u>200,929</u>
Total depreciable assets	<u>11,574,103</u>	<u>1,033,263</u>	<u>-</u>	<u>12,607,366</u>
Accumulated depreciation:				
Buildings	(566,910)	(38,608)	-	(605,518)
Water facilities	(2,788,676)	(120,029)	-	(2,908,705)
Sewer facilities	(1,448,830)	(85,565)	-	(1,534,395)
Joint use facilities	(114,146)	(1,451)	-	(115,597)
Maintenance facilities	(350,647)	(16,917)	-	(367,564)
Water meters	(481,112)	(10,396)	-	(491,508)
Furniture and equipment	<u>(178,547)</u>	<u>(4,868)</u>	<u>-</u>	<u>(183,415)</u>
Total accumulated depreciation	<u>(5,928,868)</u>	<u>(277,834)</u>	<u>-</u>	<u>(6,206,702)</u>
Total depreciable assets, net	<u>5,645,235</u>	<u>755,429</u>	<u>-</u>	<u>6,400,664</u>
Total capital assets, net	<u>\$ 6,353,355</u>	<u>897,481</u>	<u>(648,553)</u>	<u>6,602,283</u>

Major changes to capital assets consisted primarily of additions of \$142,052 in construction in progress, \$334,972 in upgrades to water facilities, \$176,270 in upgrades to sewer facilities, \$18,717 in additions to water meters, and \$503,304 in upgrades to buildings. Major deletions included \$648,553 in transfers from construction in progress to depreciable assets.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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, 2019 were as follows:

Balance 2019	Earned	Taken	Balance 2020	Current Portion	Long-term Portion
\$ 50,084	83,478	(59,547)	74,015	18,504	55,511

The changes to compensated absences balances at June 30, 2019 were as follows:

Balance 2018	Earned	Taken	Balance 2019	Current Portion	Long-term Portion
\$ 51,854	76,819	(78,589)	50,084	12,521	37,563

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 Plan is a single employer defined benefit OPEB plan administered by the District. The District participates in CalPERS California Employer’s Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code. Copies of CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814. The 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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

Employees Covered by Benefit Terms

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

	2020	2019
Active plan members	6	5
Total Plan membership	6	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 years ended June 30, the contributions were as follows:

	2020	2019
Contributions – employer	\$ 53,336	51,657
Total employer paid contributions	\$ 53,336	51,657

As of June 30 2020 and 2019, employer’s pension contributions of \$51,657 and \$51,657 were recognized as a reduction of net OPEB liability in the fiscal year ended June 30, 2020 and 2019, respectively.

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2020 and 2019, and the total net liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019 and 2018, respectively. 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	6.75 percent – 2020
	7.25 percent – 2019
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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

Discount Rate

The discount rate used to measure the net OPEB liability was 6.75 and 7.25 percent as June 30, 2020 and 2019, respectively. 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

Changes in the net OPEB liability as of June 30, 2020 (measured at June 30, 2019) were as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/19	\$ 804,266	380,909	423,357
Changes for the year:			
Service cost	17,393	-	17,393
Interest	57,894	-	57,894
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(167,988)	-	(167,988)
Changes in assumptions	65,593	-	65,593
Employer contributions	-	51,657	(51,657)
Net investment income	-	23,513	(23,513)
Trustee fees	-	-	-
Administrative expenses	-	(82)	82
Net changes	(27,108)	75,088	(102,196)
Balance at 6/30/20	\$ 777,158	455,997	321,161

Changes in the net OPEB liability as of June 30, 2019 (measured at June 30, 2019) were as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at 6/30/18	\$ 798,541	381,169	417,372
Changes for the year:			
Service cost	23,118	-	23,118
Interest	57,894	-	57,894
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	51,657	(51,657)
Net investment income	-	23,695	(23,695)
Trustee fees	-	(137)	137
Administrative expenses	-	(188)	188
Net changes	81,012	75,027	5,985
Balance at 6/30/19	\$ 879,553	456,196	423,357

