WEST BAY SANITARY DISTRICT

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023

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Chavan & Associates, LLP
Certified Public Accountants
15105 Concord Circle, Ste 130
Morgan Hill, CA 95037

West Bay Sanitary District

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Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Bay Sanitary District (the "District"), as of and for the year ended June 30, 2023, 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, 2023, 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.

Emphasis of a Matter Change in Application of an Accounting Policy

As discussed in Note 15 to the financial statements, the District changed the measurement period for its CalPERS miscellaneous pension plan from June 30, 2023 to June 30, 2022, in order to align with industry practices and other retirement plan measurement periods. Our opinion is not modified with respect to these matters.

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.

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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.

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

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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.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2022 financial statements, and we expressed unmodified audit opinions on the respective financial statements in our report dated November 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 28, 2023 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 28, 2023
Morgan Hill, California

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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. 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. 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.

The District has been serving the community for 121 years, expanding over the years to operate and maintain 210 miles of pipeline and 11 pump stations. The District also maintains 95 private step/grinder 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. Since 2020, the District operates the Sharon Heights Recycled Water Facility (SHRWF) with one influent pump station.

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

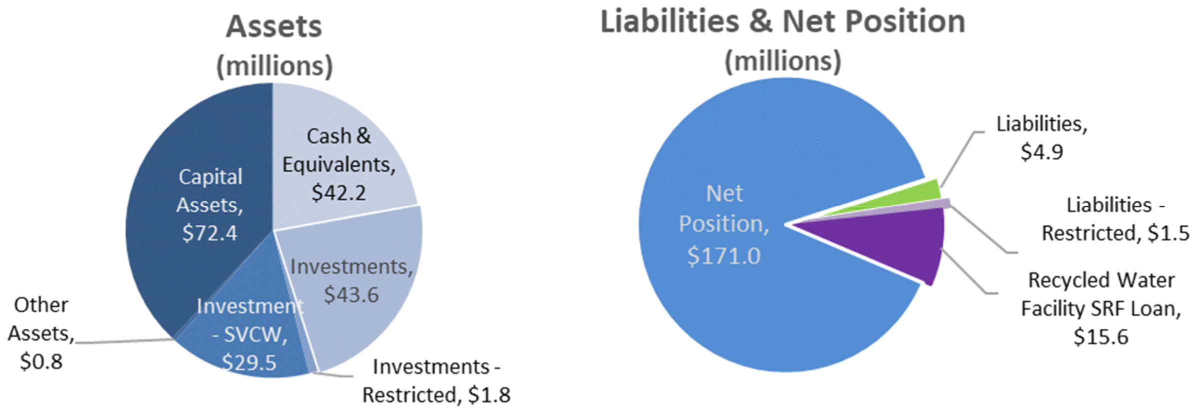
The District has issued its financial statements for the fiscal year ended June 30, 2023, in conformity with the format prescribed by the provisions of the Governmental Accounting Standards Board (GASB). For financial reporting purposes, the District operates as a special-purpose government engaged in 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, 2023 and 2022. 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.

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, 2022 to June 20, 2023. The District's total net position increased by $11 million, or 7%. $5 million is the current change in Net Position and $6 million was a prior period adjustment for the current pension valuation by the California Public Employees' Retirement System (PERS). Subsequent to the payoff of the Unfunded Accrued Liability (UAL) in FY 2020-21, the District retained an outside valuation each year to update the PERS actuary report, which is a year in arrears. As the current PERS actuary report, valued as of June 20, 2022 now reflects the District's payoff of the UAL, a separate updated valuation is no longer necessary.

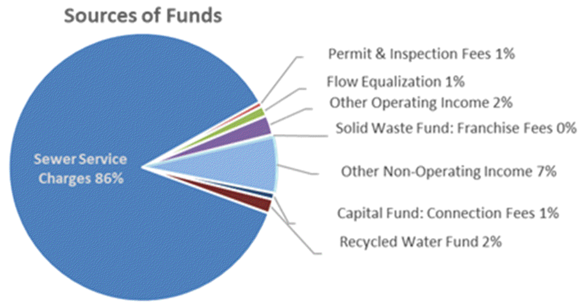
Current assets increased as investments terms shortened. The District transferred $15.2 million to fund investment reserves to target levels, which have been invested in short-term securities as long-term yields are unattractive. The District holds restricted funds for Sharon Heights Golf & Country Club's (SHGCC) deposit for the California Clean Water State Revolving Fund (SRF) Loan in a money market account, as requested by SHGCC representatives.

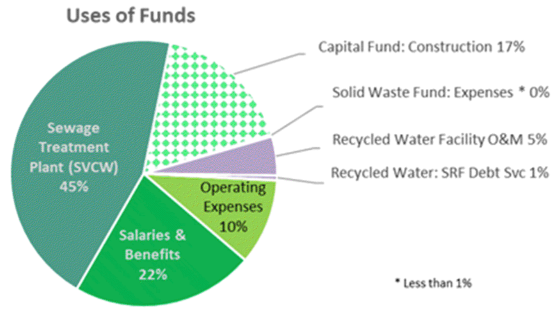
The position in the Silicon Valley Clean Water (SVCW) is based on the unaudited Analysis of Net Position [by member] for year ended June 30, 2023. Capital Assets, net of depreciation, increased by $1.3 million with capital additions of net $4.7 million and depreciation of $3.5 million. Total liabilities increased by $2.35 million due to $1.7 million in capital expenditures after yearend.

Table 1
Statement of Net Position

	FY 2022-23	FY 2021-22	Change	Percentage
Assets				
Current Assets	67,220,746	59,079,334	8,141,412	14%
Non-Current Assets	123,014,253	122,957,418	56,835	0%
Total Assets	190,234,999	182,036,752	8,198,247	5%
Deferred Outflows of Resources	5,659,380	242,338	5,417,042	2235%
Current Liabilities	4,777,983	2,534,633	2,243,350	89%
Non-Current Liabilities	17,189,692	17,082,437	107,255	1%
Total Liabilities	21,967,675	19,617,070	2,350,605	12%
Deferred Inflows of Resources	2,942,351	2,722,245	220,106	8%
Net Position	170,984,354	159,939,775	11,044,578	7%

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 2022-23 and 2021-22. Operating revenues increased by 3%, as non-residential customers returned to normal operations and rates increased 2%. Total General Fund operating expenses, which include collection and general administration, increased $1.27 million or 16% from the prior year. The District's salary and benefits increased 8%, including the union negotiated wage increase of 4%, as vacant positions were filled.

Sewage Treatment Plant is the wastewater transmission, treatment, and effluent disposal services 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, which increased 5% from prior year. As of the year ending June 30, 2023, the District's share was 22.99%.

The Capital Fund received connection fees of $277 thousand. 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 2022-23	FY 2021-22	Change	Percentage
Operating Revenues	32,096,441	31,049,135	1,047,306	3%
Operating Expenses	(13,507,324)	(12,246,437)	(1,260,888)	10%
Sewage Treatment Plant (SVCW)	(12,846,366)	(12,233,027)	(613,339)	5%
Operating Income (Loss)	5,742,751	6,569,671	(826,920)	-13%
Non-Operating Rev / Exp	2,784,843	(979,520)	3,764,363	-384%
Income Before Contributions & Special Items	8,527,594	5,590,152	2,937,443	53%
Pension Adjustment (GASB 68)	(4,912,677)	937,667	(5,850,344)	
Recycled Water Fund: Capital Contribution	1,146,513	662,911	483,602	73%
Capital Fund: Connection Fees	277,426	7,444,686	(7,167,260)	-96%
Change in Net Position	5,038,855	14,635,416	(9,596,560)	-66%
Prior Period Adjustment	6,005,723	1,303,206	4,702,517	361%
Change in Net Position - Adjusted	**11,044,578**	**15,938,622**	**(4,894,044)**	**-31%**

Budgetary Highlights

The District adopted the annual budget for fiscal year 2022-23 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 prior years. The District maintains separate long-term financial plans for vehicle and equipment replacement and multi-year capital projects, in the ten-year Master Plan. Table 3 shows a comparison of combined actual to budget for the year ended June 30, 2023.

