

WEST BAY SANITARY DISTRICT

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022**

* * *



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West Bay Sanitary District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Bay Sanitary District
Menlo Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the West Bay Sanitary District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Bay Sanitary District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

District management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions - CalPERS, schedule of proportionate share of net pension liability, and schedule of OPEB contributions, and schedule of changes in net OPEB liability, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the District's June 30, 2021 financial statements, and we expressed unmodified audit opinions on the respective financial statements in our report dated November 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 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.

C & A LLP

November 22, 2022
Morgan Hill, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2022

Management's Discussion & Analysis

The West Bay Sanitary District (District) is a Special District for the State of California providing wastewater collection and conveyance services to the City of Menlo Park, Atherton, and Portola Valley, and areas of East Palo Alto, Woodside and unincorporated San Mateo and Santa Clara counties. The District conveys raw wastewater via the Menlo Park Pump Station and force main, to Silicon Valley Clean Water (SVCW) for treatment and discharge to the San Francisco Bay. The District has been serving the community since 1902, expanding over the years to operate and maintain 216 miles of pipeline and 12 pump stations. The District also operates the Sharon Heights Recycled Water Facility (SHRWF) with one influent pump station, 89 step/grinder private pumps for customers in the Portola Valley area, and 60 miles of pipeline and four pump stations for the Towns of Los Altos Hills and Woodside.



Mission Statement

The West Bay Sanitary District is dedicated to protecting the public health and the environment by providing cost effective sanitary sewer service.

We are committed to providing our customers with wastewater disposal services utilizing the highest technical, environmental, and safety standards available; to providing the very best customer service; to ensuring the fiscal viability of our District by applying sound business principles and to ensuring the optimum operation of our infrastructure by employing professional maintenance and replacement practices.

Overview of the Financial Statements

The District has issued its financial statements for the fiscal year ended June 30, 2022, in conformity with the format prescribed by the provisions of the Governmental Accounting Standards Board (GASB). For financial reporting purposes, the District operates as a special-purpose government engaged in business type activities, following accrual accounting methods, similar to those of non-profit organizations. The District is governed by five at large elected Board of Directors, serving four year terms.

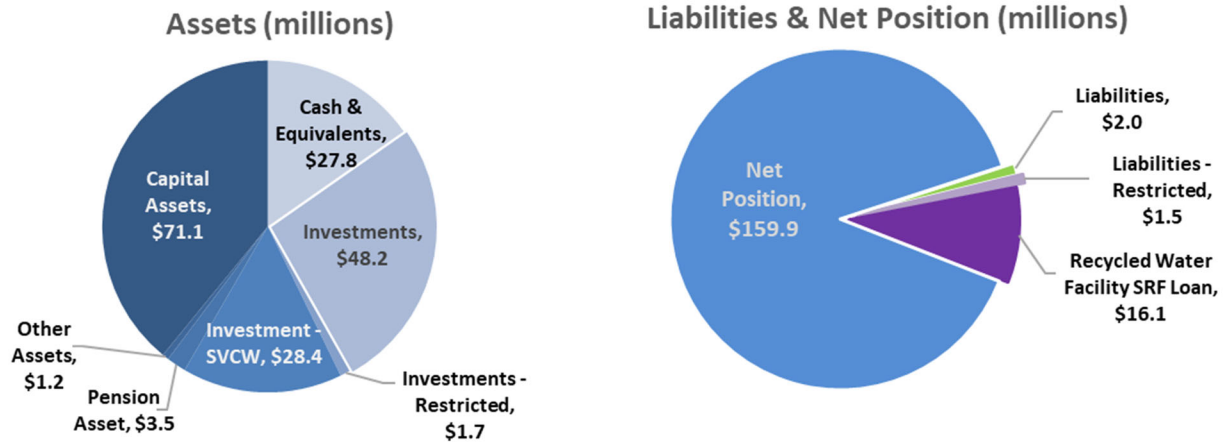
This financial report includes three parts: management's discussion and analysis, the basic financial statements, and supplemental information.

- The basic financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and Statement of Cash Flows, for the combined operations of the District for the fiscal years ended June 30, 2022 and 2021. The notes to the basic financial statements are an integral part of the basic financial statements and provide details on accounting policies, assets, and other information in the statements.
- Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements.

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2022

Financial Analysis of the District

Net Position



The Statement of Net Position summary is provided in Table 1 to highlight the changes from June 30, 2021 to June 30, 2022. The District's total net position increased by \$15.9 million, or 11%, predominately from an increase in investments and valuation of the District's share of the California Public Employees' Retirement System (PERS) Miscellaneous Pool after payoff of the Unfunded Accrued Liability (UAL) in FY 2020-21, resulting in a \$3.49 million pension assets, as of June 30, 2022.

Current assets increased as the District transferred \$4.1 million to fund investment reserves to target levels, which have been invested in short-term securities as long-term yields are unattractive. The District holds restricted funds for Sharon Heights Golf & Country Club's (SHGCC) deposit for the California Clean Water State Revolving Fund (SRF) Loan in a money market account, as requested by SHGCC representatives.

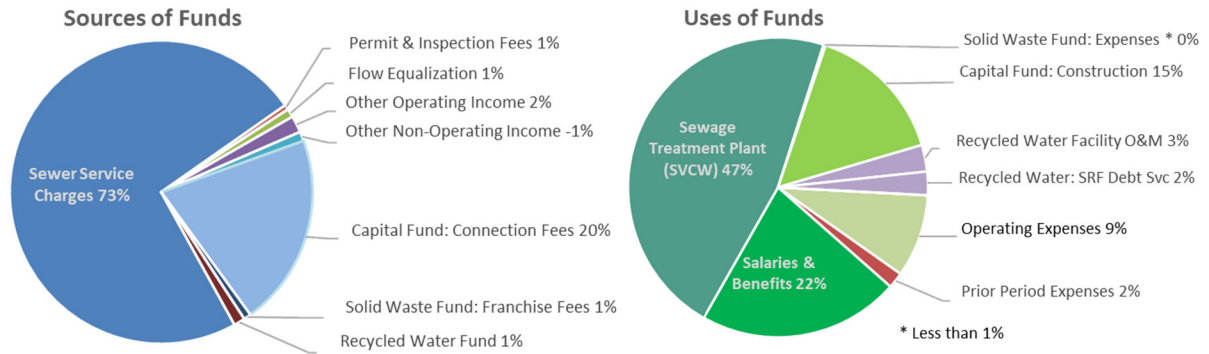
The position in the Silicon Valley Clean Water (SVCW) is based on the unaudited, Analysis of Net Position [by member] for year ended June 30, 2022. Capital Assets, net of depreciation, increased by \$230 thousand with capital additions of net \$2.5 million and depreciation of \$3.6 million. The District wrote off \$1.77 million in assets under \$20 thousand, with \$1.3 million in accumulated depreciation. Total liabilities decreased by \$2.27 million primarily due to reconciliations of customer deposits and connection fees for SVCW capital.

Table 1
Statement of Net Position

	FY 2021-22	FY 2020-21	Change	Percentage
Assets				
Current Assets	59,079,334	51,317,398	7,761,937	15%
Non-Current Assets	122,957,418	114,443,091	8,514,327	7%
Total Assets	182,036,752	165,760,489	16,276,264	10%
Deferred Outflows of Resources	242,338	132,838	109,500	82%
Current Liabilities	2,534,633	3,496,040	(961,407)	-27%
Non-Current Liabilities	17,082,437	18,392,345	(1,309,908)	-7%
Total Liabilities	19,617,070	21,888,385	(2,271,315)	-10%
Deferred Inflows of Resources	2,722,245	3,788	2,718,457	71765%
Net Position	159,939,775	144,001,153	15,938,622	11%

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2022

Changes in Net Position



The Statement of Revenue, Expense, & Changes in Net Position by Fund in Table 2 compares the Operating and other activities in Fiscal Year 2021-22 and 2020-21. Operating revenues decreased by 4% due to a 28% decrease in non-residential sewer service charges and 20% increase in other revenues. Total General Fund operating expenses, which include collection, general administration, and depreciation, decreased \$600 thousand or 3% from the prior year. The District's salary and benefits decreased 5%, even with union negotiated wage increases of 4%, due to open positions.

Sewage Treatment Plant is the wastewater transmission, treatment, and effluent disposal services is provided by Silicon Valley Clean Water (SVCW), formerly South Bayside System Authority, which was created in 1975 under a Joint Exercise of Powers Agreement to construct and operate a sewage treatment facility at Redwood Shores for the District and the cities of Belmont, San Carlos, and Redwood City. As a member of SVCW, the District is liable for its share of the operating expenses and debt. For the year ending June 30, 2022, the District's share was 23.06%. Sewer treatment plant expense includes all funds paid to or on behalf of SVCW decreased 4%.

The Capital Fund received connection fees of \$7.44 million, were almost 68 times higher than the prior year. The Solid Waste Fund represents the net solid waste collection franchise fees from Recology and direct expenses. The Recycled Water Fund represents the net activity for the Sharon Heights Recycled Water Facility (SHRWF), which is a partnership with Sharon Heights Golf & Country Club (SHGCC) to provide recycled water for irrigation and a proposed Bayfront Recycled Water Facility (BFRWF).