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

Changes in the Net OPEB Liability, continued

As of June 30, 2020, the target allocation and the long-term expected real rate of return by asset class was as follows:

<u>Asset Class</u>	<u>Target Allocation* CERB-Strategy 1</u>	<u>Expected Real Return**</u>
Global Equity	59.0%	4.82%
Fixed Income	25.0%	1.47%
Treasury Inflation-Protected Securities	5.0%	1.29%
Commodities	3.0%	0.84%
Real Estate Trusts	8.0%	3.76%
Total	<u>100%</u>	

* Policy target effective October 1, 2018

** Assumed Long-Term Rate of Inflation - 2.75%

** Expected Long-Term Net Rate of Return, Rounded - 6.75%

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

The following presents the net OPEB liability of the District at June 30, 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 or 1-percentage-point higher than the current discount rate:

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

	Discount Rate - 1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate + 1% (7.75%)
District's Net OPEB liability	<u>422,911</u>	<u>321,161</u>	<u>235,772</u>

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% (6.25%)	Current Discount Rate (7.25%)	Discount Rate + 1% (8.25%)
District's Net OPEB liability	<u>533,767</u>	<u>423,357</u>	<u>331,418</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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

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

The following presents the net OPEB liability of the District as of June 30, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

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

	1% Decrease (6.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (7.00% decreasing to 5.00%)	1% Increase (8.00% decreasing to 6.00%)
District's Net OPEB liability	251,336	321,161	390,992

At June 30, 2019, the healthcare cost trend rate comparison was the following:

	1% Decrease (6.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (7.00% decreasing to 5.00%)	1% Increase (8.00% decreasing to 6.00%)
District's Net OPEB liability	306,011	423,357	568,684

For the fiscal years ended June 30, 2020 and 2019, the District recognized OPEB income and expense of \$15,470 and 53,808, respectively.

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

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

	June 30, 2020		June 30, 2019	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to measurement date	\$ 53,336	(146,989)	-	-
Changes in assumptions	57,394	-	-	-
Differences between expected and actual experience	-	-	-	-
Net differences between expected and actual return on investments	5,045	-	2,176	-
Total	\$ 115,775	(146,989)	2,176	-

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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, Deferred Outflows/ (Inflows) of Resources
2021	\$ (12,800)
2022	(12,800)
2023	(12,800)
2024	(12,800)
2025	(12,800)
Thereafter	(25,595)

Changes in the District’s Net OPEB Liability and Related Ratios

OPEB Plan Contributions

See pages 44 and 45 for the Required Supplementary Schedules.

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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 7 – Defined Benefit Pension Plan, (continued)

Benefits Provided, continued

The Plans' provision and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	6.906%	6.750%
Required employer contribution rates	9.680%	6.985%

As of the fiscal year ended June 30, 2020, the District had one employee classified under Tier 2 (PEPRA). As of the fiscal year ended June 30, 2019, 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 years ended June 30, the contributions for the Plan were as follows:

		Miscellaneous Plan	
		2020	2019
Contributions – employer	\$	110,038	88,723
Contributions – employee (paid by employer)		6,779	6,469
Total employer paid contributions	\$	<u>116,817</u>	<u>95,192</u>

Net Pension Liability

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

		Proportionate Share of Net Pension Liability	
		2020	2019
Miscellaneous Plan	\$	<u>717,152</u>	<u>634,828</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

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, 2019 and 2018, 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, 2018 and 2017, rolled forward to June 30, 2019 and 2018, 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 fiscal years ended June 30, were as follows:

	Miscellaneous Plan	
	2020	2019
Proportion – beginning of year	0.00659%	0.00659%
Proportion – end of year	0.00700%	0.00659%
Change – Increase (Decrease)	0.00041%	0.00000%

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2020 and 2019, the District recognized pension expense of \$193,716 and \$101,537, respectively.