District operating revenue was 4% over budget. Total operating expenses were 8% under budget. Sewage treatment expenses was 5% over budget, due to a new Debt Reserve instigated to achieve required debt to equity ratios required for SRF loans.

The Recycled Water Fund receives a flat contribution from SHGCC each year of $662.9 thousand to cover the annual SRF loan payment. An accounting change to recognize contributions as received instead of when the loan is paid, resulted in recognizing four prepayments for the 2024 installment. An additional $218 thousand was recognized for SHGCC contributions for the Avy-Altschul Pump Station, which will feed into the SHRWF. Connection fees to the Capital Fund were flat.

Table 3
Actual vs. Budget Report

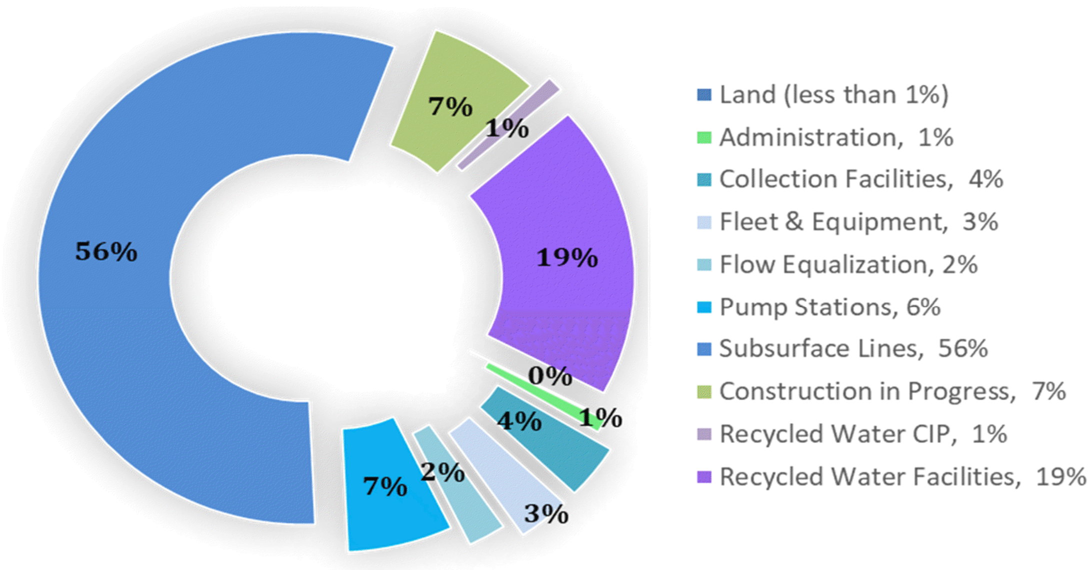
	FY 2022-23	Budget	Variance	Percentage
Operating Revenues	32,096,441	30,887,959	1,208,482	4%
Operating Expenses	(13,507,324)	(14,674,382)	1,167,058	-8%
Sewage Treatment Plant (SVCW)	(12,846,366)	(12,177,351)	(669,015)	5%
Operating Income (Loss)	5,742,751	4,036,227	1,706,525	42%
Non-Operating Rev / Exp	2,784,843	853,468	1,931,375	226%
Income Before Contributions & Special Items	8,527,594	4,889,694	3,637,900	74%
Pension Adjustment (GASB 68)	(4,912,677)	-	(4,912,677)	
Recycled Water Fund: Capital Contribution	1,146,513	662,911	483,602	73%
Capital Fund: Connection Fees	277,426	250,000	27,426	11%
Change in Net Position	5,038,855	5,802,605	(763,750)	-13%
Prior Period Adjustment	6,005,723	-	6,005,723	
Change in Net Position - Adjusted	**11,044,578**	**5,802,605**	**5,241,973**	**90%**

The District has $44.2 million in Capital Budget balance, including $41 million in carryover from fiscal year 2021-22 and $3 million increase from fiscal year 2022-23. The Capital Budget is comprised of the net increase in Collections, 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, 2023. Current capital expenditures were $4.4 million, $9.9 million under budget, the result of permitting issues and project awards delays.

Table 4
Capital Budget
Actual vs. Budget Report

	FY 2022-23	Budget	Variance	Percentage
Transfer from Operations	7,114,572	5,580,264	(1,534,308)	-22%
Capital Expenditures	(4,381,234)	(14,292,500)	(9,911,266)	226%
State Revolving Fund	-	-	-	
Connection Charges	277,426	250,000	(27,426)	-10%
Interest Income	141,173	500,000	358,827	254%
Change in Capital Budget	**3,151,937**	**(7,962,236)**	**(11,114,173)**	**-353%**
Beginning Capital Budget Balance	41,066,633	41,066,633	-	0%
Ending Capital Budget Balance	44,218,570	33,104,398	(11,114,173)	-25%

Capital Assets



Capital Assets increased 4% before depreciation and were flat net of accumulated depreciation. The District had capital expenditures of $4.4 million for administration, collection facilities, vehicles and equipment, and replacement and rehabilitation 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.