Table 2
Statement of Revenue, Expense, & Change in Net Position

	FY 2021-22	FY 2020-21	Change	Percentage
Operating Revenues	31,049,135	32,279,613	(1,230,478)	-4%
Operating Expenses	(12,246,437)	(12,632,995)	386,558	-3%
Sewage Treatment Plant (SVCW)	(12,233,027)	(12,740,977)	507,950	-4%
Operating Income (Loss)	6,569,671	6,905,641	(335,969)	-5%
Non-Operating Rev / Exp	(979,520)	1,208,428	(2,187,948)	-181%
Income Before Contributions & Special Items	5,590,152	8,114,069	(2,523,917)	-31%
Pension Adjustment (GASB 68)	937,667	-	937,667	
Recycled Water Fund: Capital Contribution	662,911	662,911	-	0%
Capital Fund: Connection Fees	7,444,686	110,097	7,334,589	6662%
Change in Net Position	14,635,416	8,887,077	5,748,339	65%
Prior Period Adjustment	1,303,206	(755,728)	2,058,934	-272%
Change in Net Position - Adjusted	15,938,622	8,131,349	7,807,273	96%

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2022

Budgetary Highlights

The District adopted the annual budget for fiscal year 2021-22 on June 8, 2022, after reviewing at a Budget Workshop with the Board of Directors on May 9, 2022. The budget is prepared on the accrual basis of accounting by Fund for operations and includes planned capital expenditures for the year and capital carry-overs from the prior year. The District maintains separate long-term financial plans for vehicle and equipment replacement and multi-year capital projects. Table 3 shows a comparison of actual to budget for the General Fund and net of other Funds for the year ended June 30, 2022.

District operating revenue was 0.25% over budget. Total operating expenses were 10% under budget. Sewage treatment expenses were 1% lower than expected, due to refinancing of debt.

The Recycled Water Fund receives a flat contribution from SHGCC each year of \$662.9 thousand to cover the annual SRF loan payment. Connection fees to the Capital Fund soared were almost 30 times the approved budget.

Table 3
Actual vs. Budget Report

	FY 2021-22	Budget	Variance	Percentage
Operating Revenues	31,049,135	30,972,898	76,238	0%
Operating Expenses	(12,246,437)	(13,677,563)	1,431,126	-10%
Sewage Treatment Plant (SVCW)	(12,233,027)	(12,396,490)	163,462	-1%
Operating Income (Loss)	6,569,671	4,898,845	1,670,826	34%
Non-Operating Rev / Exp	(979,520)	193,949	(1,173,469)	-605%
Income Before Contributions & Special Items	5,590,152	5,092,794	497,357	10%
Pension Adjustment (GASB 68)	937,667	-	937,667	
Recycled Water Fund: Capital Contribution	662,911	662,911	-	0%
Capital Fund: Connection Fees	7,444,686	250,000	7,194,686	2878%
Change in Net Position	14,635,416	6,005,705	8,629,710	144%
Prior Period Adjustment	1,303,206	-	1,303,206	
Change in Net Position - Adjusted	15,938,622	6,005,705	9,932,917	165%

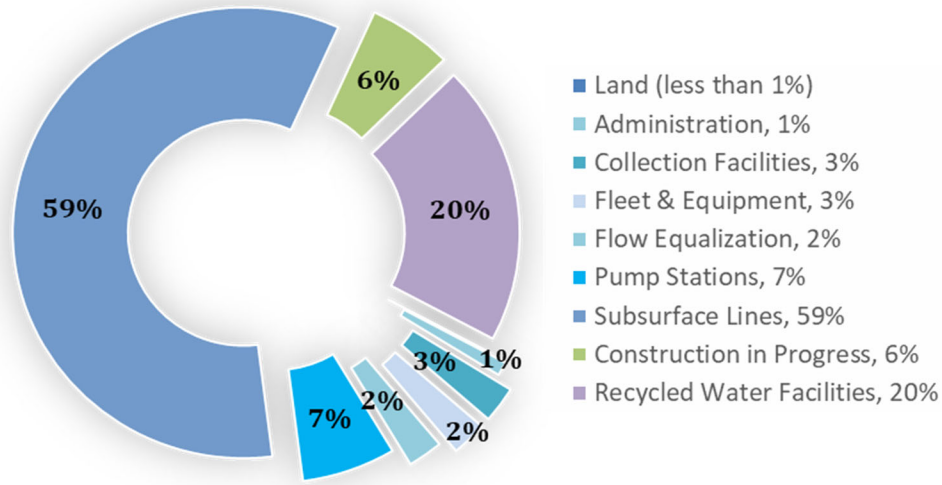
The District has \$41 million in Capital Budget balance, including \$27.6 million in carryover from fiscal year 2020-21 and \$13 million increase from fiscal year 2021-22. The Capital Fund is comprised of the net increase in the General Fund, less current capital expenditures, plus interest, and funds contributed or transferred to fund capital projects. Table 4 summarizes the capital budget for the fiscal year ended June 30, 2022. Capital project expenditures were \$9.4 million under budget as a result of delays caused by county and state shutdowns due to the COVID-19 pandemic.

Table 4
Capital Budget
Actual vs. Budget Report

	FY 2021-22	Budget	Variance	Percentage
Transfer from Operations	10,664,195	9,368,697	(1,295,499)	-12%
Capital Expenditures	(4,329,484)	(13,751,750)	(9,422,266)	218%
State Revolving Fund	-	-	-	
Connection Charges	7,444,686	250,000	(7,194,686)	-97%
Interest Income	(372,312)	350,000	722,312	-194%
Transfers to Capital Reserves	-	2,871,315	2,871,315	
Change in Capital Budget	13,407,085	(911,738)	(14,318,823)	-107%
Beginning Capital Budget Balance	27,659,548	41,066,633	13,407,085	48%
Ending Capital Budget Balance	41,066,633	40,154,895	(911,738)	-2%

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2022

Capital Assets



Capital Assets increased 2% before depreciation and were flat net of accumulated depreciation. The District had capital expenditures of \$4.3 million, including \$4.1 million for capital projects for administration, collection facilities, vehicles and equipment, and replacement and rehabilitate of sewer infrastructure. The SHRWF was completed and accepted on July 27, 2020, with the District assuming management on January 27, 2021. SHRWF was funded by a State of California, Clean Water State Revolving Fund (CWSRF) loan of \$17.3 million and Water Recycling Funding Program (WRFP) \$5.26 million grant. Additionally, the District expended \$326 thousand on the Bayfront Recycled Water Facility Project, which is still in the planning phase. Table 5 shows a summary of capital assets owned by the District as of June 30, 2022.

Table 5
Capital Assets

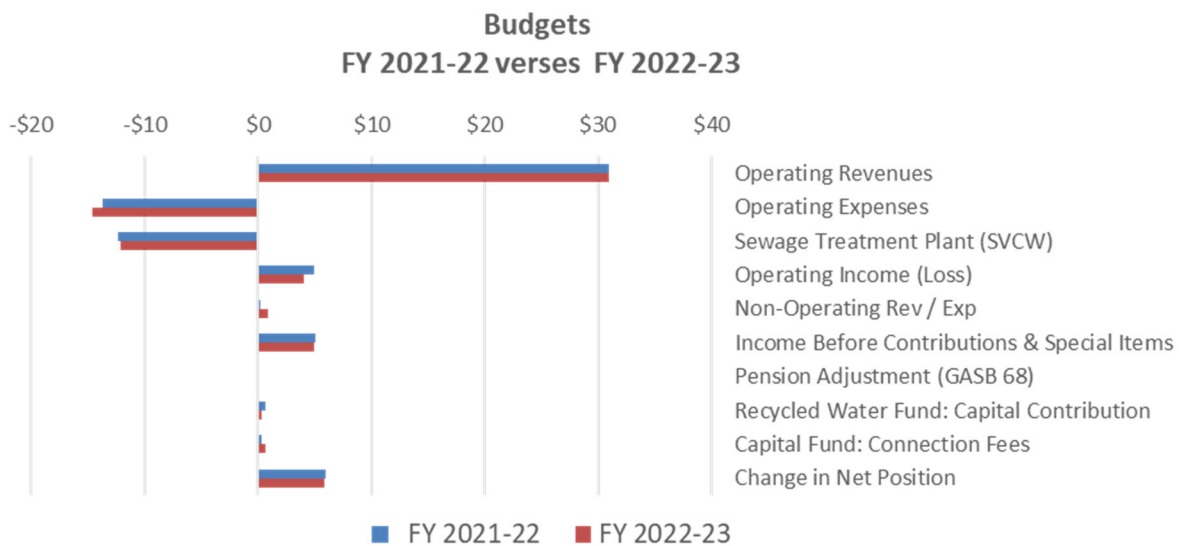
Assets	FY 2021-22	FY 2020-21	Change	Percentage
Land	44,467	44,467	-	0%
Construction in Progress	6,631,205	2,367,198	4,264,007	180%
Pump Stations	7,413,864	7,916,203	(502,339)	-6%
Fleet & Equipment	2,814,646	3,006,893	(192,247)	-6%
Administration	1,127,140	1,381,277	(254,137)	-18%
Flow Equalization	2,776,288	3,049,594	(273,306)	-9%
Collection Facilities	2,930,433	2,884,719	45,714	2%
Subsurface Lines	66,097,994	66,671,137	(573,143)	-1%
Recycled Water Facilities	22,647,052	22,647,052	(0)	0%
Capital Assets	112,483,090	109,968,540	2,514,549	2%
Depreciation	(41,340,145)	(39,056,193)	(2,283,952)	6%
Net Capital Assets	71,142,944	70,912,347	230,597	0.3%

West Bay Sanitary District
 Management's Discussion and Analysis
 June 30, 2022

Future Budget

The District is governed in part by provisions of the California Constitution that require the District to set rates that cover only the costs of operation and maintenance (O&M), and capital. General economic conditions have a limited effect on the District for sewer service charges. Accordingly, the District sets the sewer rates to its users to cover the costs of O&M and strives to stabilize capital costs with a ten year Master Plan and reserves for Rate Stabilization and Capital.

The District provides an essential government function, therefore essential sanitary and sewer services continued during the shutdown due to the COVID-19 Declaration of National Emergency and Shelter in Place Orders effective March 19, 2020, with minimal disruption, completing 100% of internal maintenance and performance goals for 2020, 98% in 2021, and 98% in 2022.



