

WEST BAY SANITARY DISTRICT

ANNUAL COMPREHENSIVE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2024 AND JUNE 30, 2023

* * *



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**West Bay Sanitary District
Annual Comprehensive Financial Report**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2024 and 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, 2024 and 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.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions - CalPERS, schedule of proportionate share of net pension liability, and schedule of OPEB contributions, and schedule of changes in net OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,



economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual financial report. The other information includes the Budgetary Comparison Schedule, Schedule of Combining Revenues, Expenses and Changes in Net Position, and the Annual Capacity Fee Report AB1600, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2024 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 14, 2024
Morgan Hill, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023

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 122 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, adding a second pump station in 2024. Diverting effluent flows to recycled water facility reduces the flows to the regional wastewater treatment plant, benefiting sewer service customers and the environment.

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, 2024, 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.

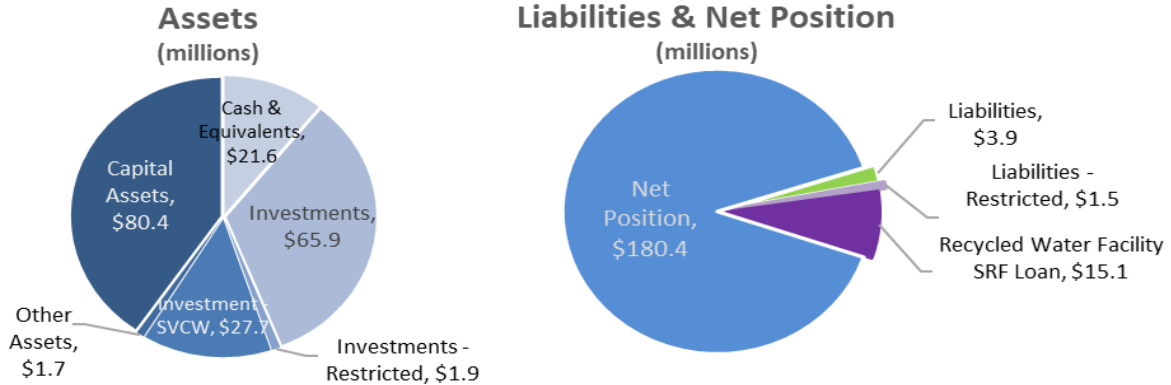
This financial report includes three parts: management's discussion and analysis, the basic financial statements, and supplemental information.

- 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, 2024 and 2023. The notes to the basic financial statements are an integral part of the basic financial statements and provide details on accounting policies, assets, and other information in the statements.
- Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements.

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023

Financial Analysis of the District

Net Position



The Statement of Net Position summary is provided in Table 1 to highlight the changes between June 30, 2024 and June 30, 2023, for fiscal years 2023-24 and 2022-23, respectively. The District's total net position increased by \$9.4 million, or 6%.

Current assets decreased as funds were expended on capital and capital budget funds for long-term capital projects as funds were invested to increase yields over ensuing two years, as funds are needed. The District transferred \$20 million from the Local Agency Investment Fund (LAIF) to the Capital Projects Reserve investment account to facilitate increased returns.

The District holds restricted funds in a Public Agency Retirement Services (PARS) trust account for pension and other post-employment benefits (OPEB) and for Sharon Heights Golf & Country Club's (SHGCC) deposit for the California Clean Water State Revolving Fund (SRF) Loan, as required by their long-term agreement.

The position in Silicon Valley Clean Water (SVCW) is based on the unaudited Analysis of Net Position [by member] for year ended June 30, 2024, declining \$1.8 million to a 22.66% share with a net position of \$27.65 million. Net Capital Assets increased by \$8 million with capital additions of \$12.66 million. The District has \$15.5 million in construction in progress, including \$3.5 million in recycled water projects.

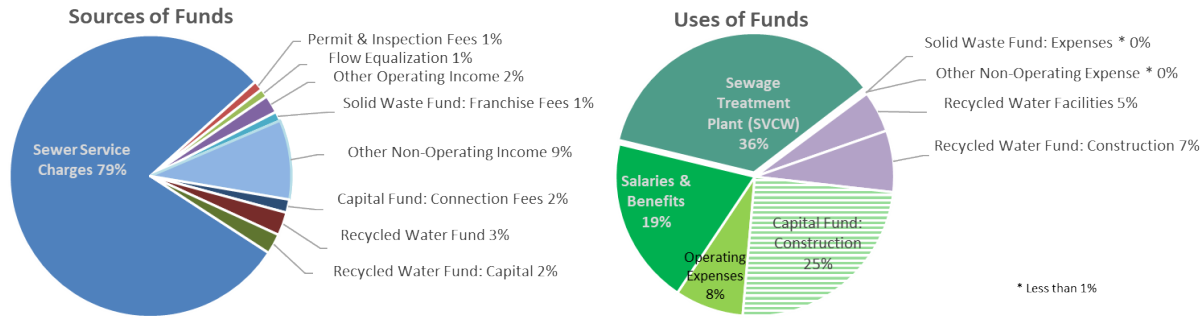
Table 1
Statement of Net Position

	FY 2023-24	FY 2022-23	Change	Percentage
Assets				
Current Assets	51,939,722	68,081,700	(16,141,978)	-24%
Non-Current Assets	147,236,839	122,153,300	25,083,539	21%
Total Assets	199,176,561	190,234,999	8,941,561	5%
Deferred Outflows of Resources	3,569,846	5,659,380	(2,089,534)	-37%
Current Liabilities	3,242,694	4,777,983	(1,535,289)	-32%
Non-Current Liabilities	17,251,637	17,189,692	61,945	0%
Total Liabilities	20,494,331	21,967,675	(1,473,344)	-7%
Deferred Inflows of Resources	1,855,551	2,942,351	(1,086,800)	-37%
Net Position	180,396,525	170,984,354	9,412,171	6%

Note: Totals may be off due to rounding.

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023

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 2023-24 and 2022-23. Operating revenues increased by 6%, as rates increased 2% and 905 residential customers were added. Operating expenses, which include collection, solid waste, and recycled water, increased \$998 thousand or 7% from the prior year. The District's salary and benefits increased 11%, including the union negotiated wage increase of 4%.

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 1% from prior year. As of the year ending June 30, 2024, the District's share was 22.66%, valued at \$27.6 million.

The Capital Fund received connection fees of \$617 thousand, which are used for pipeline capacity expansion. 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, the Bayfront Recycled Water Facility (BFRWF) in construction, and any other recycled water projects.

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

	FY 2023-24	FY 2022-23	Change	Percentage
Operating Revenues	34,027,074	32,096,441	1,930,633	6%
Operating Expenses	(14,505,450)	(13,507,324)	(998,125)	7%
Sewage Treatment Plant (SVCW)	(12,984,204)	(12,846,366)	(137,838)	1%
Operating Income (Loss)	6,537,421	5,742,751	794,669	14%
Non-Operating Rev / Exp	2,805,959	2,784,843	21,116	1%
Income Before Contributions & Special Items	9,343,379	8,527,594	815,785	10%
Pension Adjustment (GASB 68)	(1,489,456)	(4,912,677)	3,423,221	
Recycled Water Fund: Capital Contribution	941,226	1,146,513	(205,286)	-18%
Capital Fund: Connection Fees	617,021	277,426	339,596	122%
Change in Net Position	9,412,171	5,038,855	4,373,316	87%
Prior Period Adjustment	-	6,005,723	(6,005,723)	-100%
Change in Net Position - Adjusted	9,412,171	11,044,578	(1,632,407)	-15%

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023

Budgetary Highlights

The District adopted the annual budget for fiscal year 2023-24 on June 14, 2023, after reviewing at a Budget Workshop with the Board of Directors on May 3, 2023. The budget is prepared on the accrual basis of accounting by Fund 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, 2024.

District operating revenue was slightly over budget. Total operating expenses were 12% under budget, as the planned software transitions for accounting and the tax roll were delayed. Sewage treatment expenses was on budget, as required contributions for SVCW was received before budget approval.

The Recycled Water Fund receives a flat contribution from SHGCC each year of \$662.9 thousand to cover the annual SRF loan payment. SHGCC contributions for the Avy-Altschul Pump Station were also recognized in FY 2023-24.