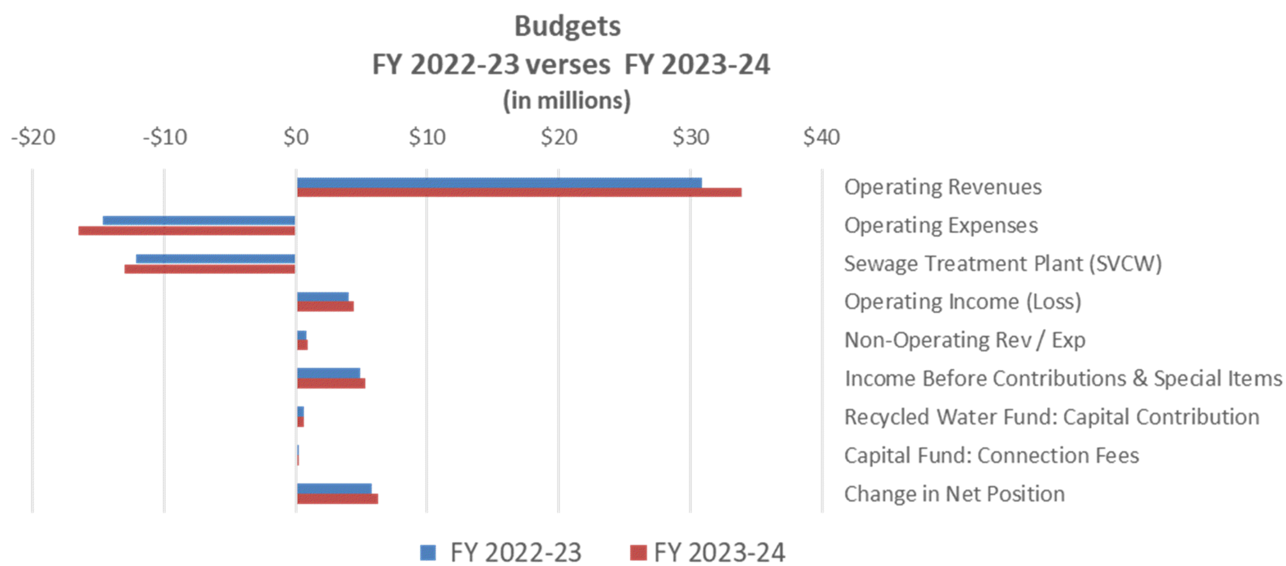
Table 5
Capital Assets

Assets	FY 2022-23	FY 2021-22	Change	Percentage
Land	44,467	44,467	-	0%
Construction in Progress	7,993,046	5,903,910	2,089,136	35%
Pump Stations	7,523,855	7,413,864	109,991	1%
Fleet & Equipment	3,786,671	2,814,646	972,025	35%
Administration	1,054,906	1,127,140	(72,235)	-6%
Flow Equalization	2,738,197	2,930,433	(192,236)	-7%
Collection Facilities	4,196,507	2,776,288	1,420,220	51%
Subsurface Lines	66,032,450	66,097,994	(65,544)	0%
Subtotal Capital Fund Assets	**93,370,100**	**89,108,742**	**4,261,358**	**5%**
Accumulated Depreciation	(44,812,224)	(41,340,145)	(3,472,079)	8%
Net Capital Fund Assets	**48,557,876**	**47,768,597**	**789,280**	**2%**
Sharon Heights Recycled Water Facilities	22,647,052	22,647,052	-	0%
Avy Pump Station (CIP)	316,121	-	316,121	
Bayfront Recycled Water Facilities (CIP)	896,821	727,296	169,525	23%
Recycled Water Assets	**23,859,994**	**23,374,347**	**485,647**	**2%**
Accumulated Depreciation	(2,203,894)	(1,451,089)	(752,805)	52%
Net Recycled Water Assets	**21,656,100**	**21,923,258**	**(267,158)**	**-1.2%**

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 continue regardless of other social or economic conditions, with minimal disruption in O&M, completing 100% of internal maintenance and performance goals for 2020, 98% in 2021, 98% in 2022, and 95.5% in 2023. Goals are reviewed and revised annually to ensure the District strives to improve and provide exceptional service to our customers.



Revenue is expected to increase with 6% sewer service rate increases on residential homes and 2% increase on non-residential rates in FY 2023-24. Residential customers represented 97% of all customers and 82% of revenue, while non-residential customers represented the remaining 3% of customers and 18% of revenue in FY 2022-23. Other revenues are expected to have nominal increases.

Operating expenses are increasing 11%, with required salary and benefit increases and inflation. Along with employee step increases throughout the year, salaries increase 4%, due to labor negotiated Memorandum of Understanding effective July 1, 2023 and cafeteria benefits increase 7% effective January 1, through 2024. The consumer price index for all urban consumers (CPI-U) for San Francisco-Oakland-Hayward was 4.2 in April 2023, when the budget was developed and 2.9 in June 2023. The CPI-U was 3.5 for the West Region in June 2023.

Sewage Treatment Plant (SVCW) expenses are increasing due to additional debt reserves and cash-funded capital projects. Table 6 shows a budget comparison from fiscal year 2022-23 to fiscal year 2023-24.

Table 6
Approved Budgets

	FY 2022-23	FY 2023-24	Change	Percentage
Operating Revenues	30,887,959	33,914,468	3,026,508	9%
Operating Expenses	(14,674,382)	(16,479,263)	(1,804,881)	11%
Sewage Treatment Plant (SVCW)	(12,177,351)	(12,990,848)	(813,497)	6%
Operating Income (Loss)	4,036,227	4,444,356	408,130	9%
Non-Operating Rev / Exp	853,468	877,896	24,428	3%
Income Before Contributions & Special Items	4,889,694	5,322,252	432,558	8%
Recycled Water Fund: Capital Contribution	662,911	662,911	-	0%
Capital Fund: Connection Fees	250,000	250,000	-	0%
Change in Net Position	5,802,605	6,235,163	432,558	7%

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, completed in FY 2020-21, is designed to produce 0.5 million gallons per day (MGD) of recycled water with one influent pump station. 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 $15,617,920, as of June 30, 2023. In 2022-23, 83 million gallons (MG) were treated and 37.58 MG of recycled water were delivered to the SHGCC pond for irrigation. The golf course was shut down in 2023 for construction, resulting in the low delivery amount, as the recycled water was used for dust control only.

In FY 2022-23, the District approved and began construction on a second influent pump station, , adding 60 thousand GPD of wastewater to the basin feeding into the facility. This second pump station will be completed in FY 2023-24, with funding from SHGCC. SHGCC has paid $218 thousand to date and will be paying construction costs through a second SRF loan. The District has also secured a grant for $332,500 or 35% of the $950,000 estimated project cost.

The District is currently designing a new 0.6 MGD recycled water treatment and distribution facility, with the ability to expand up to 1 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). The grant may increase, based on final construction costs. The construction cost projection is $56.6 million. Construction costs will be partially funded through a $41.6 million California Clean Water State Revolving Fund (SRF) loan. Approval is currently pending from the state. The District has identified interested developers for 56% of the capacity, with 44% remaining for existing and new customers, with an estimated $10 from the District for the value of the land.

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 acres of 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. Construction began in October 2023. 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.

Above you can see the District's old treatment plant and flow equalization pond, located at the Flow Equalization and Resource Recovery Facility (FERRF) site, where the Bayfront Recycled Water Facility will be constructed. The living shoreline will replace the north levee and will be viewable by the public from Bedwell Bayfront Park in Menlo Park.

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's main office at 500 Laurel Street, Menlo Park, CA 94025 or call (650) 321-0384.

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BASIC FINANCIAL STATEMENTS

West Bay Sanitary District
Statement of Net Position
June 30, 2023
(With Comparative Totals as of June 30, 2022)

Assets	2023	2022
Current Assets:		
Cash and cash equivalents	$ 42,165,110	$ 47,532,929
Investments	23,638,054	8,879,384
Restricted cash and investments	1,517,643	1,515,974
Accounts receivable	240,231	831,578
Interest receivable	442,682	238,586
Prepaid expenses and other current assets	77,978	80,883
Total Current Assets	68,081,698	59,079,334
Noncurrent Assets:		
Investments	19,942,535	19,684,019
Investment in Silicon Valley Clean Water	29,484,894	28,430,708
Restricted cash and investments	273,634	209,699
Net OPEB asset	34,366	-
Net Pension asset	-	3,490,048
Capital assets:		
Non-depreciable	8,934,334	6,675,673
Depreciable net of accumulated depreciation	63,483,535	64,467,272
Total Capital Assets - Net	72,417,869	71,142,945
Total Noncurrent Assets - Net	122,153,298	122,957,419
Total Assets	$ 190,234,996	$ 182,036,753
Deferred Outflows of Resources		
OPEB adjustments	$ 91,669	$ 101,067
Pension adjustments	5,567,712	141,271
Total Deferred Outflows of Resources	$ 5,659,381	$ 242,338
Liabilities		
Current Liabilities:		
Accounts payable	$ 2,407,596	$ 291,571
Payroll and related liabilities	466,569	536,887
Unearned revenue	447,538	12,433
Other liabilities	58,253	-
Construction deposits	-	119
Customer deposits	891,292	1,191,909
State Revolving Fund Loan	506,732	501,715
Total Current Liabilities	4,777,980	2,534,634
Noncurrent Liabilities:		
Net OPEB liability	-	6,113
Customer deposits	1,458,404	1,458,404
Net pension liability	620,100	-
State Revolving Fund Loan	15,111,188	15,617,920
Total Noncurrent Liabilities	17,189,692	17,082,437
Total Liabilities	$ 21,967,672	$ 19,617,071
Deferred Inflows of Resources		
OPEB adjustments	$ 25,452	$ 28,593
Pension adjustments	2,916,899	2,693,652
Total Deferred Inflows of Resources	$ 2,942,351	$ 2,722,245
Net Position		
Net Investment in Capital Assets	$ 56,799,949	$ 55,023,310
Unrestricted:		
Capital fund budget	44,218,570	41,066,633
Invested in Silicon Valley Clean Water	29,484,894	28,430,708
Operations	11,111,437	10,749,600
Unreserved	29,369,504	24,669,524
Total Net Position	$ 170,984,354	$ 159,939,775