While the District continued to operate, the shutdown effected vendors, resulting in higher costs for personal protective equipment (PPE) and some delays, especially in capital projects. Construction costs have continued to rise and have shortages, causing delays and occasionally requiring postponement of a capital project. Renewal in private construction resulted in high connection fees in FY 2021-22 and anticipated increases in future sewer service charges. Many commercial customers were shutdown over the prior two years, resulting in lower water usage, which reduces sewer service charges in the following year. Non-residential charges are not expected to rebound until FY 2023-24. Non-residential customers represented 3% of all customers and 17% of revenue, in FY 2021-22, down from 23% in FY 2020-21, while the number of commercial customers is unchanged. Sewer Service Fees for residential customers are not impacted, as they pay flat rates. The District increased sewer service charges 2.5% effective 7/1/2021 and 2% effective 7/1/2022. Table 6 shows a budget comparison from fiscal year 2021-22 to fiscal year 2022-23. The District anticipates flat Operating Revenues for fiscal year 2022-23. Operating Expenses are expected to rise 7% for fiscal year 2022-23.

Sewage Treatment Plant (SVCW) expenses will decrease due to refinancing of debt by SVCW in FY 2020-21, to take advantage of lower interest rates, and reduced flows from the District.

Non-Operating Revenue budget increased to account for interest income and changes in market value on the \$40 million in District reserves and \$76 million in total cash and investments, as of June 30, 2022.

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2022

Table 6
Budget Reports

	FY 2021-22	FY 2022-23	Change	Percentage
Operating Revenues	30,972,898	30,887,959	(84,938)	0%
Operating Expenses	(13,677,563)	(14,674,382)	(996,819)	7%
Sewage Treatment Plant (SVCW)	(12,396,490)	(12,177,351)	219,139	-2%
Operating Income (Loss)	4,898,845	4,036,227	(862,619)	-21%
Non-Operating Rev / Exp	193,949	853,468	659,519	77%
Income Before Contributions & Special Items	5,092,794	4,889,694	(203,100)	-4%
Recycled Water Fund: Capital Contribution	662,911	250,000	(412,911)	-165%
Capital Fund: Connection Fees	250,000	662,911	412,911	62%
Change in Net Position	6,005,705	5,802,605	(203,100)	-4%

Factors Bearing on the Future

The District is committed to its mission of protecting public health and the environment. As part of that mission, the District has worked with local partners to build and operate recycled water facilities. Beyond the benefits of providing recycled water for landscaping and other uses, recycling water from the District system reduces future processing costs to all sewer service customers, by reducing flows and ultimately discharges destined to the San Francisco Bay.

The Sharon Heights Recycled Water Facility (SHRWF) project was completed in FY 2020-21 and accepted effective July 27, 2020, for a total of \$22,647,052 to build the 0.5 million gallons per day (MGD) recycled water capacity. \$22,267,257 was received from the California Clean Water State Revolving Fund (SRF), including a \$5,259,800 Water Recycling Funding Program Construction Grant and a net SRF Loan of \$17,117,420. The SHRWF is a public-private partnership with SHGCC, who reimburses O&M expense and makes capital contributions to cover the annual SRF loan payments. The first SRF loan payment was made in March 2021, with a current balance of \$16,119,635, as of June 30, 2022. In 2021-22, 97.1 MG were treated and 61.6 million gallons of recycled water were delivered to the SHGCC pond for irrigation.

The District is currently designing a new 0.6 MGD recycled water treatment and distribution facility, with the ability to expand to 0.8 MGD, on the Flow Equalization and Resource Recovery Facility (FERRF) site. The District was awarded a \$15 million grant from the California State Water Recycling Funding Program (WRFP), representing 35% of projected construction costs of \$56.6 million and an initial \$37 million SRF loan. The grant may increase, based on final construction costs, currently projected as \$66.8 million. The District has identified interested developers for 56% of the capacity, with 44% remaining for existing and new customers, with a cash estimate for the District of \$8.8 million, excluding land and existing infrastructure value.

In December 2018, the District Board provided direction to include a “Living Shoreline” to levee improvement plans to enhance the shoreline, while providing flood and sea level rise protection at FERRF. As part of a regional effort to extend resilient living shoreline around San Francisco Bay, the District has worked with experts to design an Ecotone Levee with 3.5 acre living shoreline on the north side of the project site. This will protect the site from 100-year floods, protect the bay from contamination of raw sewage occurring if storm surge and sea level rise breach the flow equalization ponds, while mitigating loss of wetlands and conserving and creating marsh and upland habitat. The District was awarded a \$4,884,112 million grant to fund a portion of the Ecotone Levee Project by the National Fish and Wildlife Foundation (NFWF). The funds are matching, requiring a 112% contribution by the District of \$5.5 million.

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2022

West Bay Sanitary District – 1902 to 2022

In October 1902, a petition signed by 35 residents was presented to the Board of Supervisors of San Mateo County requesting that an election be called for the formation of a sanitary district. The Menlo Park Sanitary District was created with the election held on December 10, 1902 at the Menlo Park Hotel (shown on the right). In 1981, the name was changed to West Bay Sanitary District, to better represent the expanding service area. In 1975, the District joined with the Cities of Belmont, Redwood City, and San Carlos in a Joint Powers Agreement establishing the South Bayside System Authority (now Silicon Valley Clean Water), for a regional wastewater treatment plant, replacing the District's local plant.



In 2022, the District celebrates 120 years of serving the communities of City of Menlo Park, Atherton, Portola Valley, areas of East Palo Alto, Woodside, and unincorporated San Mateo and Santa Clara counties.



District's old treatment plant, Flow Equalization Pond, 1960 Administration Building, 2009 Administration Building (left to right).

Contacting the District

This financial report is designed to provide a general overview of the District's finances and demonstrate the District's accountability for the funds it receives. If you have any questions related to the District, please contact the District at 500 Laurel Street, Menlo Park, CA 94025 or call (650) 321-0384.



BASIC FINANCIAL STATEMENTS

West Bay Sanitary District
Statement of Net Position
June 30, 2022
(With Comparative Totals as of June 30, 2022)

Assets	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 47,532,929	\$ 41,002,499
Investments	8,879,384	7,895,568
Restricted cash and investments	1,515,974	1,282,313
Accounts receivable	831,578	671,544
Interest receivable	238,586	156,960
Prepaid expenses and other current assets	80,883	84,094
Total Current Assets	<u>59,079,334</u>	<u>51,092,978</u>
Noncurrent Assets:		
Investments	19,684,019	13,998,084
Investment in Silicon Valley Clean Water	28,430,708	29,519,631
Restricted cash and investments	209,699	237,452
Net Pension asset	3,490,048	-
Capital assets:		
Non-depreciable	6,675,673	2,411,664
Depreciable net of accumulated depreciation	64,467,272	68,500,682
Total Capital Assets - Net	<u>71,142,945</u>	<u>70,912,346</u>
Total Noncurrent Assets - Net	<u>122,957,419</u>	<u>114,667,513</u>
Total Assets	<u>\$ 182,036,753</u>	<u>\$ 165,760,491</u>
 Deferred Outflows of Resources		
OPEB adjustments	\$ 101,067	\$ 132,838
Pension adjustments	141,271	-
Total Deferred Outflows of Resources	<u>\$ 242,338</u>	<u>\$ 132,838</u>
 Liabilities		
Current Liabilities:		
Accounts payable	\$ 304,123	\$ 1,384,289
Payroll and related liabilities	536,887	595,425
Customer deposits	1,191,909	1,715,205
State Revolving Fund Loan	501,715	496,747
Total Current Liabilities	<u>2,534,634</u>	<u>4,191,666</u>
Noncurrent Liabilities:		
Net OPEB liability	6,113	118,683
Customer deposits	1,458,404	1,458,404
State Revolving Fund Loan	15,617,920	16,119,635
Total Noncurrent Liabilities	<u>17,082,437</u>	<u>17,696,722</u>
Total Liabilities	<u>\$ 19,617,071</u>	<u>\$ 21,888,388</u>
 Deferred Inflows of Resources		
OPEB adjustments	\$ 28,593	\$ 3,788
Pension adjustments	2,693,652	-
Total Deferred Inflows of Resources	<u>\$ 2,722,245</u>	<u>\$ 3,788</u>
 Net Position		
Net Investment in Capital Assets	\$ 55,023,310	\$ 54,295,964
Unrestricted:		
Capital fund budget	41,066,633	25,061,834
Invested in Silicon Valley Clean Water	28,430,708	29,519,631
Operations	10,749,600	9,365,827
Unreserved	24,669,524	25,757,897
Total Net Position	<u>\$ 159,939,775</u>	<u>\$ 144,001,153</u>

The notes to the financial statements are an integral part of this statement.

West Bay Sanitary District
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2022	2021
Operating Revenues:		
Service charges	\$ 29,637,018	\$ 31,090,378
Flow equalization uses	368,490	355,000
Permit and inspection fees and other services	210,666	224,200
Other operating revenues	832,961	610,036
Total operating revenues	<u>31,049,135</u>	<u>32,279,614</u>
Operating Expenses:		
Sewage treatment plant (SVCW)	12,233,027	12,740,978
Sewage collection and general administration:		
Salaries and benefits	5,885,910	6,276,336
Materials and supplies	573,943	501,554
Insurance	229,776	235,354
Contract services	611,993	368,977
Professional services	433,014	319,593
Repairs and maintenance	291,398	297,135
Utilities	329,988	390,844
Other operating expenses	241,980	504,084
Total sewage collection and general administration	<u>8,598,002</u>	<u>8,893,877</u>
Depreciation	3,648,434	3,739,121
Total operating expenses	<u>24,479,463</u>	<u>25,373,976</u>
Operating Income (Loss)	<u>6,569,672</u>	<u>6,905,638</u>
Nonoperating Revenues (Expenses):		
Investment income	(410,875)	363,553
Interest expense	(166,164)	(125,580)
Increase (decrease) of equity in Silicon Valley Clean Water	(1,088,923)	297,792
Other nonoperating revenues	686,442	672,665
Total nonoperating revenues (expenses)	<u>(979,520)</u>	<u>1,208,430</u>
Income before contributions	<u>5,590,152</u>	<u>8,114,068</u>
Capital Contributions:		
Recycled Water Fund: Capital Contributions	662,911	662,911
Capital Fund: Connection Fees	7,444,686	110,097
Total capital contributions	<u>8,107,597</u>	<u>773,008</u>
Special Item: Pension Credit	<u>937,667</u>	<u>-</u>
Change in Net Position	<u>14,635,416</u>	<u>8,887,076</u>
Beginning Net Position	144,001,153	135,869,805
Prior Period Adjustments	1,303,206	(755,728)
Beginning Net Position - As Adjusted	<u>145,304,359</u>	<u>135,114,077</u>
Ending Net Position	<u>\$ 159,939,775</u>	<u>\$ 144,001,153</u>

The notes to the financial statements are an integral part of this statement.