Table 3
Actual vs. Budget Report

	FY 2023-24	Budget	Variance	Percentage
Operating Revenues	34,027,074	33,914,468	112,607	0%
Operating Expenses	(14,505,450)	(16,479,263)	1,973,814	-12%
Sewage Treatment Plant (SVCW)	(12,984,204)	(12,990,848)	6,644	0%
Operating Income (Loss)	6,537,421	4,444,356	2,093,064	47%
Non-Operating Rev / Exp	2,805,959	877,896	1,928,063	220%
Income Before Contributions & Special Items	9,343,379	5,322,252	4,021,127	76%
Pension Adjustment (GASB 68)	(1,489,456)	-	(1,489,456)	
Recycled Water Fund: Capital Contribution	941,226	662,900	278,326	42%
Capital Fund: Connection Fees	617,021	250,000	367,021	147%
Change in Net Position	9,412,171	6,235,152	3,177,019	51%
Prior Period Adjustment	-	-	-	
Change in Net Position - Adjusted	9,412,171	6,235,152	3,177,019	51%

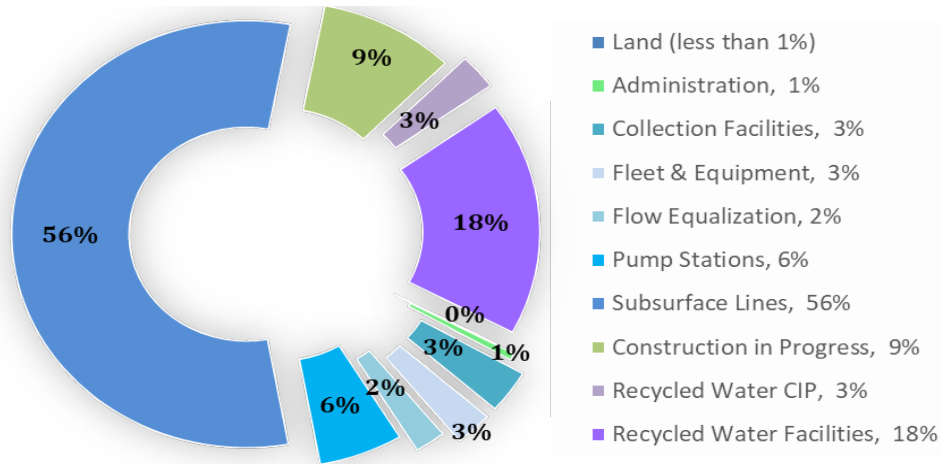
The District has \$43.5 million in Capital Budget balance June 30, 2024, including \$15 million in carryover; \$4 million from fiscal year 2022-23 and \$11 million from fiscal year 2023-24. The Capital Budget is comprised of the net increase in Collections, plus interest, and funds contributed, less current capital expenditures. Table 4 summarizes the capital budget for the fiscal year ending June 30, 2024. Current capital expenditures were \$9.5 million, excluding asset disposals, \$14.4 million under budget.

Table 4
Capital Budget
Actual vs. Budget Report

	FY 2023-24	Budget	Variance	Percentage
Transfer from Operations	4,634,502	4,818,703	(184,201)	96%
Interest Income	3,528,764	500,000	3,028,764	706%
Connection Charges	617,021	250,000	367,021	247%
Capital Expenditures	(9,475,114)	(23,913,000)	14,437,886	40%
Change in Capital Budget	(694,827)	(18,344,297)	17,649,470	4%
Beginning Capital Budget Balance	44,218,570	41,066,633	3,151,937	108%
Ending Capital Budget Balance	43,523,744	22,722,337	20,801,407	192%

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023

Capital Assets



Total assets increased 9% before depreciation and 11% net of accumulated depreciation. The District had net capital expenditures of \$9.5 million for Capital Fund assets, administration, collection facilities, vehicles and equipment, and replacement and rehabilitation of sewer infrastructure. \$1.1 million in assets were removed from operations, including sales of four retired vehicles and salvage or one vehicle for \$73.5 thousand, with original costs of \$596 thousand for a net gain of \$8 thousand.

The SHRWF was completed and accepted on July 27, 2020. SHRWF was funded by a State of California, Clean Water State Revolving Fund (SRF) loan of \$17.3 million and Water Recycling Funding Program (WRF) \$5.26 million grant. The District added a new pump station to feed the SHRWF, expending \$979 thousand over two years, with additional funding by SHGCC. The District will be reimbursed by a separate CWSRF loan, with SHGCC funding the balance. Both SRF loans will be paid by SHGCC. The District expended \$1.3 million on the Bayfront Recycled Water Facility Project, which is moving from planning to site preparation phase. Table 5 shows a summary of capital assets owned by the District as of June 30, 2024.

Table 5
Capital Assets

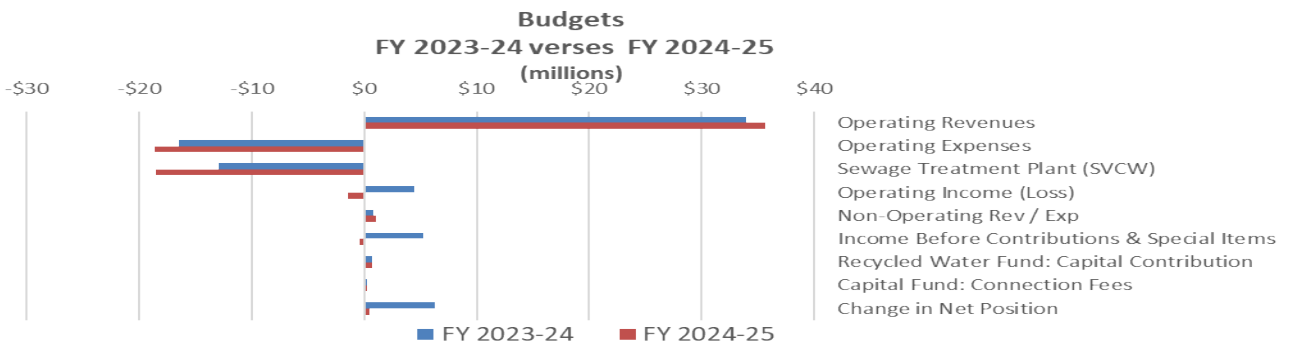
Assets	FY 2023-24	FY 2022-23	Change	Percentage
Land	44,467	44,467	-	0%
Construction in Progress	11,980,519	7,993,046	3,987,473	50%
Pump Stations	7,408,741	7,523,855	(115,115)	-2%
Fleet & Equipment	3,345,395	3,786,671	(441,276)	-12%
Administration	669,879	1,054,906	(385,027)	-36%
Flow Equalization	2,738,197	2,738,197	-	0%
Collection Facilities	4,147,496	4,196,507	(49,012)	-1%
Subsurface Lines	71,397,642	66,032,450	5,365,192	8%
Subtotal Capital Fund Assets	101,732,336	93,370,100	8,362,235	9%
Accumulated Depreciation	(44,773,740)	(42,608,330)	(2,165,410)	5%
Net Capital Fund Assets	56,958,595	50,761,770	6,196,825	12%
Sharon Heights Recycled Water Facilities	22,647,052	22,647,052	-	0%
Avy Pump Station (CIP)	1,197,359	316,121	881,237	279%
Bayfront Recycled Water Facilities (CIP)	2,233,750	896,821	1,336,929	149%
Recycled Water Subsurface Lines	365,315	-	365,315	
Recycled Water Assets	26,443,476	23,859,994	2,583,481	11%
Accumulated Depreciation	(2,958,795)	(2,203,894)	(754,902)	34%
Net Recycled Water Assets	23,484,680	21,656,100	1,828,580	8.4%

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023

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 repairs and maintenance in-house and achieving 95.5% of performance goals for 2023 and 99% for 2024. Goals are reviewed and revised annually to ensure the District strives to improve and provide exceptional service to our customers.



The fiscal year 2024-25 original budget was approved June 12, 2024, with minor adjustments after the budget workshop on May 1, 2024 with the full board. The original approved budget was revised and the revised budget was approved December 4, 2024. Revenue is expected to increase 5% with sewer service rate increases of 5% in FY 2024-25 and a new contract with East Palo Alto Sanitary District to maintain their 35 miles of sewer pipeline. 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 2023-24. Other revenues are expected to have nominal increases.