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, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2023	2022
Operating Revenues:		
Service charges	$ 30,508,147	$ 29,637,018
Flow equalization uses	436,915	368,490
Permit and inspection fees and other services	203,036	210,666
Other operating revenues	948,343	832,961
Total operating revenues	32,096,441	31,049,135
Operating Expenses:		
Sewage treatment plant (SVCW)	12,846,365	12,233,027
Sewage collection and general administration:		
Salaries and benefits	6,330,472	5,885,910
Materials and supplies	657,069	573,943
Insurance	331,063	229,776
Contract services	763,708	611,993
Professional services	824,390	433,014
Repairs and maintenance	389,909	291,398
Utilities	405,452	329,988
Other operating expenses	286,728	241,980
Total sewage collection and general administration	9,988,791	8,598,002
Depreciation	3,518,536	3,648,434
Total operating expenses	26,353,692	24,479,463
Operating Income (Loss)	5,742,749	6,569,672
Nonoperating Revenues (Expenses):		
Investment income	1,367,580	(410,875)
Interest expense	(161,196)	(166,164)
Increase (decrease) of equity in Silicon Valley Clean Water	1,054,186	(1,088,923)
Other nonoperating expenses	(10,951)	(9,601)
Other nonoperating revenues	535,226	696,043
Total nonoperating revenues (expenses)	2,784,845	(979,520)
Income before contributions	8,527,594	5,590,152
Capital Contributions:		
Capital Fund: Connection Fees	277,426	7,444,686
Recycled Water Fund: Capital Contributions	1,146,513	662,911
Total capital contributions	1,423,939	8,107,597
Special Item: Pension (Expense) Credit	(4,912,677)	937,667
Change in Net Position	5,038,856	14,635,416
Beginning Net Position	159,939,775	144,001,153
Prior Period Adjustments	6,005,723	1,303,206
Beginning Net Position - As Adjusted	165,945,498	145,304,359
Ending Net Position	$ 170,984,354	$ 159,939,775

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, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2023	2022
Cash Flows from Operating Activities:		
Cash received from customers	$ 32,822,157	$ 32,119,464
Cash payments to suppliers for goods and services	(14,361,867)	(16,472,527)
Cash payments to employees for services	(4,782,938)	(4,483,601)
Cash payments of benefits on behalf of employees	(1,617,708)	(1,516,841)
Net Cash Provided (Used) by Operating Activities	12,059,644	9,646,495
Cash Flows from Capital and Related Financing Activities:		
Cash received from connection fees	277,426	7,444,686
Principal paid for the State Revolving Fund loan	(501,715)	(496,747)
Cash received from other financing activities	535,226	204,901
Cash received from capital contributions	1,146,513	662,911
Interest payments	(161,196)	(166,164)
Cash received on the sale of capital assets	-	602
Purchases and construction of capital assets	(4,877,832)	(4,329,486)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,581,578)	3,320,703
Cash Flows from Investing Activities:		
Transfers to investment accounts	(15,202,111)	(8,137,346)
Transfers from investment accounts	670,000	1,103,111
Investment income	686,226	597,467
Net Cash Provided (Used) by Investing Activities	(13,845,885)	(6,436,768)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,367,819)	6,530,430
Cash and Cash Equivalents Beginning	47,532,929	41,002,499
Cash and Cash Equivalents Ending	$ 42,165,110	$ 47,532,929
Reconciliation of Operating Income to Cash Flows Provided by Operating Activities:		
Operating Income (Loss)	$ 5,742,749	$ 6,569,672
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,518,536	3,648,434
Pension credit	(4,912,677)	937,667
Prior period adjustments	6,005,723	1,303,206
Net change in:		
Accounts receivable	591,347	(160,034)
Prepaid expenses and other current assets	2,905	3,211
Deferred outflows of resources	(5,417,043)	(109,500)
Accounts payable	2,116,025	(1,080,166)
Payroll and related liabilities	(70,318)	(58,538)
Unearned revenue	435,105	-
Other liabilities	58,253	-
Construction deposits	(119)	-
Customer deposits	(300,617)	(523,296)
Net OPEB asset/liability	(40,479)	(112,570)
Net pension asset/liability	4,110,148	(3,490,048)
Deferred inflows of resources	220,106	2,718,457
Net Cash Provided (Used) by Operating Activities	$ 12,059,644	$ 9,646,495

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

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 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 is 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 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.

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. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The value of the underlying securities within LAIF does not affect the value of the money that LAIF participants deposit in the fund. LAIF, in essence, acts as an “interest-bearing checking account. Deposits are available to the District daily and earn an equal share of interest based on the average daily balance within LAIF during each quarter.

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, 2023.

Capital Assets

Property, plant and equipment are recorded at cost or, if contributed, at estimated value at the time of 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, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Compensated Absences	387,761	-	17,620	370,141	370,141

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, 2023, the District obtained an actuarial valuation for its pension plan in order determine the amount required to fully fund its unfunded pension liability. As of June 30,2023the District had a net pension asset. For the period, the following time frames were used.

Valuation Date	June 30,2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 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, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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. 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.* As of June 30, 2023, the District did not have any material contracts required to be reported under GASB 96.

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. 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 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.

NOTE 3 - CASH AND INVESTMENTS

The District's cash and investments consisted of the following as of June 30, 2023 and 2022:

			Maturities			
Description	Rating	Fair Value June 30, 2023	12 Months or Less	13 - 24 Months	25 - 60 Months	Concen- trations
Bank of the West Investments:						
Fixed Income	AA+/BBB	$41,134,769	$ 21,192,234	$ 3,815,177	$ 16,127,358	46.99%
Cash	N/A	2,445,820	2,445,820	-	-	2.79%
Total Bank of West Investments	AAA	43,580,589	23,638,054	3,815,177	16,127,358	49.79%
Restricted Investments:						
Cash with fiscal agents - PARS	N/A	273,634	273,634	-	-	0.31%
Total Restricted Investments		273,634	273,634	-	-	0.31%
Cash and Cash Equivalents:						
Cash on hand and in banks	N/A	1,390,891	1,390,891	-	-	1.59%
Money Market	N/A	2,709,008	2,709,008	-	-	3.09%
LAIF	N/A	39,582,054	39,582,054	-	-	45.22%
OPEB Trust	N/A	-		-	-	
Petty Cash	N/A	800	800	-	-	0.00%
Total Cash and Cash Equivalents		43,682,753	43,682,753	-	-	49.90%
Total Cash and Investments		$87,536,976	$ 67,594,441	$ 3,815,177	$ 16,127,358	100.00%

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 $4,298,595, exceeded the insured limit by $4,048,595 as of June 30, 2023. 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.