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

Description	June 30, 2020		June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 110,038	-	88,723	-
Net differences between actual and expected experience	45,951	-	16,069	-
Net changes in assumptions	22,075	-	54,641	-
Net differences between projected and actual earnings on plan investments	-	(12,538)	3,138	-
Net differences between actual contribution and proportionate share of contribution	-	(50,299)	-	(41,331)
Net adjustment due to differences in proportions of net pension liability	53,902	-	49,243	-
Total	\$ 231,966	(62,837)	211,814	(41,331)

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 7 – Defined Benefit Pension Plan, (continued)

Deferred Pension Outflows (Inflows) of Resources, continued

As of June 30 2020 and 2019, employer pension contributions of \$110,038 and \$88,723, reported as deferred outflows of resources related to contributions subsequent to the measurement date will be and were recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021 and 2020, respectively.

As of June 30 2020, 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		Deferred
Ending		Outflows/
June 30:		(Inflows) of
		Resources
2021	\$	54,333
2022		(3,844)
2023		6,268
2024		2,334
2025		-
Thereafter		-

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 7 – Defined Benefit Pension Plan, (continued)

Actuarial Assumptions

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

Valuation Date	June 30, 2018 and 2017
Measurement Date	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2019 - 2.50%
	2018 - 2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumption were based	2019 - 1997-2015 2018 - 1997-2011
Post Retirement Benefit	2019 - Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter 2018 - Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a 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.

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 7 – Defined Benefit Pension Plan, (continued)

Discount Rate, continued

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent 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 tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2020 and 2019, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1–10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	7.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

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, 2020, the discount rate comparison was the following:

	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
District's Net pension liability	\$ <u>1,231,416</u>	<u>717,152</u>	<u>292,663</u>

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 7 – Defined Benefit Pension Plan, (continued)

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

At June 30, 2019, the discount rate comparison was the following:

	Discount Rate - 1% 6.15%	Prior Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net pension liability	\$ <u>1,106,428</u>	<u>634,828</u>	<u>245,529</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 46 and 47 for the Required Supplementary Schedules.

Payable to the Pension Plan

At June 30, 2020 and 2019, the District reported no payables for the outstanding amount of contribution to the pension plan, respectively.

Note 8 – Unrestricted Net Position

Unrestricted net position is comprised of the following:

	2020	2019
Non-spendable net position:		
Materials and supplies inventory	\$ 238,859	54,370
Prepaid expenses	<u>7,563</u>	<u>5,753</u>
Total non-spendable net assets	<u>246,422</u>	<u>60,123</u>
Spendable net position is designated as follows:		
Reserved for operations	<u>2,406,285</u>	<u>2,619,324</u>
Unrestricted	2,406,285	2,619,324
Total spendable net position	<u>2,406,285</u>	<u>2,619,324</u>
Total unrestricted net position	<u>\$ 2,652,707</u>	<u>2,679,447</u>

Note 9 – Risk Management

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 9 – Risk Management, (continued)

At June 30, 2020, 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.
- Cyber Liability: including Cyber Security up to \$3,000,000 per occurrence and \$5,000,000 Aggregate Limit. Cyber Liability deductible varies from \$10,000 to \$50,000 depending on District Revenue
- Workers' compensation coverage up to California statutory limits for all work-related injuries/illnesses covered by California law; a pooled self-insured limit of \$2,000,000.

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, 2020, 2019, 2018. 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, 2020, 2019, 2018.

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective
Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2020, that has effective dates that may impact future financial presentations.

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

Governmental Accounting Standards Board Statement No. 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.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 84, continued

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 were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

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

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

Governmental Accounting Standards Board Statement No. 89

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

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

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

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 10 – 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 were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year.

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.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 91, continued

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 92

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

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

Governmental Accounting Standards Board Statement No. 93

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

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

Westborough Water District
Notes to the Basic Financial Statements, (continued)
For the Fiscal Years Ended June 30, 2020 and 2019

Note 10 – Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 97, continued

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

Note 11 – 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.

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the District could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. The District has not included any contingencies in the financial statements specific to this issue.

Note 12 – Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of January 14, 2021, 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.