Operating expenses are increasing 11%, with required salary and benefit increases and the addition of seven new employees. Salaries increased 4%, due to labor negotiated Memorandum of Understanding effective July 1, 2024. Sewage Treatment Plant (SVCW) expenses are increasing due to cash-in-lieu of debt and commencement of debt for plant improvements. Table 6 shows a budget comparison from fiscal year 2023-24 to fiscal year 2024-25.

Table 6
Approved Budgets

	FY 2023-24	FY 2024-25	Change	Percentage
Operating Revenues	33,914,468	35,667,468	1,753,001	5%
Operating Expenses	(16,479,263)	(18,583,448)	(2,104,185)	11%
Sewage Treatment Plant (SVCW)	(12,990,848)	(18,540,559)	(5,549,711)	30%
Operating Income (Loss)	4,444,356	(1,456,539)	(5,900,895)	405%
Non-Operating Rev / Exp	877,896	1,021,838	143,942	14%
Income Before Contributions & Special Items	5,322,252	(434,701)	(5,756,953)	1324%
Recycled Water Fund: Capital Contribution	662,900	662,900	-	0%
Capital Fund: Connection Fees	250,000	250,000	-	0%
Change in Net Position	6,235,152	478,199	(5,756,953)	-1204%

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023

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 through the SVCW treatment facility.

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 two influent pump stations. SHRWF is a public-private partnership with SHGCC, who reimburses O&M expense and makes capital contributions to cover the annual SRF loan payments and any other costs. The SHRWF SRF loan has a current balance of \$15,111,188, as of June 30, 2024. In 2023-24, 95 million gallons (MG) were treated and 44.4 MG of recycled water were delivered to the SHGCC pond for irrigation. The golf course was shut until around July 2023 due to construction and the grow-in period, resulting in the lower delivery amount.

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 was completed in FY 2023-24, with funding from SHGCC and will include a second SRF loan and grant for \$332,500 or 35% of the \$950,000 estimated project cost. The District will be reimbursed construction costs once the State Water Resources Control Board processes the Final Budget Approval for the project.



The District is currently designing a new 1 MGD recycled water treatment and distribution facility on the Flow Equalization and Resource Recovery Facility (FERRF) site. The construction costs current projection is \$88 million. The District was originally awarded a \$15 million grant from the California State Water Recycling Funding Program (WRFP). In FY 2023-24, the WRFP cut the grant to \$5 million. Costs will be partially funded through a \$66.6 million California Clean Water State Revolving Fund (SRF) loan, authorized August 23, 2023. The District has identified interested developers for partial capacity, with the remaining for existing and new customers, with an estimated \$10 million contribution from the District for the value of the land.

West Bay Sanitary District
Management's Discussion and Analysis
June 30, 2024 and 2023



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. 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. The living shoreline will replace the north levee and will be viewable by the public from Bedwell Bayfront Park in Menlo Park. Construction began in October 2023 and expected to be completed in FY 2024-25. 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.



Contacting the District

This financial report is designed to provide a general overview of the District's finances and provide transparency. 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.

BASIC FINANCIAL STATEMENTS

West Bay Sanitary District
Statements of Net Position
As of June 30, 2024 and June 30, 2023

Assets	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Current Assets:		
Cash and cash equivalents	\$ 21,580,943	\$ 42,165,110
Investments	27,293,136	23,638,054
Restricted cash and investments	1,519,315	1,517,643
Accounts receivable	713,526	240,231
Interest receivable	750,762	442,682
Prepaid expenses and other current assets	82,040	77,978
Total Current Assets	<u>51,939,722</u>	<u>68,081,698</u>
Noncurrent Assets:		
Investments	38,634,273	19,942,535
Investment in Silicon Valley Clean Water	27,652,279	29,484,894
Restricted cash and investments	352,067	273,634
Net OPEB asset	154,944	34,366
Capital assets:		
Non-depreciable	15,517,443	8,934,334
Depreciable net of accumulated depreciation	64,925,832	63,483,535
Total Capital Assets - Net	<u>80,443,275</u>	<u>72,417,869</u>
Total Noncurrent Assets - Net	<u>147,236,838</u>	<u>122,153,298</u>
Total Assets	<u>\$ 199,176,560</u>	<u>\$ 190,234,996</u>
 Deferred Outflows of Resources		
OPEB adjustments	\$ 7,259	\$ 91,669
Pension adjustments	3,562,587	5,567,712
Total Deferred Outflows of Resources	<u>\$ 3,569,846</u>	<u>\$ 5,659,381</u>

Continued

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

West Bay Sanitary District
Statements of Net Position
As of June 30, 2024 and June 30, 2023

Liabilities	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Current Liabilities:		
Accounts payable	\$ 1,197,482	\$ 2,407,596
Payroll and related liabilities	477,867	466,569
Unearned revenue	148,869	447,538
Other liabilities	131,553	58,253
Customer deposits	775,123	891,292
State Revolving Fund Loan	511,799	506,732
Total Current Liabilities	<u>3,242,693</u>	<u>4,777,980</u>
Noncurrent Liabilities:		
Customer deposits	1,458,404	1,458,404
Net pension liability	1,193,844	620,100
State Revolving Fund Loan	14,599,389	15,111,188
Total Noncurrent Liabilities	<u>17,251,637</u>	<u>17,189,692</u>
Total Liabilities	<u>\$ 20,494,330</u>	<u>\$ 21,967,672</u>
 Deferred Inflows of Resources		
OPEB adjustments	\$ 28,065	\$ 25,452
Pension adjustments	1,827,486	2,916,899
Total Deferred Inflows of Resources	<u>\$ 1,855,551</u>	<u>\$ 2,942,351</u>
 Net Position		
Net Investment in Capital Assets	\$ 65,332,087	\$ 56,799,949
Unrestricted:		
Capital fund budget	43,523,744	44,218,570
Invested in Silicon Valley Clean Water	27,652,279	29,484,894
Operations	14,024,468	11,111,437
Unreserved	29,863,947	29,369,504
Total Net Position	<u>\$ 180,396,525</u>	<u>\$ 170,984,354</u>

Concluded

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

West Bay Sanitary District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2024 and June 30, 2023

	June 30, 2024	June 30, 2023
Operating Revenues:		
Service charges	\$ 32,227,643	\$ 30,508,147
Flow equalization uses	403,165	436,915
Permit and inspection fees and other services	447,140	203,036
Other operating revenues	949,126	948,343
Total operating revenues	<u>34,027,074</u>	<u>32,096,441</u>
Operating Expenses:		
Sewage treatment plant (SVCW)	12,984,204	12,846,365
Sewage collection and general administration:		
Salaries and benefits	7,022,122	6,330,472
Materials and supplies	638,381	657,069
Insurance	329,736	331,063
Contract services	726,124	763,708
Professional services	736,059	824,390
Repairs and maintenance	495,971	389,909
Utilities	480,755	405,452
Other operating expenses	254,638	286,728
Total sewage collection and general administration	<u>10,683,786</u>	<u>9,988,791</u>
Depreciation	3,821,663	3,518,536
Total operating expenses	<u>27,489,653</u>	<u>26,353,692</u>
Operating Income (Loss)	<u>6,537,421</u>	<u>5,742,749</u>
Nonoperating Revenues (Expenses):		
Investment income	3,818,657	1,367,580
Interest expense	(156,179)	(161,196)
Increase (decrease) of equity in Silicon Valley Clean Water	(1,832,615)	1,054,186
Other nonoperating expenses	(311,963)	(10,951)
Other nonoperating revenues	1,288,059	535,226
Total nonoperating revenues (expenses)	<u>2,805,959</u>	<u>2,784,845</u>
Income before contributions	<u>9,343,380</u>	<u>8,527,594</u>
Capital Contributions:		
Capital Fund: Connection Fees	617,021	277,426
Recycled Water Fund: Capital Contributions	941,226	1,146,513
Total capital contributions	<u>1,558,247</u>	<u>1,423,939</u>
Special Item: Pension (Expense) Credit	<u>(1,489,456)</u>	<u>(4,912,677)</u>
Change in Net Position	<u>9,412,171</u>	<u>5,038,856</u>
Beginning Net Position	170,984,354	159,939,775
Prior Period Adjustments	-	6,005,723
Beginning Net Position - As Adjusted	<u>170,984,354</u>	<u>165,945,498</u>
Ending Net Position	<u>\$ 180,396,525</u>	<u>\$ 170,984,354</u>