West Bay Sanitary District
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2022	2021
Cash Flows from Operating Activities:		
Cash received from customers	\$ 32,119,464	\$ 33,392,475
Cash payments to suppliers for goods and services	(16,472,527)	(14,615,800)
Cash payments to employees for services	(4,483,601)	(4,288,579)
Cash payments of benefits on behalf of employees	(1,516,841)	(6,853,484)
Net Cash Provided (Used) by Operating Activities	<u>9,646,495</u>	<u>7,634,612</u>
Cash Flows from Capital and Related Financing Activities:		
Cash received from connection fees	7,444,686	110,097
Cash received from the State Revolving Fund loan	-	19,263
Principal paid for the State Revolving Fund loan	(496,747)	-
Cash received from surplus franchise fees	204,901	-
Cash received from capital contributions	662,911	662,911
SHGCC SRF loan payment advance	-	(679,330)
Interest payments	(166,164)	(161,872)
Cash received on the sale of capital assets	602	-
Purchases and construction of capital assets	(4,329,486)	(2,200,302)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>3,320,703</u>	<u>(2,249,233)</u>
Cash Flows from Investing Activities:		
Transfers to investment accounts	(8,137,346)	(3,738,500)
Transfers from investment accounts	1,103,111	1,321,758
Investment income	597,467	1,165,038
Net Cash Provided (Used) by Investing Activities	<u>(6,436,768)</u>	<u>(1,251,704)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,530,430	4,133,675
Cash and Cash Equivalents Beginning	<u>41,002,499</u>	<u>36,868,824</u>
Cash and Cash Equivalents Ending	<u>\$ 47,532,929</u>	<u>\$ 41,002,499</u>
Reconciliation of Operating Income to Cash Flows Provided by Operating Activities:		
Operating Income (Loss)	\$ 6,569,672	\$ 6,905,638
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,648,434	3,739,121
Pension credit	937,667	-
Prior period adjustments	1,303,206	(755,728)
Net change in:		
Accounts receivable	(160,034)	1,130,242
Prepaid expenses and other current assets	3,211	622,597
Deferred outflows of resources	(109,500)	963,631
Accounts payable	(1,080,166)	196,220
Payroll and related liabilities	(58,538)	70,654
Construction deposits	-	(17,381)
Customer deposits	(523,296)	-
Compensated absences	-	78,562
Net OPEB liability	(112,570)	7,444
Net pension asset/liability	(3,490,048)	(4,738,776)
Deferred inflows of resources	2,718,457	(567,612)
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,646,495</u>	<u>\$ 7,634,612</u>

The notes to the financial statements are an integral part of this statement.

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

NOTE 1 - NATURE OF ORGANIZATION

West Bay Sanitary District (District) is a State of California Special District and was formed for the purpose of protecting water quality and the associated public health. The District is responsible for wastewater collections, treatment, reclamation and disposal. The District performs the services of wastewater collection, and together with three other public entities is part of a Joint Powers District for the treatment, disposal and reclamation of wastewater. The District is also responsible for refuse (solid waste) collection, treatment, disposal and reclamation. It franchises with a solid waste organization to perform these refuse services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

The District's Basic Financial Statements are prepared in accordance with the policies and procedures for California special districts. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units, issued by the American Institute of Certified Public Accountants.

The District is accounted for as an enterprise fund because the intent of the governing body is that the cost (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is emphasized and the full accrual basis of accounting is required. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

Enterprise funds are accounted for on a cost of services or economic resources measurement focus, which means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability and net OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

resources related to the recognition of the District's benefit plans liability reported in the Statement of Net Position.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The Generally Accepted Accounting Principles (GAAP) hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:

- a. Officially established accounting principles—GASB Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Statement of Net Position

The statement of net position is designed to display the financial position of the District. The District's net position are classified into three categories as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.
- Restricted - This component of net position consists of constraints placed on an assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law and regulations of other governments, and reduced by liabilities and deferred inflows of resources related to those assets. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The District applies restricted resources when an

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

expense is incurred for purposes for which both restricted and unrestricted net position is available.

- Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for services. Operating expenses for the District include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Service Charges

Service Charges are collected for providing sewer services within the District's territory. The majority of revenues are collected by the County of San Mateo through annual property tax billings. Customers not included in tax roll are manually billed by District.

Connection Fees

Connection fees are reported as revenue only to the extent the amount equals the costs of the physical connection to the system.

Budgets and Budgetary Accounting

Budgets are prepared on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by the Board of Directors. Project-length financial plans are adopted for all capital projects funds.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less.

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

Investments

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No.3)*, certain disclosure requirements for Deposits and Investment Risks were made in the areas of interest rate risk and credit risk. The credit risk disclosures include the following components; overall credit risk, custodial credit risk and concentrations of credit risk. In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The District participates in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code section 16429 under the oversight of the Treasurer of the State of California. Investment in LAIF are reported at the market value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Accounts Receivables

Receivables include amounts due from collection services and other assessments or resources. All receivables are current and reported net of an allowance for uncollectible accounts as applicable. The allowance for uncollectible accounts was zero as of June 30, 2022.

Capital Assets

Property, plant and equipment are recorded at cost or, if contributed, at estimated value at the time of

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

acquisition to the District are stated at estimated fair value at the time of contribution. District policy has set the capitalization threshold for reporting capital assets at \$20,000 if an asset has an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The purpose of depreciation is to spread the cost of plant and equipment equitably among all customers over the life of these assets, so that each customer's bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of plant and equipment cost.

Depreciation of all plant and equipment in service is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the capital assets.

The District has assigned the useful lives listed below to plant and equipment:

Pump Stations	5-30 years
Fleet	5-10 years
Plant and administration facilities	3-30 years
Buildings	5-30 years
Flow equalization facilities	10-30 years
Subsurface lines	5-50 years

Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Compensated Absences

Compensated absences include vacation leave, floating holidays and comp time. Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. The following summarizes the changes in compensated absences during the year:

Description	Balance July 01, 2021	Additions	Adjustments/ Deductions	Balance June 30, 2022	Due Within One Year
Compensated Absences	380,051	70,298	62,588	387,761	387,761

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 District's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's 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 Statement No. 68, *accounting and financial reporting for Pensions – an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames. During the fiscal year ended June 30, 2022, the District obtained an actuarial valuation for its pension plan in order determine the amount required to fully fund its

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

unfunded pension liability. As of June 30, 2022 the District had a net pension asset. For the period, the following time frames were used.

Valuation Date	June 30, 2020
Measurement Date	June 30, 2022
Measurement Period	July 1, 2020 to June 30, 2022

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

New Accounting Pronouncements

GASB 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. As of June 30, 2022, the District did not have any material contracts required to be reported as leases per GASB 87.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

The statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2)

West Bay Sanitary District
Notes to Financial Statements
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clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately
- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021

The District did not report any significant accounting changes from the implementation of this Statement during the year ended June 30, 2022.

Upcoming New Accounting Pronouncements

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 91, *Conduit Debt Obligations*

The 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 also clarifies 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 commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private Partnerships 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

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

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 to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

GASB 96 provides guidance on accounting for Subscription-Based Information Technology Arrangements (SBITA) where the government contracts for the right to use another party's software. The standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*. *GASB 96 is effective for fiscal years beginning after June 15, 2022.*

GASB Statement No. 99, *Omnibus 2022*

Omnibus statements are issued by GASB to address practice issues identified after other standards have been approved for implementation. Omnibus statements "clear up the loose ends" for recent prior statements GASB has issued. This Omnibus addresses recent pronouncements, including GASB 87 – Leases, GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB 96 – *Subscription-Based Information Technology Arrangements*. Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

NOTE 3 - CASH AND INVESTMENTS

The District's cash and investments consisted of the following as of June 30, 2022 and 2021:

Description	Rating	Fair Value June 30, 2022	Maturities			Concen- trations
			12 Months or Less	13 - 24 Months	25 - 60 Months	
Bank of the West Investments:						
Fixed Income	AA+/BBB	\$ 27,197,059	\$ 7,513,040	\$ 13,958,580	\$ 5,725,439	34.95%
Cash	N/A	1,366,344	1,366,344	-	-	1.76%
Total Bank of West Investments	AAA	28,563,403	8,879,384	13,958,580	5,725,439	36.70%
Restricted Investments:						
Cash with fiscal agents - PARS	N/A	209,699	209,699	-	-	0.27%
Total Restricted Investments		209,699	209,699	-	-	0.27%
Cash and Cash Equivalents:						
Cash on hand and in banks	N/A	896,157	896,157	-	-	1.15%
Money Market	N/A	2,705,197	2,705,197	-	-	3.48%
LAIF	N/A	45,446,749	45,446,749	-	-	58.40%
Petty Cash	N/A	800	800	-	-	0.00%
Total Cash and Cash Equivalents		49,048,903	49,048,903	-	-	63.03%
Total Cash and Investments		<u>\$ 77,822,005</u>	<u>\$ 58,137,986</u>	<u>\$ 13,958,580</u>	<u>\$ 5,725,439</u>	<u>100.00%</u>

Cash Deposits

Interest bearing bank balances are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). The bank balance of the District's cash in bank, which was \$1,000,007, exceeded the insured limit by \$747,128 as of June 30, 2022. None of the District's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts. All of the District's accounts met the collateral and categorization requirements as noted in the following paragraphs.