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
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
Local Agency Bonds, Notes, Warrants	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Medium Term Notes	5 years	30%	None
Negotiable Certificates of Deposit	5 years	30%	None
FDIC/Fully Collateralized Certificates of Deposit	N/A	N/A	$500,000
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit
Passbook Savings Account Demand Deposits	N/A	None	None
California Asset Management Program (CAMP)	N/A	None	None
Money Market funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	20%	None
U.S. Senior Unsecured Unsubordinated Obligations	5 years	30%	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.

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, 2023, was approximately $177 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.

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, 2023 and 2022, the District had approximately 22.99% and 23.06%, respectively, in equity interest in SVCW, which is reported using the equity method of accounting. The District's investment in SVCW at June 30, 2023 and 2022 was $29,484,894 and $28,430,708, respectively, as reflected on the statement of net position. The change in the investment for the years ended June 30, 2023 and 2022 was an increase of $1,054,186 and a decrease of $1,088,923, respectively, as reflected in the statement of revenues, expenses and changes in net position. During the year ended June 30, 2023, the District contributed $7,768,684 toward the cost of operating and maintaining the facility, including capital and reserve contributions of $1,740,748, and paid debt principal and interest of $5,077,681 that included the State revolving fund loan and the financing agreements to finance the construction and rehabilitation of the SVCW's wastewater system.

The 2023 changes in the District's equity share was mostly attributed to ongoing operating and capital needs of the JPA. Overall, the District's equity share has been impacted by the fact that not all members share in prior issuances of 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, 2023, (most recent information available):

	June 30, 2023
Total Assets	$ 944,391,349
Deferred Outflows of Resources	30,346,975
Total Liabilities	844,336,921
Deferred Inflows of Resources	2,168,364
Total Net Position	128,233,039
Total Revenues	65,374,803
Total Expenses	60,441,641

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 $298,233,964 as of June 30, 2023, 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 2023, gross Sewer Fund revenues, including operating revenues and non-operating interest earnings, amounted to $30,508,147. The annual debt service commitments are summarized as follows:

Fiscal year ending:	Principal	Interest	Total
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	2,389,049	6,952,732
2028	6,341,549	3,597,392	9,938,941
2029-2033	33,105,208	17,690,089	50,795,297
2034-2038	39,670,849	14,660,172	54,331,021
2039-2043	40,668,795	10,570,812	51,239,607
2044-2048	37,818,970	6,492,993	44,311,963
2049-2053	31,202,324	3,369,131	34,571,454
2054-2058	23,912,079	1,306,141	25,218,219
2059-2062	2,010,705	58,395	2,069,100
Total debt service	$ 231,024,785	$ 67,209,179	$ 298,233,964

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

The District's capital assets consisted of the following as of June 30, 2023:

Description	Balance June 30, 2022	Additions	Adjustments/ Transfers	Deletions	Balance June 30, 2023
Non-depreciable Capital Assets:					
Land	$ 44,467	$ -	$ -	$ -	$ 44,467
Construction in progress	6,631,206	3,440,546	(852,239)	(13,525)	9,205,988
Total non-depreciable capital assets	6,675,673	3,440,546	(852,239)	(13,525)	9,250,455
Depreciable Capital Assets:					
Pump stations	7,413,864	109,991	-	-	7,523,855
Fleet	2,814,646	978,603	51,307	(57,885)	3,786,671
Plant and administration facilities	1,127,140	-	(48,471)	(23,763)	1,054,906
Buildings	2,930,433	-	1,266,074	-	4,196,507
Flow equalization facilities	2,776,288	-	(38,091)	-	2,738,197
Subsurface lines	66,097,994	337,741	(378,580)	(24,705)	66,032,450
SHGCC Recycled Water Facility	22,647,052	-	-	-	22,647,052
Total depreciable capital assets	105,807,417	1,426,335	852,239	(106,353)	107,979,638
Less accumulated depreciation for:					
Pump stations	(3,696,302)	(225,296)	-	-	(3,921,598)
Fleet	(2,046,252)	(176,360)	-	(28,615)	(2,251,227)
Plant and administration facilities	(867,652)	(65,426)	-	72,234	(860,844)
Buildings	(1,503,041)	(84,982)	-	(35,251)	(1,623,274)
Flow equalization facilities	(2,686,304)	(89,485)	-	38,089	(2,737,700)
Subsurface lines	(29,089,505)	(2,124,182)	-	-	(31,213,687)
SHGCC Recycled Water Facility	(1,451,089)	(752,805)	-	-	(2,203,894)
Total accumulated depreciation	(41,340,145)	(3,518,536)	-	46,457	(44,812,224)
Total depreciable capital assets - net	64,467,272	(2,092,201)	852,239	(59,896)	63,167,414
Total capital assets - net	$ 71,142,945	$ 1,348,345	$ -	$ (73,421)	$ 72,417,869

Depreciation expense for the year ended June 30, 2023 and 2022 was $3,518,536 and $3,648,434, respectively.

The following details construction in progress as of June 30, 2023:

Project		Balance
Avy PS	$	316,121
Levee		1,792,276
North Bay-Ringwood, Bayfront Canal, & CIP Point Repair		6,200,770
Bayfront RWF		896,821
Total Construction in Progress	$	9,205,988

NOTE 6 - NONCURRENT LIABILITIES

The District's noncurrent liabilities consisted of the following as of June 30, 2023:

Description		Balance July 01, 2022		Additions		Deletions		Balance June 30, 2023		Due Within One Year
Net OPEB Liability	$	6,113	$	-	$	6,113	$	-	$	-
Net Pension Liability		-		5,776,067		5,155,967		620,100		-
State Revolving Fund Loan		16,119,635		-		501,715		15,617,920		506,732
Total Noncurrent Liabilities	$	16,125,748	$	5,776,067	$	5,663,795	$	16,238,020	$	506,732

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, 2023, the SRF loan balance was $15,617,920. 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 27, 2020. The following summarizes the total debt service to be repaid by June 30, 2050:

Fiscal Year Ending June 30:		Principal		Interest		Total
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		527,307		135,604		662,911
2029-33		2,716,694		597,861		3,314,554
2034-38		2,855,272		459,282		3,314,554
2039-43		3,000,920		313,634		3,314,554
2044-48		3,153,997		160,557		3,314,554
2049-50		1,306,196		19,625		1,325,822
Total Debt Service	$	15,617,920	$	2,280,673	$	17,898,594

NOTE 7 - BOARD COMMITTMENTS 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, 2023:

Description	Balance
Capital fund budget	$ 44,218,570
Invested in Silicon Valley Clean Water	29,484,894
Operations	11,111,437
Total Committed Unrestricted Net Position	$ 84,814,901

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	Annual Limits	Deductibles
General Liability	$25,750,000	$100,000
Worker's Compensation	1,000,000	None
Excess Worker's Compensation Liability	Statutory Limits	None
Mobile Equipment	2,416,397	10,000
Special Form Property	49,852,950	5,000
Public Entity Pollution Liability	25,000,000	None
Cyber Liability	2,000,000	None
Identification Fraud	25,000	None
Deadly Weapons Response	2,500,000	10,000
Public Official Bond	100,000	None

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, 2022 (most recent information available):

	June 30, 2022
Total Assets	$ 32,261,331
Total Liabilities	25,220,675
Total Equity	7,040,656
Total Revenues	17,745,882
Total Expenditures	17,127,478

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, 2023, 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	8.00%	7.00%	6.75%
Required employer contribution rates	11.59%	8.63%	7.47%

Employees Covered - At June 30, 2023, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Active	31
Transferred	11
Separated	11
Retired	24
Total	77

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, 2023, the District made the following pension contributions:

	Miscellaneous
Contributions - employer	$ 355,455

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

As of June 30, 2023, the District's net pension liability was as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	$ 620,100

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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2022 and 2023 was as follows:

	Miscellaneous
Proportion - June 30, 2022	-0.18376%
Proportion - June 30, 2023	0.01325%
Change - Increase/(Decrease)	0.19702%

For the year ended June 30, 2023, the District recognized a pension expense of $5,268,132.