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

West Bay Sanitary District
Statements of Cash Flows
For the Years Ended June 30, 2024 and June 30, 2023

	June 30, 2024	June 30, 2023
Cash Flows from Operating Activities:		
Cash received from customers	\$ 33,212,241	\$ 32,822,157
Cash payments to suppliers for goods and services	(17,860,044)	(14,361,867)
Cash payments to employees for services	(5,230,537)	(4,782,938)
Cash payments of benefits on behalf of employees	(1,813,842)	(1,617,708)
Net Cash Provided (Used) by Operating Activities	8,307,818	12,059,644
Cash Flows from Capital and Related Financing Activities:		
Cash received from connection fees	617,021	277,426
Principal paid for the State Revolving Fund loan	(506,732)	(501,715)
Cash received from other financing activities	1,288,059	535,226
Cash received from capital contributions	941,226	1,146,513
Interest payments	(156,179)	(161,196)
Cash received on the sale of capital assets	18,985	-
Purchases and construction of capital assets	(12,357,118)	(4,877,832)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,154,738)	(3,581,578)
Cash Flows from Investing Activities:		
Transfers to investment accounts	(20,000,000)	(15,202,111)
Transfers from investment accounts	-	670,000
Investment income	1,262,753	686,226
Net Cash Provided (Used) by Investing Activities	(18,737,247)	(13,845,885)
Net Increase (Decrease) in Cash and Cash Equivalents	(20,584,167)	(5,367,819)
Cash and Cash Equivalents Beginning	42,165,110	47,532,929
Cash and Cash Equivalents Ending	\$ 21,580,943	\$ 42,165,110

Continued

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

West Bay Sanitary District
Statements of Cash Flows
For the Years Ended June 30, 2024 and June 30, 2023

	June 30, 2024	June 30, 2023
Reconciliation of Operating Income to Cash Flows Provided		
by Operating Activities:		
Operating Income (Loss)	\$ 6,537,421	\$ 5,742,749
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,821,663	3,518,536
Pension credit	(1,489,456)	(4,912,677)
Prior period adjustments	-	6,005,723
Net change in:		
Accounts receivable	(473,295)	591,347
Prepaid expenses and other current assets	(4,062)	2,905
Deferred outflows of resources	2,089,535	(5,417,043)
Accounts payable	(1,210,114)	2,116,025
Payroll and related liabilities	11,298	(70,318)
Unearned revenue	(298,669)	435,105
Other liabilities	73,300	58,253
Construction deposits	-	(119)
Customer deposits	(116,169)	(300,617)
Net OPEB asset/liability	(120,578)	(40,479)
Net pension asset/liability	573,744	4,110,148
Deferred inflows of resources	(1,086,800)	220,106
Net Cash Provided (Used) by Operating Activities	\$ 8,307,818	\$ 12,059,644

Concluded

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

NOTE 1 - NATURE OF ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

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

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

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

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

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

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

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

Statement of Revenues, Expenses, and Changes in Net Position

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

Service Charges

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

Connection Fees

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

Budgets and Budgetary Accounting

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

Cash and Cash Equivalents

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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, 2024 and 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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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 fiscal year June 30, 2024:

Description	Balance July 01, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year
Compensated Absences	\$ 370,141	\$ 103,576	\$ -	\$ 473,717	\$ 473,717

The following summarizes the changes in compensated absences during fiscal year June 30, 2023:

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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, 2024, 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 30,2024 the District had a net pension asset. For the period, the following time frames were used.

Valuation Date	June 30,2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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. 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. This statement did not have a material impact on the financial statements.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Upcoming New Accounting Pronouncements

Management will continue to analyze its accounting practices to determine the potential impact of the following recent GASB Statements on the District's financial statements:

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. 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.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management's discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

NOTE 3 - CASH AND INVESTMENTS

The District's cash and investments consisted of the following as of June 30, 2024:

Description	Rating	Fair Value June 30, 2024	Maturities			Concentrations
			12 Months or Less	13 - 24 Months	25 - 60 Months	
BMO Investments:						
Fixed Income	AA+/BBB	\$55,263,115	\$ 16,628,842	\$ 27,726,332	\$ 10,907,941	61.83%
Cash	N/A	10,664,294	10,664,294	-	-	11.93%
Total Bank of West Investments	AAA	65,927,409	27,293,136	27,726,332	10,907,941	73.76%
Restricted Investments:						
Cash with fiscal agents - PARS (Pension)	N/A	352,067	352,067	-	-	0.39%
Total Restricted Investments		352,067	352,067	-	-	0.39%
Cash and Cash Equivalents:						
Carrying amount of cash on hand/in banks	N/A	255,505	255,505	-	-	0.29%
Money Market	N/A	2,525,372	2,525,372	-	-	2.83%
LAIF	N/A	20,318,581	20,318,581	-	-	22.73%
Petty Cash	N/A	800	800	-	-	0.00%
Total Cash and Cash Equivalents		23,100,258	23,100,258	-	-	25.85%
Total Cash and Investments		\$89,379,734	\$ 50,745,461	\$ 27,726,332	\$ 10,907,941	100.00%

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

Description	Rating	Fair Value June 30, 2023	Maturities			Concen- trations
			12 Months or Less	13 - 24 Months	25 - 60 Months	
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 (Pension)	N/A	273,634	273,634	-	-	0.31%
Total Restricted Investments		273,634	273,634	-	-	0.31%
Cash and Cash Equivalents:						
Carrying amount of cash on hand/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%
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"). As of June 30, 2024, the bank balance of the District's cash in bank, which was \$3,474,681, exceeded the insured limit by \$3,224,681. As of June 30, 2023, the bank balance of the District's cash in bank, which was \$4,298,595, exceeded the insured limit by \$4,048,595. 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.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

- 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, 2024 and 2023, was approximately \$178 and \$177 billion, respectively.

Risk Disclosures

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

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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 for member agencies. At June 30, 2024 and 2023, the District had approximately 22.66% and 22.99%, respectively, in equity interest in SVCW, which is reported using the equity method of accounting. The District's investment in SVCW at June 30, 2024 and 2023 was \$27,652,279 and \$29,484,894, respectively, as reflected on the statement of net position. The change in the investment for the years ended June 30, 2024 and 2023 was an decrease of \$1,832,615 and a increase \$1,054,186, respectively, as reflected in the statement of revenues, expenses and changes in net position. During the year ended June 30, 2024, the District paid a total of \$12,984,204 that includes \$6,117,648 paid for the cost of operating and maintaining the facility, \$1,742,608 in capital and reserve contributions, and \$5,123,948 paid for debt principal and interest that included the State revolving fund loans and the financing agreements to finance the construction and rehabilitation of the SVCW's wastewater system.

The 2024 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, 2024, (most recent information available):

	<u>June 30, 2024</u>
Total Assets	\$ 955,108,378
Deferred Outflows of Resources	28,305,446
Total Liabilities	859,864,108
Deferred Inflows of Resources	1,499,120
Total Net Position	122,050,596
Total Revenues	69,613,654
Total Expenses	75,796,097

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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, 2024, 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 2024, gross Sewer Fund revenues amounted to \$32,227,643. The annual debt service commitments are summarized as follows:

Fiscal year ending:	Principal	Interest	Total
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	6,456,249	3,476,895	9,933,143
2030-2034	33,372,757	17,441,031	50,813,787
2035-2039	41,203,493	13,879,996	55,083,488
2040-2044	40,749,917	9,728,142	50,478,058
2045-2049	37,002,818	5,750,154	42,752,972
2050-2054	29,811,210	2,923,657	32,734,867
2054-2058	18,777,525	928,271	19,705,796
2059-2062	1,014,961	19,589	1,034,550
Total debt service	<u>\$ 228,105,020</u>	<u>\$ 65,052,909</u>	<u>\$ 293,157,930</u>

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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

The District's capital assets consisted of the following as of June 30, 2024:

Description	Balance June 30, 2023	Additions	Adjustments/ Transfers	Deletions	Balance June 30, 2024
Non-depreciable Capital Assets:					
Land	\$ 44,467	\$ -	\$ -	\$ -	\$ 44,467
Construction in progress	9,205,988	12,234,669	(5,702,932)	(264,749)	15,472,976
Total non-depreciable capital assets	9,250,455	12,234,669	(5,702,932)	(264,749)	15,517,443
Depreciable Capital Assets:					
Pump stations	7,523,855	2,200	-	(117,315)	7,408,740
Fleet	3,786,671	120,249	-	(561,525)	3,345,395
Plant and administration facilities	1,054,906	-	-	(385,027)	669,879
Buildings	4,196,507	-	-	(49,012)	4,147,495
Flow equalization facilities	2,738,197	-	-	-	2,738,197
Subsurface lines	66,032,450	-	5,398,965	(33,773)	71,397,642
Recycled Water Subsurface lines	-	-	303,967	-	303,967
SHGCC Recycled Water Facility	22,647,052	-	-	-	22,647,052
Total depreciable capital assets	107,979,638	122,449	5,702,932	(1,146,652)	112,658,367
Less accumulated depreciation for:					
Pump stations	(3,921,598)	(227,523)	-	86,416	(4,062,705)
Fleet	(2,251,227)	(234,040)	-	511,961	(1,973,306)
Plant and administration facilities	(860,844)	(39,205)	-	270,755	(629,294)
Buildings	(1,623,274)	(205,904)	-	32,220	(1,796,958)
Flow equalization facilities	(2,737,700)	(497)	-	-	(2,738,197)
Subsurface lines	(31,213,687)	(2,359,592)	-	-	(33,573,279)
SHGCC Recycled Water Facility	(2,203,894)	(754,902)	-	-	(2,958,796)
Total accumulated depreciation	(44,812,224)	(3,821,663)	-	901,352	(47,732,535)
Total depreciable capital assets - net	63,167,414	(3,699,214)	5,702,932	(245,300)	64,925,832
Total capital assets - net	\$ 72,417,869	\$ 8,535,455	\$ -	\$ (510,049)	\$ 80,443,275

Depreciation expense for the year ended June 30, 2024 was \$3,821,663.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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 was \$3,518,536.

The following details construction in progress as of June 30, 2024 and June 30, 2023:

Project	June 30, 2024	June 30, 2023
Bayfront Entrance	\$ 740,511	\$ 145,501
Point Repair	3,920,631	352,337
Stowe Ln Pump Station	179,650	-
Willow Rd Pump Station	153,721	-
Pump Station Telemetry System Replace	45,515	-
Levee	6,940,490	1,792,276
Gilbert Bay North/North Bay/Ringwood	-	5,702,932
Bayfront RWF	2,233,750	896,821
Avy PS	1,197,359	316,121
O'Brien RW Line	61,349	-
Total Construction in Progress	\$ 15,472,976	\$ 9,205,988

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

NOTE 6 - NONCURRENT LIABILITIES

The District's noncurrent liabilities consisted of the following as of June 30, 2024:

Description	Balance			Balance June 30, 2024	Due Within One Year
	July 01, 2023	Additions	Deletions		
Net Pension Liability	\$ 620,100	\$ 3,425,206	\$ 2,851,462	\$ 1,193,844	\$ -
State Revolving Fund Loan	15,617,920	-	506,732	15,111,188	511,799
Total Noncurrent Liabilities	<u>\$ 16,238,020</u>	<u>\$ 3,425,206</u>	<u>\$ 3,358,194</u>	<u>\$ 16,305,032</u>	<u>\$ 511,799</u>

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

Description	Balance			Balance June 30, 2023	Due Within One Year
	July 01, 2022	Additions	Deletions		
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	<u>\$ 16,125,748</u>	<u>\$ 5,776,067</u>	<u>\$ 5,663,795</u>	<u>\$ 16,238,020</u>	<u>\$ 506,732</u>

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, 2024, the SRF loan balance was \$15,111,188. 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
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	532,580	130,331	662,911
2030-34	2,743,861	570,694	3,314,554
2035-39	2,883,825	430,729	3,314,554
2040-44	3,030,929	283,625	3,314,554
2045-49	3,185,537	129,017	3,314,554
2050	656,347	6,563	662,911
Total Debt Service	<u>\$ 15,111,188</u>	<u>\$ 2,124,494</u>	<u>\$ 17,235,683</u>

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

NOTE 7 - BOARD COMMITMENTS OF NET POSITION

Commitments are imposed by the District’s Board to reflect future spending plans or concerns about the availability of future resources. Commitments may be modified, amended or removed by Board action. Commitments for future capital assets replacement is the portion of net position to be used for new equipment and for emergency and scheduled replacement of capital facilities paid from connection fees. Commitments for operations have been set aside to reserve approximately five months of operating expenses. The Board committed the following unrestricted net position as of June 30, 2024 and June 30 2023:

Description	June 30, 2024	June 30, 2023
Capital fund budget	\$ 43,523,744	\$ 44,218,570
Invested in Silicon Valley Clean Water	27,652,279	29,484,894
Operations	14,024,468	11,111,437
Total Committed Unrestricted Net Position	<u>\$ 85,200,491</u>	<u>\$ 84,814,901</u>

NOTE 8 - DEFERRED COMPENSATION PLAN

District employees may defer a portion of their compensation under a District-sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the Plan. The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefits of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property and are not subject to District control, they are not included in these financial statements.

NOTE 9 - RISK MANAGEMENT

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

Type of Coverage	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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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, 2023 (most recent information available):

	June 30, 2023
Total Assets	\$ 35,837,500
Total Liabilities	25,803,417
Total Equity	10,034,083
Total Revenues	21,686,396
Total Expenditures	18,692,969

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, 2024 and 2023, are summarized as follows:

	2024			2023		
	Miscellaneous			Miscellaneous		
	Tier 1	Tier 2	PEPRA	Tier 1	Tier 2	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62	55	60	62
Monthly benefits as a						
% of eligible compensation	2.50%	2.00%	2.00%	2.50%	2.00%	2.00%
Required employee contribution rates	8.00%	7.00%	7.75%	8.00%	7.00%	6.75%
Required employer contribution rates	13.34%	10.10%	7.68%	11.59%	8.63%	7.47%

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Employees Covered - At June 30, 2024, the following employees were covered by the benefit terms for the Plan:

	2024	2023
Active	30	31
Transferred	12	11
Separated	12	11
Retired	25	24
Total	79	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, 2024, the District made the following pension contributions:

	2024	2023
Contributions - employer	\$ 428,597	\$ 355,455

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

As of June 30, 2024, the District’s net pension liability was as follows:

	2024	2023
Proportionate Share of NPL	\$ 1,193,844	\$ 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, 2023, 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, 2022 rolled forward to June 30, 2023 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.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

The District's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2024 was as follows:

	2024	2023
Beginning Proportion	0.01325%	-0.18376%
Ending Proportion	0.02387%	1.32500%
Change - Increase/(Decrease)	0.01062%	19.70200%

For the year ended June 30, 2024, the District recognized a pension expense of \$1,918,053.

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 72,078	\$ -	\$ 63,542	\$ -
Differences between Expected and Actual Experience	60,988	9,461	12,453	8,340
Differences between Projected and Actual Investment Earnings	193,294	-	113,586	-
Differences between Employer's Contributions and Proportionate Share of Contributions	1,051,121	929,970	2,552,723	751,853
Change in Employer's Proportion	1,756,510	888,055	2,469,953	2,156,706
Pension Contributions Made Subsequent to Measurement Date	428,597	-	355,455	-
Total	\$ 3,562,587	\$ 1,827,486	\$ 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:

	2024	2023
Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources	
2024	\$ -	\$ 879,664
2025	815,990	862,517
2026	422,479	483,705
2027	62,489	69,473
2028	5,546	-
2029	-	-
Thereafter	-	-
Total	\$ 1,306,504	\$ 1,415,695

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Actuarial Assumptions - The total pension liabilities in the June 30, 2023, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
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.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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.