Collateral and Categorization Requirements

The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of at least 150% of an agency's total deposits.

Investment Policy

The District's investment guidelines as defined by its written investment policy were approved by the Board of Directors. Implementation and direction is established by an internal finance committee. Monthly, the Board reviews the investment balances. Investments are ratified quarterly by the Board.

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The District's investment policy follows the California Government Code which authorizes the District to invest in the following:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Passbook Savings Account Demand Deposits	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

All of the Districts investments were valued using Level 2 inputs as noted above.

California Local Agency Investment Fund

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

West Bay Sanitary District
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LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the District to participate in the Pooled Money Investment Account (PMIA) managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. One hundred percent of the pooled funds are invested in non-derivative financial products. The balance in LAIF is available for withdrawal on demand. The PMIA fair value balance, as of June 30, 2022, was approximately \$232 billion.

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

- *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 the changes in market interest rates. In order to limit loss exposure due to Interest Rate Risk, the investment policy limits the length of maturity of investments
- *Credit Risk* - Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service.
- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due to failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. In order to limit loss exposure due to Custodial Credit Risk, the investment policy requires all securities be received and delivered using the standard delivery versus payment (DVP) procedure, and all securities be held by a third-party bank or trust department under the terms of a custody or trustee agreement. None of the District's investments were subject to custodial credit risk.
- *Concentration of Credit Risk* - See the chart above for the District's limitations on the amount that can be invested in any one issuer.

West Bay Sanitary District
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NOTE 4 - INVESTMENT IN SILICON VALLEY CLEAN WATER

Silicon Valley Clean Water (SVCW), formerly South Bayside System Authority, was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan, from which SVCW took title to property including sanitary sewerage pumping stations, as well as transmission and outfall facilities originally constructed by that plan. SVCW is a joint exercise of powers agency between the District, the Cities of Belmont, Redwood City, and San Carlos. The Agency's wastewater treatment plant is in Redwood City and serves more than 220,000 people and businesses in service areas. SVCW provides wastewater transmission, treatment, and effluent disposal services member agencies. At June 30, 2022 and 2021, the District had approximately 23.06% and 23.38%, respectively, in equity interest in SVCW, which is reported using the equity method of accounting. The District's investment in SVCW at June 30, 2022 and 2021 was \$28,430,708 and \$29,519,631, respectively, as reflected on the statement of net position. The change in the investment for the years ended June 30, 2022 and 2021 was a decrease of \$1,088,923 and an increase of \$297,792, respectively, as reflected in the statement of revenues, expenses and changes in net position. During the year ended June 30, 2022, the District contributed \$7,163,748 toward the cost of operating and maintaining the facility and paid debt principal and interest of \$5,069,279 that included the State revolving fund loan and the financing agreements to finance the construction and rehabilitation of the SVCW's wastewater system.

The 2022 changes in the District's equity share was mostly attributed to the fact that not all members share in the long-term debt, only the net position, or equity, of the participating members decreases upon the issuance of new debt, while the "non-debt" member's net position increases. In addition, the non-debt members contribute more cash into the JPA than other members to cover their share of capital improvements, which increases the equity share of non-debt members and decreases the share of other participating agencies. SVCW's governing commission consists of four members, one appointed from each of the four participating agencies. SVCW's condensed audited financial information is presented below for the year ended June 30, 2021, (most recent information available):

	<u>June 30, 2022</u>
Total Assets	\$ 928,143,063
Deferred Outflows of Resources	26,635,391
Total Liabilities	821,218,780
Deferred Inflows of Resources	10,259,797
Total Equity	123,299,877
Total Revenues	50,189,224
Total Expenditures	53,172,148

Financial statements may be obtained by mailing a request to Silicon Valley Clean Water, 1400 Radio Road, Redwood City, CA 94065.

The District entered into financing agreements with SVCW for repayment of the District's allocated share of bonds and State Water Resource Control Board loans with an outstanding balance of \$303,312,633 as of June 30, 2022, including principal and interest. The financing agreements are secured by a pledge of the District's sewer revenue as defined under the financing agreements. For fiscal year 2022, gross Sewer Fund revenues, including operating revenues and non-operating

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interest earnings, amounted to \$29,637,018. The annual debt service commitments are summarized as follows:

Fiscal year ending:	Principal	Interest	Total
2023	\$ 2,872,784	\$ 2,205,885	\$ 5,078,669
2024	2,919,764	2,156,270	5,076,034
2025	4,300,086	2,470,547	6,770,633
2026	4,510,773	2,448,188	6,958,961
2027	4,563,684	2,389,048	6,952,732
2028-2032	32,630,705	17,933,407	50,564,112
2033-2037	38,383,547	15,405,132	53,788,679
2038-2042	40,602,959	11,402,318	52,005,277
2043-2047	38,605,845	7,267,230	45,873,075
2048-2052	32,539,639	3,870,528	36,410,167
2053-2057	25,402,719	1,694,662	27,097,381
2058-2062	6,565,064	171,849	6,736,913
Total debt service	<u>\$ 233,897,569</u>	<u>\$ 69,415,064</u>	<u>\$ 303,312,633</u>

NOTE 5 - CAPITAL ASSETS (PROPERTY, PLANT AND EQUIPMENT)

The District's capital assets consisted of the following as of June 30, 2022:

Description	Balance June 30, 2021	Additions	Adjustments & Deletions	Balance June 30, 2022
Non-depreciable Capital Assets:				
Land	\$ 44,467	\$ -	\$ -	\$ 44,467
Construction in progress	2,367,197	4,264,009	-	6,631,206
Total non-depreciable capital assets	<u>2,411,664</u>	<u>4,264,009</u>	<u>-</u>	<u>6,675,673</u>
Depreciable Capital Assets:				
Pump stations	7,916,203	21,593	(523,932)	7,413,864
Fleet	3,006,893	-	(192,247)	2,814,646
Plant and administration facilities	1,381,277	-	(254,137)	1,127,140
Buildings	3,049,594	-	(119,161)	2,930,433
Flow equalization facilities	2,884,719	-	(108,431)	2,776,288
Subsurface lines	66,671,137	43,884	(617,027)	66,097,994
SHGCC Recycled Water Facility	22,647,052	-	-	22,647,052
Total depreciable capital assets	<u>107,556,875</u>	<u>65,477</u>	<u>(1,814,935)</u>	<u>105,807,417</u>
Less accumulated depreciation for:				
Pump stations	(3,764,066)	(217,795)	285,559	(3,696,302)
Fleet	(2,027,066)	(176,946)	157,760	(2,046,252)
Plant and administration facilities	(1,021,147)	(65,426)	218,921	(867,652)
Buildings	(1,475,364)	(84,986)	57,309	(1,503,041)
Flow equalization facilities	(2,694,458)	(89,485)	97,639	(2,686,304)
Subsurface lines	(27,375,808)	(2,260,991)	547,294	(29,089,505)
SHGCC Recycled Water Facility	(698,284)	(752,805)	-	(1,451,089)
Total accumulated depreciation	<u>(39,056,193)</u>	<u>(3,648,434)</u>	<u>1,364,482</u>	<u>(41,340,145)</u>
Total depreciable capital assets - net	<u>68,500,682</u>	<u>(3,582,957)</u>	<u>(450,453)</u>	<u>64,467,272</u>
Total capital assets - net	<u>\$ 70,912,346</u>	<u>\$ 681,052</u>	<u>\$ (450,453)</u>	<u>\$ 71,142,945</u>

Depreciation expense for the year ended June 30, 2022 and 2021 was \$3,648,434 and \$3,739,121, respectively.

West Bay Sanitary District
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June 30, 2022

The following details construction in progress as of June 30, 2022:

Project	Balance
FEF Metal Storage Building	\$ 1,215,098
Levee Design	846,058
Gilbert Bay North / North Bay / Ringwood	3,841,962
Bayfront	728,088
Total Construction in Progress	\$ 6,631,206

NOTE 6 - NONCURRENT LIABILITIES

The District's noncurrent liabilities consisted of the following as of June 30, 2022:

Description	Balance July 01, 2021	Additions	Adjustments/ Deductions	Balance June 30, 2022	Due Within One Year
Net OPEB Liability	\$ 118,683	\$ 111,125	\$ 223,695	\$ 6,113	\$ -
State Revolving Fund Loan	16,616,382	166,164	662,911	16,119,635	501,715
Total Noncurrent Liabilities	\$ 16,735,065	\$ 277,289	\$ 886,606	\$ 16,125,748	\$ 501,715

State Revolving Fund Loan

The District has entered into a \$22,595,000 agreement with the State Water Resources Control Board (SWRCB or State Revolving Fund Loan) to finance the Sharon Heights Recycled Water project. The final funding includes a grant of \$5,259,800, federal loan of \$987,014, and state loan of \$16,020,443. Through June 30, 2022, the SRF loan balance was \$16,119,635. The loan funds and accrued interest annual installments commenced on March 31, 2021, one year after the state recognized the project completion on March 31, 2020. Sharon Heights Golf & Country Club pre-funds the annual SRF loan payments. The District accepted project completion July 26, 2020. The following summarizes the total debt service to be repaid by June 30, 2050:

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	\$ 501,715	\$ 161,196	\$ 662,911
2024	506,732	156,179	662,911
2025	511,799	151,112	662,911
2026	516,917	145,994	662,911
2027	522,086	140,825	662,911
2028-32	2,689,796	624,759	3,314,554
2033-37	2,827,002	487,552	3,314,554
2038-42	2,971,208	343,347	3,314,554
2043-47	3,122,769	191,785	3,314,554
2048-50	1,949,611	39,122	1,988,732
Total Debt Service	\$ 16,119,635	\$ 2,441,870	\$ 18,561,504

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

NOTE 7 - BOARD COMMITMENTS OF NET POSITION

Commitments are imposed by the District’s Board to reflect future spending plans or concerns about the availability of future resources. Commitments may be modified, amended or removed by Board action. Commitments for future capital assets replacement is the portion of net position to be used for new equipment and for emergency and scheduled replacement of capital facilities paid from connection fees. Commitments for operations have been set aside to reserve approximately five months of operating expenses. The Board committed the following unrestricted net position as of June 30, 2022:

Description	Balance
Capital fund budget	\$ 41,066,633
Invested in Silicon Valley Clean Water	28,430,708
Operations	10,749,600
Total Committed Unrestricted Net Position	<u>\$ 80,246,941</u>

NOTE 8 - DEFERRED COMPENSATION PLAN

District employees may defer a portion of their compensation under a District-sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefits of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property and are not subject to District control, they are not included in these financial statements.