At June 30, 2023, 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	$ 63,542	$ -
Differences between Expected and Actual Experience	12,453	8,340
Differences between Projected and Actual Investment Earnings	113,586	-
Differences between Employer's Contributions and Proportionate Share of Contributions	2,552,723	751,853
Change in Employer's Proportion	2,469,953	2,156,706
Pension Contributions Made Subsequent to Measurement Date	355,455	-
Total	$ 5,567,712	$ 2,916,899

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
2024	$ 879,664
2025	862,517
2026	483,705
2027	69,473
2028	-
Thereafter	-
Total	$ 2,295,359

Actuarial Assumptions - The total pension liabilities in the June 30, 2022, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.80%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (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 6.9 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 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9 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.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.3% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Study.

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.

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:

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$ 4,021,598
Current	6.90%
Net Pension Liability	$ 620,100
1% Increase	7.90%
Net Pension Liability	$ (2,178,489)

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

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	27
Inactive employees	7
Total employees	34

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 $50,358. Total contributions included in the measurement period were $62,264. The actuarially determined contribution for the measurement period was $2,689. The District's contributions were 1.16% of covered employee payroll during the fiscal year ended June 30, 2023. Employees are not required to contribute to the plan.

Actuarial Assumptions

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

Valuation Date:	June 30, 2022
Measurement Date:	June 30, 2022
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	2.50%
Payroll Increases	3.00%
Healthcare Trend Rate	4.50%
Investment Rate of Return	6.00%
Mortality	CalPERS experience study
Retirement	CalPERS experience study

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.

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, 2023 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2023:

Fiscal Year Ended June 30, 2023 (Measurement Date June 30, 2022)	**Total OPEB Liability**	**Plan Fiduciary Net Position**	**Net OPEB Liability (Asset)**
Balance at June 30, 2022	$ 419,816	$ 413,703	$ 6,113
Service cost	4,538	-	4,538
Interest in Total OPEB Liability	25,099	-	25,099
Employer contributions	-	62,264	(62,264)
Balance of diff between actual and exp experience	(59,838)	-	(59,838)
Balance of changes in assumptions	(1,379)	-	(1,379)
Actual investment income	-	(50,877)	50,877
Administrative expenses	-	(2,488)	2,488
Benefit payments	(12,264)	(12,264)	-
Net changes	(43,844)	(3,365)	(40,479)
Balance at June 30, 2023	$ 375,972	$ 410,338	$ (34,366)

Covered Employee Payroll	$ 4,357,169
Total OPEB Liability as a % of Covered Employee Payroll	8.63%
Plan Fid. Net Position as a % of Total OPEB Liability	109.14%
Service Cost as a % of Covered Employee Payroll	0.10%
Net OPEB Liability as a % of Covered Employee Payroll	-0.79%

Deferred Inflows and Outflows of Resources

At June 30, 2023, 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	$ -	$ 22,747
Difference between actual and expected earnings	41,311	-
Change in assumptions	-	2,705
OPEB contribution subsequent to measurement date	50,358	-
Totals	$ 91,669	$ 25,452

Of the total amount reported as deferred outflows of resources related to OPEB, $50,358 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, 2024.

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,	
2024	$ 9,820
2025	9,996
2026	9,996
2027	16,724
2028	678
Thereafter	(31,355)
Total	$ 15,859

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2023:

Service cost	$ 4,538
Interest in TOL	25,099
Expected investment income	(26,214)
Difference between actual and expected experience	1,712
Difference between actual and expected earnings	8,919
Change in assumptions	(406)
Administrative expenses	2,488
OPEB Expense	**$ 16,136**

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2023:

Net OPEB liability ending	$	(34,366)
Net OPEB liability beginning		(6,113)
Change in net OPEB liability		(40,479)
Changes in deferred outflows		(2,508)
Changes in deferred inflows		(3,141)
Employer contributions and implicit subsidy		62,264
OPEB Expense	**$**	**16,136**

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)	$ 12,516	$ (34,366)	$ (73,399)

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)	**4.50%**	**(1% Increase)**
Net OPEB Liability (Asset)	$ (75,661)	$ (34,366)	$ 15,719

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

Through June 30, 2023, 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, with balances totaling $8,447,961 as of June 30, 2023.

NOTE 14 - SOUTH BAYSIDE WASTE MANAGEMETN 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	$ 87,341,515
Total Liabilities	61,937,228
Total Equity	25,404,287
Total Revenues	54,014,675
Total Expenditures	52,726,565

NOTE 15 - ADJUSTMENT TO BEGINNING NET POSITION

During the year, the management increased the District's beginning net position by $6,005,723 to reflect a change in the application of GASB 68 for pensions. Management changed the measurement period for its CalPERS miscellaneous pension plan from June 30, 2023 to June 30, 2022, in order to align with industry practices and other retirement plan measurement periods, such as the District's other postemployment benefit plan.

REQUIRED SUPPLEMENTARY INFORMATION

West Bay Sanitary District
Schedule of Pension Contributions - CalPERS
June 30, 2023

Miscellaneous Plan

Plan Measurement Date	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2022**
Contractually Required Contrib.	$ 368,713	$ 399,280	$ 387,500	$ 413,896	$ 297,313	$ 295,459	$ 398,336	$ 348,274	$ 355,455
Contrib. in Relation to Contractually Required Contributions	368,713	399,280	387,500	413,896	297,313	295,459	6,592,343	348,274	355,455
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**	**$ 3,467,099**
Contrib. as % of Covered Payroll	**15.29%**	**15.69%**	**13.84%**	**14.80%**	**10.59%**	**9.05%**	**191.81%**	**9.25%**	**10.25%**

Notes to Schedule:

Valuation Date: June 30, 2021

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period no more than 29 years
Inflation Assumed at 2.30%
Investment Rate of Returns set at 6.9%
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing morality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Fiscal year 2015 was the first year of implementation, therefore only none years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018 and then decreased to 6.9% in FY2023.
The CalPERS mortality assumptions was adjusted in fiscal year 2023.

West Bay Sanitary District
Schedule of Proportionate Share of Net Pension Liability
June 30, 2023

Miscellaneous and Safety Plan									
Plan Measurement Date	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Fiscal Year Ended	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Proportion of NPL	0.10822%	0.12849%	0.12750%	0.12991%	0.12991%	0.13721%	0.00000%	-0.06453%	0.00537%
Proportionate Share of NPL	$ 2,674,755	$ 3,524,991	$ 4,429,092	$ 5,120,961	$ 5,054,719	$ 5,494,504	$ -	$ (3,490,048)	$ 620,100
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	$ 3,765,114
Proportionate Share of NPL as a % of Covered Payroll	**114.35%**	**146.18%**	**174.06%**	**182.94%**	**180.81%**	**195.77%**	**0.00%**	**-101.55%**	**16.47%**
Plan's Fid Net Position as % of TPL	**81.15%**	**78.29%**	**73.58%**	**72.32%**	**73.42%**	**73.03%**	**72.52%**	**115.26%**	**97.51%**

Fiscal year 2015 was the first year of implementation, therefore only none years are shown.
The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018 and then decreased to 6.9% in FY2023.
The CalPERS mortality assumptions was adjusted in fiscal year 2023.