Required Supplementary Information

Westborough Water District
Schedules of Changes in the District's Net OPEB Liability and Related Ratios
As of June 30, 2020
Last Ten Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 17,393	23,118	22,390
Interest	57,894	57,894	52,467
Changes in benefit terms	-	-	-
Differences in expected and actual experience	(167,988)	-	-
Changes in assumptions	65,593	-	-
Benefit payments	-	-	-
Net change in total OPEB liability	(27,108)	81,012	74,857
Total OPEB liability – beginning	<u>804,266</u>	<u>798,541</u>	<u>723,684</u>
Total OPEB liability – ending	<u>\$ 777,158</u>	<u>879,553</u>	<u>798,541</u>
Plan Fiduciary Net Position			
Contributions employer	\$ 51,657	51,657	50,031
Net investment income	23,513	23,695	24,637
Benefit payments	-	-	-
Trustee fees	-	(137)	(116)
Administrative expense	(82)	(188)	(160)
Net change in plan fiduciary net position	75,088	75,027	74,392
Plan fiduciary net position – beginning	<u>380,909</u>	<u>381,169</u>	<u>306,777</u>
Plan fiduciary net position – ending	<u>\$ 455,997</u>	<u>456,196</u>	<u>381,169</u>
Net OPEB liability – ending	<u>\$ 321,161</u>	<u>423,357</u>	<u>417,372</u>
Covered payroll	<u>\$ 758,050</u>	<u>758,050</u>	<u>478,714</u>
Net OPEB liability as a percentage of covered payroll	<u>42.37%</u>	<u>55.85%</u>	<u>87.19%</u>

Notes:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**Westborough Water District
Schedules of OPEB Plan Contributions
As of June 30, 2020
Last Ten Years***

<u>Schedule of Employer Contributions:</u>	Fiscal Year		
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Actuarially Determined Contribution	\$ 53,336	51,657	50,031
Contributions in Relation to the Actuarially Determined Contribution	<u>(53,336)</u>	<u>(51,657)</u>	<u>(50,031)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ <u>758,050</u>	<u>758,050</u>	<u>478,714</u>
Contribution's as a percentage of Covered Payroll	<u>7.04%</u>	<u>6.81%</u>	<u>10.45%</u>

Notes:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Westborough Water District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last Ten Years*

Description	Measurement Date					
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's Proportion of the Net Pension Liability	0.00700%	0.00659%	0.00659%	0.62200%	0.62200%	0.56000%
District's Proportionate Share of the Net Pension Liability	\$ 717,152	634,828	653,647	538,400	384,145	370,615
District's Covered Payroll	\$ 646,536	616,165	585,652	564,574	546,648	518,567
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	110.92%	103.03%	111.61%	95.36%	70.27%	71.47%
District's Fiduciary Net Position as a Percentage of the District's Total Pension Liability	81.79%	81.79%	79.00%	79.63%	84.06%	83.03%

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2019, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2019, the discount rate remained at 7.15%.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**Westborough Water District
Schedules of Pension Plan Contributions
As of June 30, 2020
Last Ten Years***

Schedule of Pension Plan Contributions:	Fiscal Year						
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Actuarially Determined Contribution	\$ 74,208	74,208	74,208	67,046	59,092	55,655	54,569
Contributions in Relation to the Actuarially Determined Contribution	(105,592)	(88,723)	(76,133)	(67,156)	(51,191)	(60,470)	(54,569)
Contribution Deficiency (Excess)	\$ (31,384)	(14,515)	(1,925)	(110)	7,901	(4,815)	-
Covered Payroll	\$ 666,767	646,536	616,165	585,652	564,574	546,648	518,567
Contribution's as a percentage of Covered Payroll	11.13%	11.48%	12.04%	11.45%	10.47%	10.18%	10.52%

Notes:

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Supplemental Information

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

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

See accompanying notes to the basic financial statements

Westborough Water District
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Current assets:			
Cash and cash equivalents	\$ 1,524,338	3,090,813	4,615,151
Cash and cash equivalents – restricted	646	55,837	56,483
Accrued interest receivable	8,189	16,603	24,792
Accrued interest receivable – restricted	3	300	303
Accounts receivable – water sales and services, net	468,961	66,583	535,544
Property tax receivable	4,469	-	4,469
Materials and supplies inventory	54,370	-	54,370
Prepaid expenses and other deposits	5,753	-	5,753
Total current assets	<u>2,066,729</u>	<u>3,230,136</u>	<u>5,296,865</u>
Non-current assets:			
Capital assets – not being depreciated	201,619	-	201,619
Capital assets – being depreciated, net	4,626,785	1,773,879	6,400,664
Total non-current assets	<u>4,828,404</u>	<u>1,773,879</u>	<u>6,602,283</u>
Total assets	<u>6,895,133</u>	<u>5,004,015</u>	<u>11,899,148</u>
Deferred outflows of resources			
Deferred OPEB outflows	2,176	-	2,176
Deferred pension outflows	211,814	-	211,814
Total deferred outflows of resources	<u>213,990</u>	<u>-</u>	<u>213,990</u>
Current liabilities:			
Accounts payable and accrued expenses	148,298	-	148,298
Accrued sewer service charge	-	1,122,627	1,122,627
Deposits	338,899	-	338,899
Unearned revenue	15,498	-	15,498
Long-term liabilities – due within one year:			
Compensated absences	12,521	-	12,521
Total current liabilities	<u>515,216</u>	<u>1,122,627</u>	<u>1,637,843</u>
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences	37,563	-	37,563
Net OPEB liability	423,357	-	423,357
Net pension liability	634,828	-	634,828
Total non-current liabilities	<u>1,095,748</u>	<u>-</u>	<u>1,095,748</u>
Total liabilities	<u>1,610,964</u>	<u>1,122,627</u>	<u>2,733,591</u>
Deferred inflows of resources			
Deferred OPEB inflows	-	-	-
Deferred pension inflows	41,331	-	41,331
Total deferred inflows of resources	<u>41,331</u>	<u>-</u>	<u>41,331</u>
Net position:			
Net investment in capital assets	4,828,404	1,773,879	6,602,283
Restricted for future capital facilities	649	55,837	56,486
Unrestricted	627,775	2,051,672	2,679,447
Total net position	<u>\$ 5,456,828</u>	<u>3,881,388</u>	<u>9,338,216</u>

See accompanying notes to the basic financial statements

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

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

Westborough Water District
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating revenues:			
Water consumption sales	\$ 2,813,737	-	2,813,737
Wastewater service	-	2,902,993	2,902,993
Other charges and services	55,964	-	55,964
Total operating revenues	<u>2,869,701</u>	<u>2,902,993</u>	<u>5,772,694</u>
Operating expenses:			
Salaries and benefits	276,801	-	276,801
Employee benefits	95,409	-	95,409
Payroll taxes	21,341	-	21,341
Water purchases	1,758,496	-	1,758,496
Utilities	89,658	92,836	182,494
System maintenance	79,823	14,967	94,790
Supplies and small tools	14,217	-	14,217
Special services	63,216	-	63,216
Technical communications	6,921	-	6,921
Vehicles	17,680	-	17,680
Treatment and disposal	-	2,250,539	2,250,539
General and administrative	1,063,425	7,298	1,070,723
Total operating expenses	<u>3,486,987</u>	<u>2,365,640</u>	<u>5,852,627</u>
Operating income(loss) before depreciation	(617,286)	537,353	(79,933)
Depreciation	(192,270)	(85,565)	(277,835)
Operating income(loss)	<u>(809,556)</u>	<u>451,788</u>	<u>(357,768)</u>
Non-operating revenue			
Property taxes	510,628	-	510,628
Interest and investment earnings	107,474	-	107,474
Other non-operating revenue	58,530	-	58,530
Total non-operating revenues, net	<u>676,632</u>	<u>-</u>	<u>676,632</u>
Change in net position	<u>(132,924)</u>	<u>451,788</u>	<u>318,864</u>
Net position, beginning of year	<u>5,589,752</u>	<u>3,429,600</u>	<u>9,019,352</u>
Net position, end of year	<u>\$ 5,456,828</u>	<u>3,881,388</u>	<u>9,338,216</u>