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Return (1)(2)</u>
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	<u>100.00%</u>	

- (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:

	<u>2024</u>	<u>2023</u>
1% Decrease	5.90%	5.90%
Net Pension Liability \$	4,763,826	\$ 4,021,598
Current	6.90%	6.90%
Net Pension Liability \$	1,193,844	\$ 620,100
1% Increase	7.90%	7.90%
Net Pension Liability \$	(1,744,558)	\$ (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.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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:

	2024	2023
Active employees	27	27
Inactive employees	7	7
Total employees	34	34

Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. For fiscal year ended June 30, 2024, total contributions were \$53,331 and total contributions included in the measurement period were \$53,331. The actuarially determined contribution for the measurement period was \$2,770. The District's contributions were 0.41% of covered employee payroll during the fiscal year ended June 30, 2024. For fiscal year ended June 30, 2023, total contributions were \$50,358 and total contributions included in the measurement period were \$50,358. 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.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Actuarial Assumptions

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

	2024	2023
Valuation Date:	June 30, 2022	June 30, 2022
Measurement Date:	June 30, 2024	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal Cost	Entry-Age Normal Cost
Amortization Period:	20 years	20 years
Asset Valuation Method:	Level percentage of payroll, closed	Level percentage of payroll, closed
Actuarial Assumptions:		
Discount Rate	6.00%, net of OPEB plan investment expense	6.00%
Inflation	2.50%	2.50%
Payroll Increases	3.00%	3.00%
Healthcare Trend Rate	5.5% ^(Note 1)	4.50%
Investment Rate of Return	6.00%	6.00%
Mortality	CalPERS experience study	CalPERS experience study
Retirement	CalPERS experience study	CalPERS experience study

Note 1: 5.50% for 2024, 5.25% for 2025-2029, 5.00% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4.00% for 2070 and later years; Medicare ages: 4.50% for 2024-2029 and 4.00% for 2030 and later years.

Discount Rate

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

Long-Term Expected Rate of Return

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

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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, 2024 (measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022 (valuation date) for the fiscal year ended June 30, 2024 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2024:

Fiscal Year Ended June 30, 2024 (Measurement Date June 30, 2024)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2023	\$ 375,972	\$ 410,338	\$ (34,366)
Service cost	5,554	-	5,554
Interest in Total OPEB Liability	22,099	-	22,099
Employer contributions	-	53,331	(53,331)
Actual investment income	-	48,095	(48,095)
Administrative expenses	-	(2,807)	2,807
Benefit payments	(28,331)	(28,331)	-
Adjustment for change in measurement period	746	50,358	(49,612)
Net changes	68	120,646	(120,578)
Balance at June 30, 2024	\$ 376,040	\$ 530,984	\$ (154,944)
Covered Employee Payroll	\$ 3,685,614		
Total OPEB Liability as a % of Covered Employee Payroll	10.20%		
Plan Fid. Net Position as a % of Total OPEB Liability	141.20%		
Service Cost as a % of Covered Employee Payroll	0.15%		
Net OPEB Liability as a % of Covered Employee Payroll	-4.20%		

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

Deferred Inflows and Outflows of Resources

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 26,171	\$ -	\$ 22,747
Difference between actual and expected earnings	7,260	-	41,311	-
Change in assumptions	-	1,894	-	2,705
OPEB contribution subsequent to measurement date	-	-	50,538	-
Totals	\$ 7,260	\$ 28,065	\$ 91,669	\$ 25,452

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	2023
	Deferred Outflows/(Inflows) of Resources	
2024	\$ -	\$ 9,820
2025	5,532	9,996
2026	12,260	9,996
2027	(3,285)	16,724
2028	(8,937)	678
2029	(4,977)	-
Thereafter	(21,398)	(31,355)
Total	\$ (20,805)	\$ 15,859

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2024:

	2024	2023
Service cost	\$ 5,554	\$ 4,538
Interest in TOL	22,099	25,099
Expected investment income	(28,294)	(26,214)
Adjustment to change in measurement period	(49,612)	-
Difference between actual and expected experience	1,712	1,712
Difference between actual and expected earnings	4,225	8,919
Change in assumptions	(406)	(406)
Administrative expenses	2,807	2,488
OPEB Expense	\$ (41,915)	\$ 16,136

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2024:

	2024	2023
Net OPEB liability ending	\$ (154,944)	\$ (34,366)
Net OPEB liability beginning, adjusted	83,978	(6,113)
Change in net OPEB liability	(70,966)	(40,479)
Changes in deferred outflows	76,050	2,508
Changes in deferred inflows	2,613	(3,141)
Adjustment to change in measurement period	(49,612)	62,264
OPEB Expense	\$ (41,915)	\$ 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(6% for 2024 and 2023) that is one percentage point lower or one percentage point higher, is as follows:

	2024	2023
1% Increase	\$ (194,614)	\$ (73,399)
Discount Rate	\$ (154,944)	\$ (34,366)
1% Decrease	\$ (107,452)	\$ 12,516

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(5.5% for 2024 and 4.5% for 2023) that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	2024	2023
1% Increase	\$ (95,175)	\$ 15,719
Trend Rate	\$ (154,944)	\$ (34,366)
1% Decrease	\$ (203,866)	\$ (75,661)

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.

West Bay Sanitary District
Notes to Financial Statements
For the Years Ended June 30, 2024 and June 30, 2023

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, 2024, 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 \$19,335,622 as of June 30, 2024.

NOTE 14 - SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY JPA

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

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

Total Assets	\$ 88,707,979
Total Liabilities	62,489,634
Total Equity	26,218,345
Total Revenues	61,231,113
Total Expenditures	60,417,055

REQUIRED SUPPLEMENTARY INFORMATION

West Bay Sanitary District
Schedule of Pension Contributions - CalPERS
June 30, 2024

Miscellaneous Plan

Plan Measurement Date	2014	2015	2016	2017	2018
Fiscal Year Ended	2015	2016	2017	2018	2019
Contractually Required Contrib.	\$ 368,713	\$ 399,280	\$ 387,500	\$ 413,896	\$ 297,313
Contrib. in Relation to Contractually Required Contributions	368,713	399,280	387,500	413,896	297,313
Contribution Deficiency (Excess)	-	-	-	\$ -	\$ -
Covered Payroll	\$ 2,411,343	\$ 2,544,628	\$ 2,799,216	\$ 2,795,654	\$ 2,806,611
Contrib. as % of Covered Payroll	15.29%	15.69%	13.84%	14.80%	10.59%

Miscellaneous Plan

Plan Measurement Date	2019	2020	2021	2022	2023
Fiscal Year Ended	2020	2021	2022	2023	2024
Contractually Required Contrib.	\$ 295,459	\$ 398,336	\$ 348,274	\$ 355,455	\$ 428,597
Contrib. in Relation to Contractually Required Contributions	295,459	6,592,343	348,274	355,455	428,597
Contribution Deficiency (Excess)	\$ -	\$ (6,194,007)	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,264,521	\$ 3,436,890	\$ 3,765,114	\$ 3,467,099	\$ 3,685,614
Contrib. as % of Covered Payroll	9.05%	191.81%	9.25%	10.25%	11.63%

Notes to Schedule:

Valuation Date: June 30, 2022

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 6.8%
The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality 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 6.80% 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, 2024

Miscellaneous Plan

Plan Measurement Date	2014	2015	2016	2017	2018
Fiscal Year Ended	2015	2016	2017	2018	2019
Proportion of NPL	0.10822%	0.12849%	0.12750%	0.12991%	0.12991%
Proportionate Share of NPL	\$ 2,674,755	\$ 3,524,991	\$ 4,429,092	\$ 5,120,961	\$ 5,054,719
Covered Payroll	\$ 2,339,003	\$ 2,411,343	\$ 2,544,628	\$ 2,799,216	\$ 2,795,654
Proportionate Share of NPL as a % of Covered Payroll	114.35%	146.18%	174.06%	182.94%	180.81%
Plan's Fid Net Position as % of TPL	81.15%	78.29%	73.58%	72.32%	73.42%

Miscellaneous Plan

Plan Measurement Date	2019	2020	2021	2022	2023
Fiscal Year Ended	2020	2021	2022	2023	2024
Proportion of NPL	0.13721%	0.00000%	-0.18380%	0.01325%	0.02387%
Proportionate Share of NPL	\$ 5,494,504	\$ -	\$ (3,490,048)	\$ 620,100	\$ 1,193,844
Covered Payroll	\$ 2,806,611	\$ 3,264,521	\$ 3,436,890	\$ 3,765,114	\$ 3,467,099
Proportionate Share of NPL as a % of Covered Payroll	195.77%	0.00%	-101.55%	16.47%	34.43%
Plan's Fid Net Position as % of TPL	73.03%	72.52%	115.26%	97.51%	95.48%

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 6.80% in FY2023.