West Bay Sanitary District
Schedule of OPEB Contributions
June 30, 2023

	2018	2019	2020	2021	2022	2023
Actuarially determined contribution (ADC)	$ 11,604	$ 11,579	$ 16,607	$ 17,602	$ 9,832	$ 2,689
Less: actual contribution in relation to ADC	(9,418)	(5,120)	(5,120)	(87,458)	(62,264)	(50,358)
Contribution deficiency (excess)	$ 2,186	$ 6,459	$ 11,487	$ (69,856)	$ (52,432)	$ (47,669)
Covered employee payroll	$ 2,795,654	$ 2,806,611	$ 3,697,419	$ 3,808,342	$ 3,922,592	$ 4,357,169
Contributions as a percentage of covered employee payroll	0.34%	0.18%	0.14%	2.30%	1.59%	1.16%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2022
Measurement Date:	June 30, 2022
Actuarial Cost Method	Entry-Age Normal
Amortization Period	20 years
Asset Valuation Method	Level percentage of payroll,
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Payroll Increases	3.00%
Investment Rate of Return	6.00%
Mortality	CalPERS experience study
Service Requirement	CalPERS experience study

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, 2023

Total OPEB liability	**2018**	**2019**	**2020**	**2021**	**2022**	**2022**
Service cost	$ 6,513	$ 6,708	$ 6,909	$ 7,254	$ 7,544	$ 4,538
Interest	16,476	17,188	17,672	18,732	19,857	25,099
Differences between expected and actual experience	-	-	66,449	-	-	(59,838)
Changes of assumptions	-	-	(2,612)	-	-	(1,379)
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-	(12,264)
Net change in Total OPEB Liability	15,080	9,561	71,085	18,136	27,401	(43,844)
Total OPEB Liability - beginning	278,553	293,633	303,194	374,279	392,415	419,816
Total OPEB Liability - ending	$ 293,633	$ 303,194	$ 374,279	$ 392,415	$ 419,816	$ 375,972
Plan fiduciary net position						
Employer contributions	$ 232,909	$ 14,335	$ 17,333	$ 5,120	$ 87,458	$ 62,264
Net investment income	10,234	12,089	15,717	13,423	54,267	(50,877)
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-	(12,264)
Administrative expense	-	-	-	-	(1,755)	(2,488)
Net change in plan fiduciary net position	235,234	12,089	15,717	10,693	139,970	(3,365)
Plan fiduciary net position - beginning	-	235,234	247,323	263,040	273,733	413,703
Plan fiduciary net position - ending	$ 235,234	$ 247,323	$ 263,040	$ 273,733	$ 413,703	$ 410,338
Net OPEB liability	$ 58,399	$ 55,871	$ 111,239	$ 118,682	$ 6,113	$ (34,366)
Plan fiduciary net position as a percentage of the total OPEB liability	80.11%	81.57%	70.28%	69.76%	98.54%	109.14%
Covered employee payroll	$ 2,799,216	$ 2,795,654	$ 2,806,611	$ 3,697,419	$ 3,808,342	$ 3,922,592
Net OPEB Liability as a percentage of covered payroll	2.09%	2.00%	3.96%	3.21%	0.16%	-0.88%
Total OPEB Liability as a percentage of covered payroll	10.49%	10.85%	13.34%	10.61%	11.02%	9.58%

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.

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SUPPLEMENTARY INFORMATION

West Bay Sanitary District
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	Budget Amounts	Actual (GAAP Basis)	Variance
Operating Revenues:			
Service charges	$ 29,524,654	$ 30,508,147	$ 983,493
Flow equalization uses	386,915	436,915	50,000
Permit and inspection fees and other services	200,000	203,036	3,036
Other operating revenues	776,390	948,343	171,953
Total operating revenues	30,887,959	32,096,441	1,208,482
Operating Expenses:			
Sewage treatment plant (SVCW)	12,177,351	12,846,365	(669,014)
Sewage collection and general administration:			
Salaries and benefits	6,773,845	6,330,472	443,373
Materials and supplies	694,169	657,069	37,100
Insurance	283,663	331,063	(47,400)
Contract services	887,572	763,708	123,864
Professional services	698,754	824,390	(125,636)
Repairs and maintenance	398,068	389,909	8,159
Utilities	443,371	405,452	37,919
Other operating expenses	542,135	286,728	255,407
Total sewage collection and general administration	10,721,577	9,988,791	732,786
Depreciation	3,952,805	3,518,536	434,269
Total operating expenses	26,851,733	26,353,692	498,041
Operating Income (Loss)	4,036,226	5,742,749	1,706,523
Nonoperating Revenues (Expenses):			
Investment income	501,600	1,367,580	865,980
Interest expense	(161,196)	(161,196)	-
Increase (decrease) of equity in Silicon Valley Clean Water	-	1,054,186	1,054,186
Other nonoperating expenses	(6,000)	(10,951)	(4,951)
Other nonoperating revenues	519,064	535,226	16,162
Total nonoperating revenues (expenses)	853,468	2,784,845	1,931,377
Income before contributions	4,889,694	8,527,594	3,637,900
Capital Contributions	912,911	1,423,939	511,028
Special Item: Pension (Expense) Credit	-	(4,912,677)	(4,912,677)
Change in Net Position	5,802,605	5,038,856	4,148,928
Prior Period Adjustments	-	6,005,723	6,005,723
Beginning Net Position	159,939,775	159,939,775	-
Ending Net Position	$ 165,742,380	$ 170,984,354	$ 10,154,651

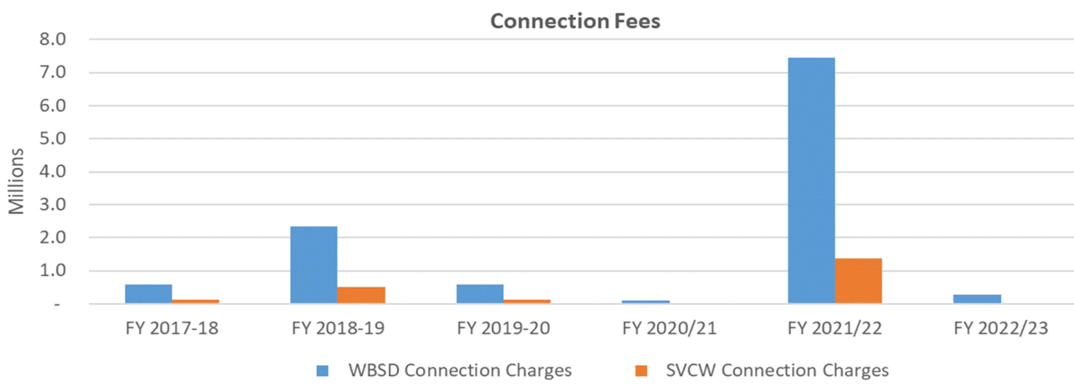
West Bay Sanitary District
Schedule of Combining Revenues, Expenses and Changes in Net Positior
For the Fiscal Year Ended June 30, 2023