See accompanying notes to the basic financial statements

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

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

**Westborough Water District
Budgetary Comparison Schedule
For the Year Ended June 30, 2019**

	Adopted Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Operating revenues:				
Water consumption sales	\$ 3,001,095	3,001,095	2,813,737	(187,358)
Wastewater service	2,894,259	2,894,259	2,902,993	8,734
Other charges and services	-	-	55,964	55,964
Total operating revenues	5,895,354	5,895,354	5,772,694	(122,660)
Operating expenses:				
Salaries and benefits	271,100	271,100	276,801	(5,701)
Employee benefits	93,537	93,537	95,409	(1,872)
Payroll taxes	21,315	21,315	21,341	(26)
Water purchases	1,811,456	1,811,456	1,758,496	52,960
Utilities	172,150	172,150	182,494	(10,344)
System maintenance	43,650	43,650	94,790	(51,140)
Supplies and small tools	8,000	8,000	14,217	(6,217)
Special services	46,480	46,480	63,216	(16,736)
Technical communications	7,100	7,100	6,921	179
Vehicles	15,000	15,000	17,680	(2,680)
Treatment and disposal	2,285,986	2,285,986	2,250,539	35,447
General and administrative	984,147	984,147	1,070,723	(86,576)
Total operating expenses	5,759,921	5,759,921	5,852,627	(92,706)
Operating loss before depreciation and amortization	135,433	135,433	(79,933)	(215,366)
Depreciation and amortization	(250,117)	(250,117)	(277,835)	(27,718)
Operating loss	(114,684)	(114,684)	(357,768)	(243,084)
Non-operating revenue				
Property taxes	420,000	420,000	510,628	90,628
Interest and investment earnings	36,465	36,465	107,474	71,009
Other non-operating revenue	30,024	30,024	58,530	28,506
Total non-operating revenues, net	486,489	486,489	676,632	190,143
Change in net position	\$ 371,805	371,805	318,864	(52,941)
Net position, beginning of year			9,019,352	
Net position, end of year			\$ 9,338,216	

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

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

Public improvement expenditures for the fiscal year ended June 30, 2020, are as follows:

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

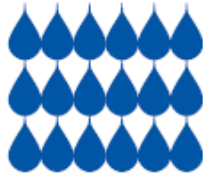
**Westborough Water District
Schedule of Capacity Charges
For the Year Ended June 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Beginning balance as of July 1, 2018	\$ 98,651	38,839	137,490
Capacity fees received for the fiscal year ended June 30, 2019			
Storage and transmission fees	-	16,998	16,998
Total capacity charges	<u>\$ 98,651</u>	<u>55,837</u>	<u>154,488</u>

Public improvement expenditures for the fiscal year ended June 30, 2019, are as follows:

	<u>Project expenditures</u>			<u>Percentage complete</u>	<u>Project expenditures funded with the above fees</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>		<u>Amount</u>	<u>Percentage</u>
Public improvement projects						
Skyline Storage Building Modification	\$ 21,775	-	21,775	90%	\$ 21,775	100%
Skyline Tanks Structural Analysis/Coating Inspection & Paint	76,230	-	76,230	100%	76,230	100%
Total expenditures	<u>98,005</u>	<u>-</u>	<u>98,005</u>			
Excess fees over expenditures	646	55,837	56,483			
Ending balance as of June 30, 2019	<u>\$ 646</u>	<u>55,837</u>	<u>56,483</u>			

Report on Internal Controls and Compliance



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

Board of Directors
Westborough Water District
South San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Westborough Water District (District), as of and for the years June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated January 14, 2021.

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 Audits of Financial Statements
Performed in Accordance with Government Auditing Standards, (continued)**

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown, LLP
Cypress, California
January 14, 2021