NOTE 9 - RISK MANAGEMENT

The District participates in a joint powers agreement (JPA) with other sanitary districts in the State to form California Sanitation Risk Management Authority (CSRMA). The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District is insured for the costs of claims through CSRMA and commercial insurance carriers for the following:

Type of Coverage	Limits	Deductibles
General Liability	15,500,000	25,000
Employment Practices Liability	15,500,000	25,000
Worker's Compensation	750,000	None
Excess Worker's Compensation Liability	Statutory Limits	None
Mobile Equipment	767,005	2,000
Special Form Property	1,003,385	5,000
Public Official Bond	100,000	None

West Bay Sanitary District
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The District has incurred two claims that have not exceeded its insurance coverage limits in the last three years. Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2021 (most recent information available):

	June 30, 2021
Total Assets	\$ 31,110,033
Total Liabilities	24,687,781
Total Equity	6,422,252
Total Revenues	15,793,441
Total Expenditures	16,584,260

NOTE 10 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plans

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan); cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District 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.

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. Tier 2 and PEPRA members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits until the age of 60 and 62 respectfully. All members are eligible for non-duty disability benefits after 5 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 the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62
Monthly benefits as a			
% of eligible compensation	2.50%	2.00%	2.00%
Required employee contribution rates	8.000%	7.000%	6.750%
Required employer contribution rates	11.590%	8.650%	7.590%

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Employees Covered - At June 30, 2022, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Active	31
Transferred	9
Separated	13
Retired	25
Total	78

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 the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rates are 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.

For the year ended June 30, 2022, the District made the following pension contributions:

	Miscellaneous
Contributions - employer	\$ 348,274

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, the District had fully funded its proportionate share of the Plan and had a net pension asset of \$3,490,048. The District's net pension asset/liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan are measured as of June 30, 2021, 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, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension Plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	Miscellaneous
Proportion - June 30, 2021	0.14056%
Proportion - June 30, 2022	-0.18376%
Change - Increase/(Decrease)	-0.32432%

West Bay Sanitary District
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For the year ended June 30, 2022, the District recognized a pension credit of \$937,667.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences between Expected and Actual Experience	141,271	-
Differences between Projected and Actual Investment Earnings	-	2,098,091
Differences between Employer's Contributions and Proportionate Share of Contributions	-	595,561
Change in Employer's Proportion	-	-
Pension Contributions Made Subsequent to Measurement Date	-	-
Total	\$ 141,271	\$ 2,693,652

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2023	\$ (692,779)
2024	(692,779)
2025	(642,301)
2026	(524,522)
2027	-
Thereafter	-
Total	\$ (2,552,381)

West Bay Sanitary District
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June 30, 2022

Actuarial Assumptions - The total pension liabilities in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
 Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.00% (2)
Mortality	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

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

The following presents the Town's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the Town's proportionate share of the net pension 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 rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ (471,656)
Current	7.15%
Net Pension Liability	\$ (3,490,048)
1% Increase	8.15%
Net Pension Liability	\$ (5,985,310)

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

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June 30, 2022

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

Plan Description

The District's single employer defined benefit postemployment healthcare plan provides health care benefits to eligible retirees in accordance with a Board resolution.

Benefits Provided

The District contributes toward post-retirement benefits for employees who retire under PERS after age 50 and choose coverage under CalPERS medical plans. The District pays the amount of the PEMHCA minimum contribution. Payments are made for the lifetime of the retired employee and covered dependent spouse (or domestic partner), provided that they remain covered under CalPERS medical plans. Retirees are required to pay the balance of the monthly medical premiums. The District does not provide any other post-retirement health and welfare benefits.

The District contracts with CalPERS to administer its retiree health benefit plan. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The District chooses among the menu of benefit provisions and adopts certain benefit provisions by Board resolution.

Employees Covered by Benefit Terms

The benefit terms covered the following employees:

Active employees	28
Inactive employees	<u>7</u>
Total employees	<u><u>35</u></u>

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions during the year were \$62,264. Total contributions included in the measurement period were \$87,458. The actuarially determined contribution for the measurement period was \$9,832. The District's contributions were 1.59% of covered employee payroll during the fiscal year ended June 30, 2022. Employees are not required to contribute to the plan.

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Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Level percentage of payroll,
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.75%
Payroll Increases	3.00%
Healthcare Trend Rate	5.00%
Investment Rate of Return	6.00%
Mortality	2014 CalPERS OPEB
Retirement	2017 CalPERS OPEB Model for miscellaneous public employees with 2.5% at 55

Discount Rate

The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
US Large Cap	43.00%	7.795%
US Small Cap	23.00%	7.795%
Long-Term Corporate Bonds	12.00%	5.290%
Long-Term Government Bonds	6.00%	4.500%
Treasury Inflation-Protected Securities (TIPS)	5.00%	7.795%
US Real Estate	8.00%	7.795%
All Commodities	3.00%	7.795%
Total	100.00%	

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 (valuation date) for the fiscal year ended June 30, 2022 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2022:

Fiscal Year Ended June 30, 2022 (Measurement Date June 30, 2021)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 392,416	\$ 273,733	\$ 118,683
Service cost	7,544	-	7,544
Interest in Total OPEB Liability	19,856	-	19,856
Employer contributions	-	87,458	(87,458)
Actual investment income	-	54,267	(54,267)
Administrative expenses	-	(1,755)	1,755
Net changes	27,400	139,970	(112,570)
Balance at June 30, 2022	\$ 419,816	\$ 413,703	\$ 6,113

Covered Employee Payroll	\$ 3,922,592
Total OPEB Liability as a % of Covered Employee Payroll	10.70%
Plan Fid. Net Position as a % of Total OPEB Liability	98.54%
Service Cost as a % of Covered Employee Payroll	0.19%
Net OPEB Liability as a % of Covered Employee Payroll	0.16%

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

Deferred Inflows and Outflows of Resources

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 38,803	\$ -
Difference between actual and expected earnings	-	26,861
Change in assumptions	-	1,732
OPEB contribution subsequent to measurement date	62,264	-
Totals	\$ 101,067	\$ 28,593

Of the total amount reported as deferred outflows of resources related to OPEB, \$62,264 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2023.

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

Year Ended June 30,	
2023	\$ (216)
2024	(621)
2025	(445)
2026	(446)
2027	6,283
Thereafter	5,655
Total	\$ 10,210

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2022:

Service cost	\$ 7,544
Interest in TOL	19,856
Expected investment income	(20,623)
Difference between actual and expected experience	6,577
Difference between actual and expected earnings	(8,545)
Change in assumptions	(293)
Administrative expenses	1,755
OPEB Expense	\$ 6,271

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2022:

Net OPEB liability ending	\$	6,113
Net OPEB liability beginning		(118,683)
Change in net OPEB liability		<u>(112,570)</u>
Changes in deferred outflows		6,577
Changes in deferred inflows		24,806
Employer contributions and implicit subsidy		<u>87,458</u>
OPEB Expense	\$	<u>6,271</u>

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	6.00%	(1% Increase)
Net OPEB Liability (Asset)	\$	9,047	\$ 6,113
		\$	3,732

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	5.00%	(1% Increase)
Net OPEB Liability (Asset)	\$	3,807	\$ 6,113
		\$	8,960

NOTE 12 - SHARON HEIGHTS GOLF AND COUNTRY CLUB COST SHARING PLAN

West Bay Sanitary District has a long-term agreement with Sharon Heights Golf and Country Club (SHGCC) to contribute toward the cost of a recycled water treatment facility. The agreement included the facilities planning, design, environmental review, permitting, construction and full cost incurred thereafter for operations and maintenance. The District received a grant easement in perpetuity for the location of the recycled water treatment facility and the District has ownership of the treatment facility and all the recycled water. SHGCC has the right to receive the first 400 gallons per day of recycled water.

The District received a California Clean Water State Revolving Fund (SRF) loan to build the recycled water treatment facility. The long-term agreement between the District and SHGCC establishes the terms and conditions of pre-payments each year by SHGCC to the District for the full

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

annual SRF loan payment over the life of the loan, with 2.2 times the annual payment held as a deposit.

Through June 30, 2022, total costs for the designed-build phase were as follows:

Description	Design/Build Phase
Procurement	\$ 18,882
Project Management	1,460,876
Legal	58,903
Water Sampling	63,744
Audit Fees	9,750
Civil Engineers	195,309
Inspection	20,230
General Construction	20,744,677
PG&E	74,681
Total	\$ 22,647,052

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Litigation

The District may be at risk of becoming a defendant in certain lawsuits which arise in the normal course of business. District management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the District.

Construction Related Contracts

The District had outstanding contracts, including purchase orders, totaling \$5,958,767 as of June 30, 2022.