	General Fund	Capital Fund	Solid Waste Fund	Recycled Water Fund	Treatment Plant Fund	Total
Operating Revenues:						
Service charges	$ 30,508,147	$ -	$ -	$ -	$ -	$ 30,508,147
Flow equalization uses	436,915	-	-	-	-	436,915
Permit and inspection fees and other services	203,036	-	-	-	-	203,036
Other operating revenues	829,759	-	118,584	-	-	948,343
Total operating revenues	31,977,857	-	118,584	-	-	32,096,441
Operating Expenses:						
Sewage treatment plant (SVCW)	-	-	-	-	12,846,365	12,846,365
Sewage collection and general admin.:						
Salaries and benefits	6,106,952	-	-	223,520	-	6,330,472
Materials and supplies	631,769	-	-	25,300	-	657,069
Insurance	297,822	-	-	33,241	-	331,063
Contract services	757,808	-	-	5,900	-	763,708
Professional services	742,070	-	20,891	61,429	-	824,390
Repairs and maintenance	355,516	-	-	34,393	-	389,909
Utilities	233,645	-	-	171,807	-	405,452
Other operating expenses	184,030	-	61,566	41,132	-	286,728
Total sewage collection and gen. admin.	9,309,612	-	82,457	596,722	-	9,988,791
Depreciation	-	2,765,731	-	752,805	-	3,518,536
Total operating expenses	9,309,612	2,765,731	82,457	1,349,527	12,846,365	26,353,692
Operating Income (Loss)	22,668,245	(2,765,731)	36,127	(1,349,527)	(12,846,365)	5,742,749
Nonoperating Revenues (Expenses):						
Investment income	1,148,460	152,125	-	66,995	-	1,367,580
Interest expense	-	-	-	(161,196)	-	(161,196)
Increase (decrease) of equity in SVCW	-	-	-	-	1,054,186	1,054,186
Other nonoperating revenues (expenses)	2,721	(10,951)	-	532,505	-	524,275
Transfers in (out)	(12,846,365)	-	-	-	12,846,365	-
Total nonoperating revenues (expen.)	(11,695,184)	141,174	-	438,304	13,900,551	2,784,845
Income before contributions	10,973,061	(2,624,557)	36,127	(911,223)	1,054,186	8,527,594
Capital Contributions:						
Capital Fund: Connection Fees	-	277,426	-	-	-	277,426
Recycled Water Fund: Capital Contributions	-	-	-	1,146,513	-	1,146,513
Total capital contributions	-	277,426	-	1,146,513	-	1,423,939
Special Item: Pension Credit	(4,912,677)	-	-	-	-	(4,912,677)
Change in Net Position	6,060,384	(2,347,131)	36,127	235,290	1,054,186	5,038,856
Beginning Net Position	39,413,062	78,546,037	519,319	13,030,649	28,430,708	159,939,775
Prior Period Adjustments	6,005,723	-	-	-	-	6,005,723
Beginning Net Position - As Adjusted	45,418,785	78,546,037	519,319	13,030,649	28,430,708	165,945,498
Ending Net Position	$ 51,479,169	$ 76,198,906	$ 555,446	$ 13,265,939	$ 29,484,894	$ 170,984,354

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 $1.9 million in Connection Fees over the past six years. Connections fees can vary widely, 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. Connection fees of $43.04 per GPD are collected to fund District capital and treatment plant construction at Silicon Valley Clean Water (SVCW), which the District has a 22.99% share, as of June 30, 2023. Prior to FY 2022-23, connection fees were collected separately for the District and SVCW.



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 2022-23, the District received $277,426 in connection fees, for approximately 34 thousand gallons per day (GPD) of additional capacity, mainly for Accessory Dwelling Units for existing customers. The District expended $4.26 million on all construction, with $2.8 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 2022-23, after several large projects in FY 2021-22. 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. District construction consistently exceeds connection fees with the balance funded from other Capital Fund sources.

Table 1
Connection Fee and Capacity Charges

Summary of Connection Fees		**FY 2022-23**	**GPD**		**FY 2021-22**	**GPD**
Connection Fees	$	277,426	34	$	7,444,686	138,120
Allocated Interest		277			7,445	
Total Connection Fee Revenue	**$**	**277,703**		**$**	**7,452,131**	
Capacity Project Expenditures		(2,821,470)			(2,572,978)	
Net Connection Fees (Deficiit)	**$**	**(2,543,767)**		**$**	**4,879,152**	
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 2022-23 and FY 2023-24 to show future planned infrastructure improvements to the system. Incomplete or delayed project budgets are carried over and included in the subsequent budget.

Table 2
Wastewater Infrastructure Projects

Projects	Actual FY 2022-23	Budget FY 2022-23	Budget FY 2023-24
Pump Stations	109,991	200,000	440,000
Other Subsuface Line Projects	337,741	100,000	100,000
Isabella, Gilbert & Bay North - Phase 2			
Lower Ringwood/ North Bay	1,860,970	-	
Stowe Lane		200,000	3,000,000
Willow Pump Station Rehabilitation		700,000	1,700,000
Bayfront Park Sanitary Sewer Improvements	144,709	1,250,000	1,600,000
Misc Point Repairs (High Freq. List Repairs)	352,337	2,000,000	4,325,000
Total Wastewater Infrastructure Projects	**2,805,748**	**4,450,000**	**11,165,000**

In addition to the $2.8 million in construction, in FY 2022-23, the District expended $581 thousand on the levee project in CIP. The District transferred $15.2 million to Reserve accounts, with $14 million to the Treatment Plant, Capital Project, and Emergency Capital Reserves. The District paid $6.8 million for SVCW debt, including bonds, SRF loans, and 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 2022-23	Budget FY 2022-23	Budget FY 2023-24
Administration	-	350,000	173,000
Collection Facilities	15,722	600,000	600,000
Vehicles & Equipment	920,718	762,500	445,000
Pump Stations	109,991	200,000	440,000
Subsurface Lines	337,741	100,000	100,000
Construction Projects	2,877,186	12,280,000	22,155,000
Total Capital Fund Construction	**4,261,358**	**14,292,500**	**23,913,000**
Capital Reserve Transfers	3,860,100	789,881	401,577
SVCW - Capital & Debt Contributions	6,795,522	5,455,503	6,824,624
Total Construction, Transfers, & Contributions	**14,916,980**	**20,537,884**	**31,139,201**

Recycled Water Fund - Construction	Actual FY 2022-23	Budget FY 2022-23	Budget FY 2023-24
Recycled Water - Sharon Heights	316,121	2,000,000	2,450,000
Recycled Water - Bayfront	169,525	2,250,000	17,299,485
Total Recycled Water Fund Construction	**485,647**	**4,250,000**	**19,749,485**

The District has a ten-year master plan to facilitate timely maintenance and rehabilitation of the wastewater infrastructure and add capacity for current and future users. The District has estimated average construction of $6.5 million each year for a total of approximately 32.55 miles of pipeline projects in the current master plan. An update to the master plan is underway, including the new Bayfront Recycled Water Facility (BRWF) at the District's Flow Equalization and Resource Recovery Facility (FERRF) site. Originally approved on May 12, 2021 for 0.6 million gallons per day (MGD), the District is considering expanding reclaimed water facility to as much as 1 MGD.

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Chavan and Associates, llp
Certified Public Accountants

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, 2023, 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 28, 2023.

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) as a basis for designing 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

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material effect on the financial statements. 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.

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November 28, 2023
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