The CalPERS mortality assumptions was adjusted in fiscal year 2023.

West Bay Sanitary District
Schedule of OPEB Contributions
June 30, 2024

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution (ADC)	\$ 11,604	\$ 11,579	\$ 16,607	\$ 17,602	\$ 9,832
Less: actual contribution in relation to ADC	(9,418)	(5,120)	(5,120)	(87,458)	(62,264)
Contribution deficiency (excess)	<u>\$ 2,186</u>	<u>\$ 6,459</u>	<u>\$ 11,487</u>	<u>\$ (69,856)</u>	<u>\$ (52,432)</u>
Covered employee payroll	\$ 2,795,654	\$ 2,806,611	\$ 3,697,419	\$ 3,808,342	\$ 3,922,592
Contrib. as a % of covered employee payroll	0.34%	0.18%	0.14%	2.30%	1.59%
	<u>2023</u>	<u>2024</u>			
Actuarially determined contribution (ADC)	\$ 2,689	\$ 2,770			
Less: actual contribution in relation to ADC	(50,358)	(53,331)			
Contribution deficiency (excess)	<u>\$ (47,669)</u>	<u>\$ (50,561)</u>			
Covered employee payroll	\$ 4,357,169	\$ 3,685,614			
Contrib. as a % of covered employee payroll	1.16%	1.45%			

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2022
Measurement Date:	June 30, 2024
Actuarial Cost Method	Entry-Age Normal
Amortization Period	20 years
Asset Valuation Method	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Payroll Increases	3.00%
Investment Rate of Return	6.00%
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, 2024

Total OPEB liability	2018	2019	2020	2021	2022	2023	2024
Service cost	\$ 6,513	\$ 6,708	\$ 6,909	\$ 7,254	\$ 7,544	\$ 4,538	\$ 5,554
Interest	16,476	17,188	17,672	18,732	19,857	25,099	22,099
Differences between expected and actual experience	-	-	66,449	-	-	(59,838)	-
Adjustment to change in measurement period	-	-	-	-	-	-	746
Changes of assumptions	-	-	(2,612)	-	-	(1,379)	-
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-	(12,264)	(28,331)
Net change in Total OPEB Liability	15,080	9,561	71,085	18,136	27,401	(43,844)	68
Total OPEB Liability - beginning	278,553	293,633	303,194	374,279	392,415	419,816	375,972
Total OPEB Liability - ending	<u>\$ 293,633</u>	<u>\$ 303,194</u>	<u>\$ 374,279</u>	<u>\$ 392,415</u>	<u>\$ 419,816</u>	<u>\$ 375,972</u>	<u>\$ 376,040</u>
Plan fiduciary net position							
Employer contributions	\$ 232,909	\$ 14,335	\$ 17,333	\$ 5,120	\$ 87,458	\$ 62,264	\$ 53,331
Net investment income	10,234	12,089	15,717	13,423	54,267	(50,877)	48,095
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-	(12,264)	(28,331)
Adjustment to change in measurement period	-	-	-	-	-	-	50,358
Administrative expense	-	-	-	-	(1,755)	(2,488)	(2,807)
Net change in plan fiduciary net position	235,234	12,089	15,717	10,693	139,970	(3,365)	120,646
Plan fiduciary net position - beginning	-	235,234	247,323	263,040	273,733	413,703	410,338
Plan fiduciary net position - ending	<u>\$ 235,234</u>	<u>\$ 247,323</u>	<u>\$ 263,040</u>	<u>\$ 273,733</u>	<u>\$ 413,703</u>	<u>\$ 410,338</u>	<u>\$ 530,984</u>
Net OPEB liability	\$ 58,399	\$ 55,871	\$ 111,239	\$ 118,682	\$ 6,113	\$ (34,366)	\$ (154,944)
Plan fiduciary net position as a percentage of the total OPEB liability	80.11%	81.57%	70.28%	69.76%	98.54%	109.14%	141.20%
Covered employee payroll	\$ 2,799,216	\$ 2,795,654	\$ 2,806,611	\$ 3,697,419	\$ 3,808,342	\$ 3,922,592	\$ 3,685,614
Net OPEB Liability as a percentage of covered payroll	2.09%	2.00%	3.96%	3.21%	0.16%	-0.88%	-4.20%
Total OPEB Liability as a percentage of covered payroll	10.49%	10.85%	13.34%	10.61%	11.02%	9.58%	10.20%

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.

There were not changes in benefit terms.

Healthcare rate was increased from FY23 of 4.5% to 5.50% for 2024.

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.

OTHER INFORMATION

West Bay Sanitary District
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2024

	Budget Amounts	Actual (GAAP Basis)	Variance
Operating Revenues:			
Service charges	\$ 32,477,617	\$ 32,227,643	\$ (249,974)
Flow equalization uses	403,165	403,165	-
Permit and inspection fees and other services	200,000	447,140	247,140
Other operating revenues	833,686	949,126	115,440
Total operating revenues	<u>33,914,468</u>	<u>34,027,074</u>	<u>112,606</u>
Operating Expenses:			
Sewage treatment plant (SVCW)	12,990,848	12,984,204	6,644
Sewage collection and general administration:			
Salaries and benefits	7,247,613	7,022,122	225,491
Materials and supplies	790,000	638,381	151,619
Insurance	327,900	329,736	(1,836)
Contract services	916,400	726,124	190,276
Professional services	1,546,800	736,059	810,741
Repairs and maintenance	671,100	495,971	175,129
Utilities	497,250	480,755	16,495
Other operating expenses	527,200	254,638	272,562
Total sewage collection and general administration	<u>12,524,263</u>	<u>10,683,786</u>	<u>1,840,477</u>
Depreciation	3,955,000	3,821,663	133,337
Total operating expenses	<u>29,470,111</u>	<u>27,489,653</u>	<u>1,980,458</u>
Operating Income (Loss)	<u>4,444,357</u>	<u>6,537,421</u>	<u>2,093,064</u>
Nonoperating Revenues (Expenses):			
Investment income	501,600	3,818,657	3,317,057
Interest expense	(156,179)	(156,179)	-
Increase (decrease) of equity in Silicon Valley Clean Water	-	(1,832,615)	(1,832,615)
Other nonoperating expenses	-	(311,963)	(311,963)
Other nonoperating revenues	532,475	1,288,059	755,584
Total nonoperating revenues (expenses)	<u>877,896</u>	<u>2,805,959</u>	<u>1,928,063</u>
Income before contributions	5,322,253	9,343,380	4,021,127
Capital Contributions	912,900	1,558,247	645,347
Special Item: Pension (Expense) Credit	-	(1,489,456)	(1,489,456)
Change in Net Position	6,235,153	9,412,171	3,177,018
Beginning Net Position	170,984,354	170,984,354	-
Ending Net Position	<u>\$ 177,219,507</u>	<u>\$ 180,396,525</u>	<u>\$ 3,177,018</u>

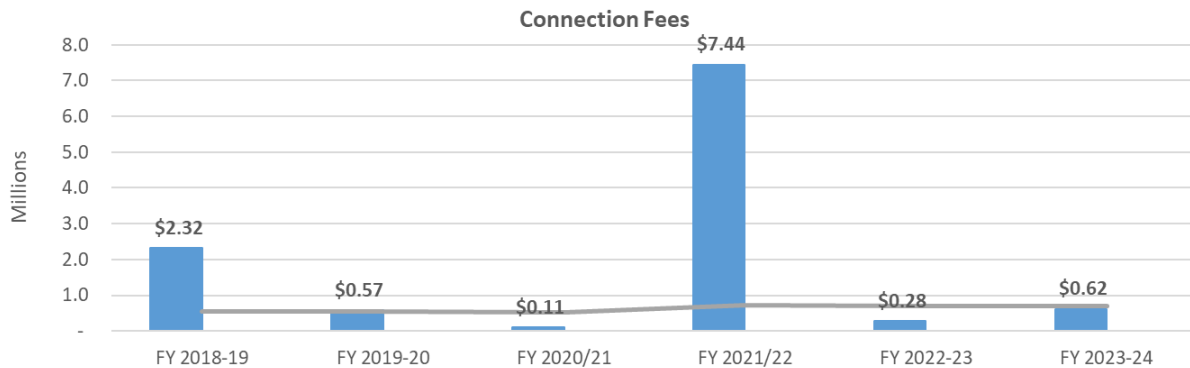
West Bay Sanitary District
Schedule of Combining Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