NOTE 14 - SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY JPA

The District is a member of the South Bayside Waste Management Authority, a Joint Powers Authority that facilitates the financing, administration, management, review, monitoring and enforcement of solid waste, recyclable material and plant material collection activities within SBWMA's service area.

The following summarizes the most recent available financial information of SBWMA:

Total Assets	\$ 74,506,626
Total Liabilities	54,235,476
Total Equity	20,271,150
Total Revenues	54,187,325
Total Expenditures	53,131,579

West Bay Sanitary District
Notes to Financial Statements
June 30, 2022

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

During the year, the District increased its beginning net position by to correct the following items:

Connection fees	\$ 822,949
Customer deposits	637,329
Supplemental connection fees	293,381
Capital assets adjustments	<u>(450,453)</u>
Total	<u>\$ 1,303,206</u>

REQUIRED SUPPLEMENTARY INFORMATION

West Bay Sanitary District
Schedule of Pension Contributions - CalPERS
June 30, 2022

Miscellaneous Plan									
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2021	2022
Contractually Required Contributions	\$ 368,713	\$ 399,280	\$ 387,500	\$ 413,896	\$ 297,313	\$ 295,459	\$ 398,336	\$ 348,274	\$ 348,274
Contributions in Relation to Contractually Required Contributions	368,713	399,280	387,500	413,896	297,313	295,459	6,592,343	348,274	348,274
Contribution Deficiency (Excess)	-	-	-	\$ -	\$ -	\$ -	\$ (6,194,007)	\$ -	\$ -
Covered Payroll	\$ 2,411,343	\$ 2,544,628	\$ 2,799,216	\$ 2,795,654	\$ 2,806,611	\$ 3,264,521	\$ 3,436,890	\$ 3,765,114	\$ 3,765,114
Contributions as a % of Covered Payroll	15.29%	15.69%	13.84%	14.80%	10.59%	9.05%	191.81%	9.25%	9.25%

Notes to Schedule:

Valuation Date: June 30, 2020
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.8 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected
ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

West Bay Sanitary District
 Schedule of Proportionate Share of Net Pension Liability
 June 30, 2022

Miscellaneous and Safety Plan								
Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of Net Pension Liability	0.10822%	0.12849%	0.12750%	0.12991%	0.12991%	0.13721%	0.14056%	-0.06453%
Proportionate Share of Net Pension Liability	\$ 2,674,755	\$ 3,524,991	\$ 4,429,092	\$ 5,120,961	\$ 5,054,719	\$ 5,494,504	\$ -	\$ (3,490,048)
Covered Payroll	\$ 2,339,003	\$ 2,411,343	\$ 2,544,628	\$ 2,799,216	\$ 2,795,654	\$ 2,806,611	\$ 3,264,521	\$ 3,436,890
Proportionate Share of NPL as a % of Covered Payroll	114.35%	146.18%	174.06%	182.94%	180.81%	195.77%	181.61%	-101.55%
Plan's Fiduciary Net Position as a % of the TPL	81.15%	78.29%	73.58%	72.32%	73.42%	73.03%	72.52%	115.26%

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

West Bay Sanitary District
Schedule of OPEB Contributions
June 30, 2022

	2018	2019	2020	2021	2022
Actuarially determined contribution (ADC)	\$ 11,604	\$ 11,579	\$ 16,607	\$ 17,602	\$ 9,832
Less: actual contribution in relation to ADC	(9,418)	(5,120)	(5,120)	(87,458)	(62,264)
Contribution deficiency (excess)	<u>\$ 2,186</u>	<u>\$ 6,459</u>	<u>\$ 11,487</u>	<u>\$ (69,856)</u>	<u>\$ (52,432)</u>
Covered employee payroll	\$ 2,795,654	\$ 2,806,611	\$ 3,697,419	\$ 3,808,342	\$ 3,922,592
Contributions as a percentage of covered employee payroll	0.34%	0.18%	0.14%	2.30%	1.59%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method	Entry-Age Normal
Amortization Period	20 years
Asset Valuation Method	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Payroll Increases	3.00%
Investment Rate of Return	6.75%, Net of OPEB plan investment expenses, including inflation
Mortality	6.75%, Net of OPEB plan investment expenses, including inflation
Service Requirement	2014 CalPERS OPEB Assumptions Model for "public agency miscellaneous"

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

No change in benefit terms and discount rates.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Contributions were not based on a measure of pay.

West Bay Sanitary District
Schedule of Net OPEB Liability
June 30, 2022

	2018	2019	2020	2021	2022
Total OPEB liability					
Service cost	\$ 6,513	\$ 6,708	\$ 6,909	\$ 7,254	\$ 7,544
Interest	16,476	17,188	17,672	18,732	19,857
Differences between expected and actual experience	-	-	66,449	-	-
Changes of assumptions	-	-	(2,612)	-	-
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-
Net change in Total OPEB Liability	15,080	9,561	71,085	18,136	27,401
Total OPEB Liability - beginning	278,553	293,633	303,194	374,279	392,415
Total OPEB Liability - ending	<u>\$ 293,633</u>	<u>\$ 303,194</u>	<u>\$ 374,279</u>	<u>\$ 392,415</u>	<u>\$ 419,816</u>
Plan fiduciary net position					
Employer contributions	\$ 232,909	\$ 14,335	\$ 17,333	\$ 5,120	\$ 87,458
Net investment income	10,234	12,089	15,717	13,423	54,267
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-
Administrative expense	-	-	-	-	(1,755)
Net change in plan fiduciary net position	235,234	12,089	15,717	10,693	139,970
Plan fiduciary net position - beginning	-	235,234	247,323	263,040	273,733
Plan fiduciary net position - ending	<u>\$ 235,234</u>	<u>\$ 247,323</u>	<u>\$ 263,040</u>	<u>\$ 273,733</u>	<u>\$ 413,703</u>
Net OPEB liability	\$ 58,399	\$ 55,871	\$ 111,239	\$ 118,682	\$ 6,113
Plan fiduciary net position as a percentage of the total OPEB liability	80.11%	81.57%	70.28%	69.76%	98.54%
Covered employee payroll	\$ 2,799,216	\$ 2,795,654	\$ 2,806,611	\$ 3,697,419	\$ 3,808,342
Net OPEB Liability as a percentage of covered payroll	2.09%	2.00%	3.96%	3.21%	0.16%
Total OPEB Liability as a percentage of covered payroll	10.49%	10.85%	13.34%	10.61%	11.02%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

No change in benefit terms and discount rates.

Actuarially determined contribution rates are calculated as of June 30, two years prior to Contributions were not based on a measure of pay

SUPPLEMENTARY INFORMATION

West Bay Sanitary District
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	Budget Amounts	Actual (GAAP Basis)	Variance
Operating Revenues:			
Service charges	\$ 29,740,626	\$ 29,637,018	\$ (103,608)
Flow equalization uses	368,490	368,490	-
Permit and inspection fees and other services	100,000	210,666	110,666
Other operating revenues	763,782	832,961	69,179
Total operating revenues	<u>30,972,898</u>	<u>31,049,135</u>	<u>76,237</u>
Operating Expenses:			
Sewage treatment plant (SVCW)	12,396,490	12,233,027	163,463
Sewage collection and general administration:			
Salaries and benefits	6,440,333	5,885,910	554,423
Materials and supplies	532,368	573,943	(41,575)
Insurance	261,055	229,776	31,279
Contract services	665,475	611,993	53,482
Professional services	562,220	433,014	129,206
Repairs and maintenance	350,425	291,398	59,027
Utilities	426,853	329,988	96,865
Other operating expenses	483,931	241,980	241,951
Total sewage collection and general administration	<u>9,722,660</u>	<u>8,598,002</u>	<u>1,124,658</u>
Depreciation	3,954,902	3,648,434	306,468
Total operating expenses	<u>26,074,052</u>	<u>24,479,463</u>	<u>1,594,589</u>
Operating Income (Loss)	<u>4,898,846</u>	<u>6,569,672</u>	<u>1,670,826</u>
Nonoperating Revenues (Expenses):			
Investment income	352,000	(410,875)	(762,875)
Interest expense	(166,164)	(166,164)	-
Increase (decrease) of equity in Silicon Valley Clean Water	-	(1,088,923)	(1,088,923)
Other nonoperating expenses	(502,747)	(9,061)	493,686
Other nonoperating revenues	510,860	695,503	184,643
Total nonoperating revenues (expenses)	<u>193,949</u>	<u>(979,520)</u>	<u>(1,173,469)</u>
Income before contributions	5,092,795	5,590,152	497,357
Capital Contributions	912,911	8,107,597	7,194,686
Special Item: Pennsion Credit	-	937,667	937,667
Change in Net Position	<u>6,005,706</u>	<u>14,635,416</u>	<u>7,629,710</u>
Prior Period Adjustments	-	1,303,206	1,303,206
Beginning Net Position	144,001,153	144,001,153	-
Ending Net Position	<u>\$ 150,006,859</u>	<u>\$ 159,939,775</u>	<u>\$ 8,995,249</u>

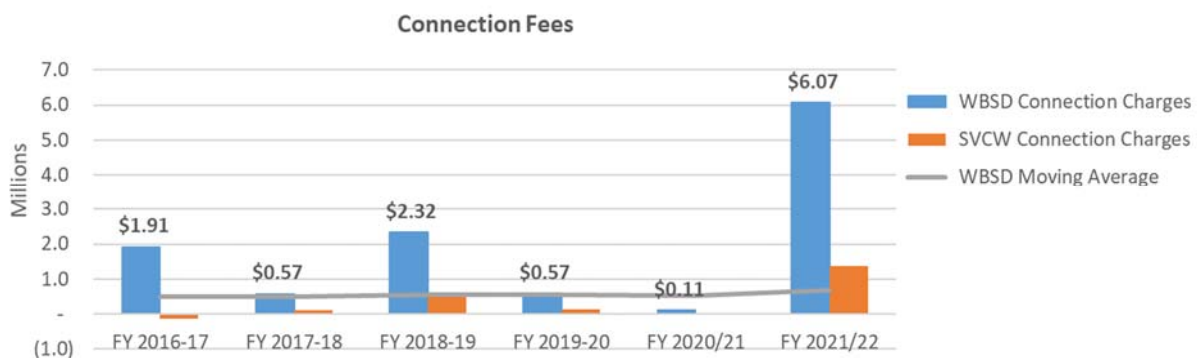
West Bay Sanitary District
Schedule of Combining Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	General Fund	Capital Fund	Solid Waste Fund	Recycled Water Fund	Silicon Valley Clean Water Fund	Total
Operating Revenues:						
Service charges	\$ 29,637,018	\$ -	\$ -	\$ -	\$ -	\$ 29,637,018
Flow equalization uses	368,490	-	-	-	-	368,490
Permit and inspection fees and other services	210,666	-	-	-	-	210,666
Other operating revenues	721,559	-	111,402	-	-	832,961
Total operating revenues	30,937,733	-	111,402	-	-	31,049,135
Operating Expenses:						
Sewage treatment plant (SVCW)	-	-	-	-	12,233,027	12,233,027
Sewage collection and general admin.:						
Salaries and benefits	5,699,499	-	-	186,411	-	5,885,910
Materials and supplies	556,200	-	-	17,743	-	573,943
Insurance	195,029	-	-	34,747	-	229,776
Contract services	611,993	-	-	-	-	611,993
Professional services	375,268	-	-	57,746	-	433,014
Repairs and maintenance	270,584	-	-	20,814	-	291,398
Utilities	179,576	-	-	150,412	-	329,988
Other operating expenses	152,362	-	60,189	29,429	-	241,980
Total sewage collection and gen. admin.	8,040,511	-	60,189	497,302	-	8,598,002
Depreciation	-	2,895,629	-	752,805	-	3,648,434
Total operating expenses	8,040,511	2,895,629	60,189	1,250,107	12,233,027	24,479,463
Operating Income (Loss)	22,897,222	(2,895,629)	51,213	(1,250,107)	(12,233,027)	6,569,672
Nonoperating Revenues (Expenses):						
Investment income	(400,064)	-	-	(10,811)	-	(410,875)
Interest expense	-	-	-	(166,164)	-	(166,164)
Increase (decrease) of equity in SVCW	-	-	-	-	(1,088,923)	(1,088,923)
Other nonoperating revenues (expenses)	(9,061)	602	204,901	490,000	-	686,442
Transfers in (out)	(12,233,027)	-	-	-	12,233,027	-
Total nonoperating revenues (expen.)	(12,642,152)	602	204,901	313,025	11,144,104	(979,520)
Income before contributions	10,255,070	(2,895,027)	256,114	(937,082)	(1,088,923)	5,590,152
Capital Contributions:						
Recycled Water Fund: Capital Contributions	-	-	-	662,911	-	662,911
Capital Fund: Connection Fees	-	7,444,686	-	-	-	7,444,686
Total capital contributions	-	7,444,686	-	662,911	-	8,107,597
Special Item: Pension Credit	937,667	-	-	-	-	937,667
Change in Net Position	11,192,737	4,549,659	256,114	(274,171)	(1,088,923)	14,635,416
Beginning Net Position	27,289,616	73,623,881	263,205	13,304,820	29,519,631	144,001,153
Prior Period Adjustments	930,709	372,497	-	-	-	1,303,206
Beginning Net Position - As Adjusted	28,220,325	73,996,378	263,205	13,304,820	29,519,631	145,304,359
Ending Net Position	\$ 39,413,062	\$ 78,546,037	\$ 519,319	\$ 13,030,649	\$ 28,430,708	\$ 159,939,775

West Bay Sanitary District Annual Capacity Fee Report AB1600

West Bay Sanitary District (District) charges connection fees to developers or home owners to connect to the District’s public wastewater service. The purpose of the sewer connection fee is to equalize the cost of acquisition, construction, and installation of the District’s facilities so that each resident or property owner pays their proportionate share of such costs.

The District has recognized an average of \$678 thousand in Connection Fees since Fiscal Year 1984-85. Prior to FY 2014-15, which recognized \$5.7 million in connections fees, these fees were fairly stable, averaging \$241 thousand in the prior thirty years. Connections fees have varied widely over the past six years, fluctuating from year to year, as can be seen on the chart below. The connection fees received show the growth of the District by year. The line on the chart below indicates the moving average of connection fees received since 1984. Connection fees of \$7.92 per GPD are also collected to fund treatment plant construction at Silicon Valley Clean Water (SVCW), which the District has a 23.06% share.



In 1987, the State Legislature passed Assembly Bill 1600 (AB1600) which added Section 66000, et seq., to the California Government Code, known collectively as the Mitigation Fee Act. Section 66013 provides guidance on fees imposed for sewer connections to a public sewer system or capacity charges that such fees shall not exceed the estimated reasonable cost of providing the service for which the fee is imposed. Capacity charges include a charge for public facilities in existence at the time imposed or for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged.

In compliance with AB1600, the District accounts for all connection fees in a Capital Fund, separate from the General Fund for sewer service operations. In fiscal year 2021-22, the District received \$7,444,686 in connection fees, for approximately 138 thousand gallons per day (GPD) of additional capacity, with \$7,445 in applied interest income. The District expended \$4 million on all construction, with \$2.57 million specifically for wastewater infrastructure. Table 1 shows the revenues and expenditures applied to capacity increases. Additional connections to the District’s system and construction were low in FY 2020-21, due to COVID-19 shutdowns. The District does not carry negative balances, therefore the beginning and ending balance of Connection Fees is zero, due to several years of net negative balances.

**Table 1
Connection Fee and Capacity Charges**

<u>Summary of Connection Fees</u>	<u>FY 2021-22</u>	<u>GPD</u>	<u>FY 2020-21</u>
Connection Fees	\$ 7,444,686	138,120	\$ 110,097
Allocated Interest	7,445		110
Total Connection Fee Revenue	\$ 7,452,131		\$ 110,207
Capacity Project Expenditures	(2,572,978)		(1,266,758)
Net Connection Fees (Deficit)	\$ 4,879,152		\$ (1,156,551)
Beginning Balance Available	\$ -		\$ -
Ending Balance Available	\$ -		\$ -

**West Bay Sanitary District
Annual Capacity Fee Report
AB1600**

Connection fees fund 100% of wastewater infrastructure projects, with any deficit funded by the Capital Fund. Table 2 details the wastewater infrastructure projects with actual expenditures recognized and the approved budget for FY 2021-22, with the approved budget for FY 2022-23 to show future planned infrastructure improvements to the system.

**Table 2
Wastewater Infrastructure Projects**

Projects	Actual FY 2021-22	Budget FY 2021-22	Budget FY 2022-23
Pump Stations	21,593	65,000	200,000
Other Subsurface Line Projects	43,884	130,000	100,000
Isabella, Gilbert & Bay North - Phase 2		2,500,000	
Lower Ringwood/ North Bay	2,506,710	1,500,000	
Stowe Lane		200,000	200,000
Willow Pump Station Rehabilitation			700,000
Bayfront Park Sanitary Sewer Improvements	792		1,250,000
Misc Point Repairs (High Freq. List Repairs)			2,000,000
Total Wastewater Infrastructure Projects	2,572,978	4,395,000	4,450,000

In addition to the \$2.57 million in construction, in FY 2021-22, the District expended \$1.43 million on two other projects in CIP. The District transferred \$2.87 million to Treatment Plant Reserves; Capital Reserves; Capital Project, Emergency Capital, and Vehicle & Equipment Reserves. The District paid \$5.82 million to SVCW or for SVCW bonds, other debt, and SVCW capital reserves. Table 3 shows all expenditures and transfers for the Capital Fund and capital contributions for SVCW, excluding operating expenses.

**Table 3
Construction Expenditures**

Capital Fund - Construction	Actual FY 2021-22	Budget FY 2021-22	Budget FY 2022-23
Administration	-	35,000	350,000
Collection Facilities	-	600,000	600,000
Vehicles & Equipment	-	201,750	762,500
Pump Stations	21,593	65,000	200,000
Subsurface Lines	43,884	130,000	100,000
Construction Projects	3,938,242	11,720,000	12,280,000
Total Capital Fund Construction	4,003,719	12,751,750	14,292,500
Capital Reserve Transfers	2,871,315	2,871,315	3,089,881
SVCW - Capital & Debt Contributions	5,819,591	5,983,045	5,455,503
Total Construction, Transfers, & Contributions	12,694,625	21,606,110	22,837,884
Recycled Water Fund - Construction	Actual FY 2021-22	Budget FY 2021-22	Budget FY 2022-23
Recycled Water - Sharon Heights	-	-	2,000,000
Recycled Water - Bayfront	325,765	1,000,000	2,250,000
Total Recycled Water Fund Construction	325,765	1,000,000	4,250,000
Silicon Valley Clean Water (SVCW)	Actual FY 2021-22	Budget FY 2021-22	Budget FY 2022-23
SVCW - Operating Fund	6,413,436	6,413,445	6,721,848
SVCW - Capital & Debt	5,819,591	5,983,045	5,455,503
Total SVCW Expenditures	12,233,027	12,396,490	12,177,351

The District has a ten year construction plan to facilitate timely maintenance and rehabilitation of the wastewater infrastructure and add capacity for current and future users. The District estimates average construction of \$6.5 million each year for a total of approximately 32.55 miles of pipeline projects over the ten year construction plan. District construction consistently exceeds connection fees with the balance funded from other Capital Fund sources.

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
West Bay Sanitary District
Menlo Park, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the West Bay Sanitary District (the “District”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 22, 2022.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective 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 opinions 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 of 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

November 22, 2022
Morgan Hill, California