	General Fund	Capital Fund	Treatment Plant Fund	Solid Waste Fund	Recycled Water Fund	Total
Operating Revenues:						
Service charges	\$ 32,227,643	\$ -	\$ -	\$ -	\$ -	\$ 32,227,643
Flow equalization uses	403,165	-	-	-	-	403,165
Permit and inspection fees and other services	447,140	-	-	-	-	447,140
Other operating revenues	829,062	-	-	120,064	-	949,126
Total operating revenues	33,907,010	-	-	120,064	-	34,027,074
Operating Expenses:						
Sewage treatment plant (SVCW)	-	-	12,984,204	-	-	12,984,204
Sewage collection and general admin.:						
Salaries and benefits	6,816,530	-	-	-	205,592	7,022,122
Materials and supplies	622,544	-	-	-	15,837	638,381
Insurance	277,913	-	-	-	51,823	329,736
Contract services	668,783	-	-	-	57,341	726,124
Professional services	649,707	-	-	28,314	58,038	736,059
Repairs and maintenance	474,359	-	-	-	21,612	495,971
Utilities	249,845	-	-	-	230,910	480,755
Other operating expenses	153,348	-	-	66,200	35,090	254,638
Total sewage collection and gen. admin.	9,913,029	-	-	94,514	676,243	10,683,786
Depreciation	-	3,066,761	-	-	754,902	3,821,663
Total operating expenses	9,913,029	3,066,761	12,984,204	94,514	1,431,145	27,489,653
Operating Income (Loss)	23,993,981	(3,066,761)	(12,984,204)	25,550	(1,431,145)	6,537,421
Nonoperating Revenues (Expenses):						
Investment income	2,122,181	1,406,583	-	-	289,893	3,818,657
Interest expense	-	-	-	-	(156,179)	(156,179)
Increase (decrease) of equity in SVCW	-	-	(1,832,615)	-	-	(1,832,615)
Other nonoperating expenses	-	(161,963)	-	-	(150,000)	(311,963)
Other nonoperating revenues	156,537	18,984	-	317,824	794,714	1,288,059
Transfers in (out)	(32,921,515)	19,937,311	12,984,204	-	-	-
Total nonoperating revenues (expen.)	(30,642,797)	21,200,915	11,151,589	317,824	778,428	2,805,959
Income before contributions	(6,648,816)	18,134,154	(1,832,615)	343,374	(652,717)	9,343,380
Capital Contributions:						
Capital Fund: Connection Fees	-	617,021	-	-	-	617,021
Recycled Water Fund: Capital Contri.	-	-	-	-	941,226	941,226
Total capital contributions	-	617,021	-	-	941,226	1,558,247
Special Item: Pension Credit	(1,489,456)	-	-	-	-	(1,489,456)
Change in Net Position	(8,138,272)	18,751,175	(1,832,615)	343,374	288,509	9,412,171
Beginning Net Position	51,479,169	76,198,906	29,484,894	555,446	13,265,939	170,984,354
Prior Period Adjustments	-	-	-	-	-	-
Beginning Net Position - As Adjusted	51,479,169	76,198,906	29,484,894	555,446	13,265,939	170,984,354
Ending Net Position	\$ 43,340,897	\$ 94,950,081	\$ 27,652,279	\$ 898,820	\$ 13,554,448	\$ 180,396,525

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, with the grey line showing the running average for the District. 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 22.66% share, as of June 30, 2024. 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 2023-24, the District received \$617,021 in connection fees, for approximately 14 thousand gallons per day (GPD) of additional capacity, mainly for Accessory Dwelling Units for existing customers. The District expended \$9.5 million on all construction, with \$595 thousand specifically for wastewater infrastructure. The majority was expended on rehabilitation of existing infrastructure. Table A shows the revenues and expenditures applied to capacity increases. The District does not carry negative balances, therefore the beginning and ending balance of Connection Fees is zero, due to prior years of net negative balances. District construction consistently exceeds connection fees with the balance funded from other Capital Fund sources.

**Table A
Connection Fee and Capacity Charges**

<u>Summary of Connection Fees</u>	<u>FY 2023-24</u>	<u>GPD</u>	<u>FY 2022-23</u>	<u>GPD</u>
Connection Fees	\$ 617,021	14,246	\$ 277,426	6,730
Allocated Interest	617		277	
Total Connection Fee Revenue	\$ 617,638		\$ 277,703	
Capacity Project Expenditures	(595,010)		(2,805,748)	
Net Connection Fees (Deficit)	\$ 22,628		\$ (2,528,045)	
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 B details the wastewater infrastructure projects with actual expenditures recognized and the approved budget for FY 2023-24 and FY 2024-25 to show future planned infrastructure improvements to the system. Incomplete or delayed project budgets are carried over and included in the subsequent budget. Several projects from FY 2023-24 were recategorized as rehabilitation or repairs.

**Table B
Wastewater Infrastructure Capacity Projects**

Capacity Projects	Actual FY 2023-24	Budget FY 2023-24	Budget FY 2024-25
Bayfront Park Sanitary Sewer Improvements	595,010	1,600,000	1,600,000
Pump Stations		5,140,000	
Point Repairs		4,325,000	
Other Subsurface Line Projects		100,000	
Total Wastewater Infrastructure Projects	595,010	11,165,000	1,600,000

In addition to the \$595 thousand in capacity construction in FY 2023-24, the District expended \$8.7 million on other capital rehabilitation and improvement projects and \$168 thousand on other capital. The District transferred \$20 million to the Capital Reserve account to improve yields until funds are needed. The District paid \$6.8 million for SVCW debt, including bonds, SRF loans, and capital reserves. Table C shows all expenditures and transfers for the Capital Fund and capital contributions for SVCW, excluding operating expenses.

**Table C
Construction Expenditures**

Capital Fund - Construction	Actual FY 2023-24	Budget FY 2023-24	Budget FY 2024-25
Administration	-	173,000	80,000
Collection Facilities	-	600,000	600,000
Vehicles & Equipment	120,249	445,000	1,528,000
Pump Stations	47,715	440,000	1,639,000
Subsurface Lines	5,365,192	100,000	100,000
Construction Projects	3,941,958	22,155,000	23,449,500
Total Capital Fund Construction	9,475,114	23,913,000	27,396,500
Capital Reserve Transfers	20,000,000	-	-
SVCW - Capital & Debt Contributions	6,817,980	6,824,624	11,961,480
Total Construction, Transfers, & Contributions	36,293,094	30,737,624	39,357,980
Recycled Water Fund - Construction	Actual FY 2023-24	Budget FY 2023-24	Budget FY 2024-25
Recycled Water - Sharon Heights	881,237	2,450,000	-
Recycled Water - Bayfront	1,336,929	17,299,485	15,750,000
Recycled Water - Pipelines	61,348	2,500,000	-
Total Recycled Water Fund Construction	2,279,515	22,249,485	15,750,000

The District's ten-year master plan was approved by the Board of Directors on December 13, 2023. The Master Plan facilitates timely maintenance and rehabilitation of the wastewater infrastructure and adding capacity for current and future users. Currently, the District has one project to improve flow into the Menlo Park Pump Station during wet weather events. The Bayfront Recycled Water Facility (BFRWF) at the District's Flow Equalization and Resource Recovery Facility (FERRF) site will introduce a connection fee for recycled water. The BFRWF, originally approved on May 12, 2021 for 0.6 million gallons per day (MGD), is expanding to 1 MGD.

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the West Bay Sanitary District (the "District") as of and for the year ended June 30, 2024, 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 14, 2024.

Report on 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 and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of



laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

C & A LLP

November 14, 2024
Morgan Hill, California