

**WEST BAY SANITARY DISTRICT**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2025 AND JUNE 30, 2024

\* \* \*



**Chavan & Associates, LLP**  
Certified Public Accountants  
16450 Monterey Road, Ste. #5  
Morgan Hill, CA 95037

# West Bay Sanitary District

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

#### *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, 2025 and June 30, 2024, 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, 2025 and June 30, 2024, 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 21, 2025 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 21, 2025  
Morgan Hill, California

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**West Bay Sanitary District**  
Management's Discussion and Analysis  
June 30, 2025

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## **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 123 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, 2025, 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.

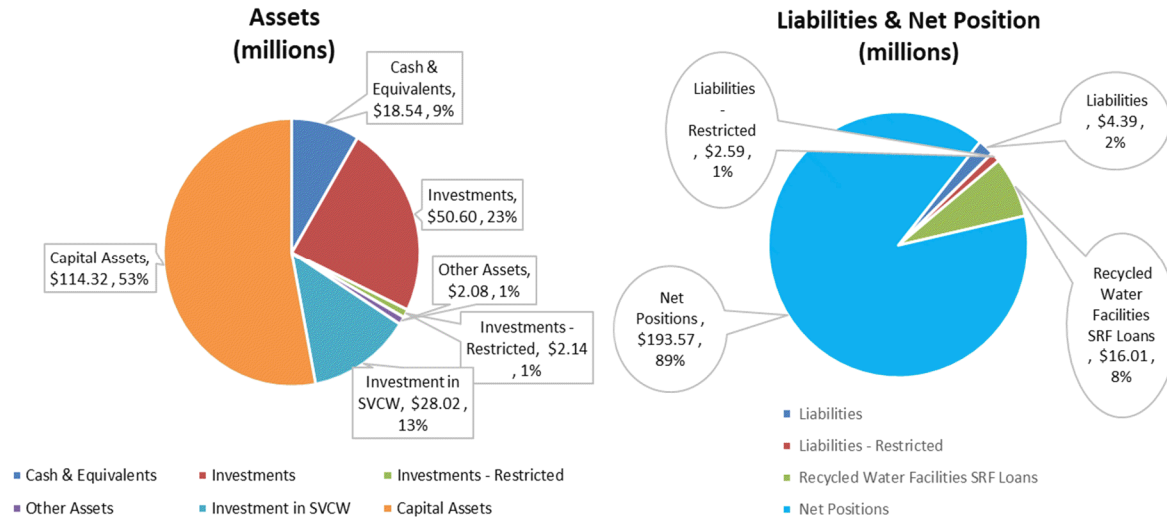
- The basic financial statements include the Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and Statement of Cash Flows, for the combined operations of the District for the fiscal year ended June 30, 2025. The notes to the basic financial statements are an integral part of the basic financial statements and provide details on accounting policies, assets, and other information in the statements.

**West Bay Sanitary District**  
**Management's Discussion and Analysis**  
**June 30, 2025**

- Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as presented in the table of contents, be presented to supplement the basic financial statements.

**Financial Analysis of the District**

**Net Position**



The Statement of Net Position summary is provided in Table 1 to highlight the changes between June 30, 2025 and June 2024. The District's total net position increased by \$13.2 million, or 7%.

Current assets decreased as funds were expended on capital. Capital budget funds for long-term capital projects are invested to increase yields.

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 audited Analysis of Net Position by member for year ended June 30, 2025, increased \$0.4 million to a 23.53% share with a net position of \$28.0 million. Net Capital Assets increased by \$33.5 million with capital additions of \$2.98 million. The District has \$50.0 million in construction in progress, including \$20.0 million in recycled water projects.

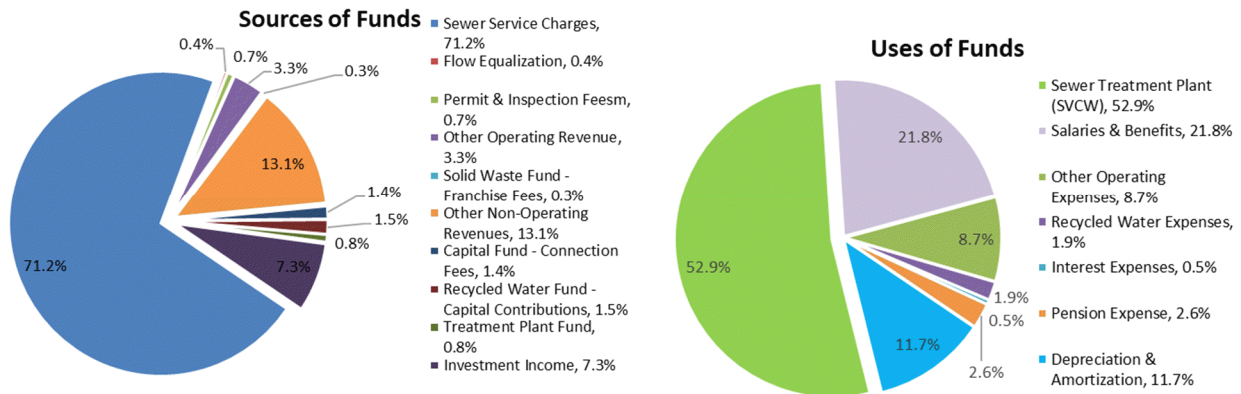
**West Bay Sanitary District**  
**Management's Discussion and Analysis**  
**June 30, 2025**

Note: Totals may be off due to rounding.

**Table 1**  
**Statement of Net Position**

	FY2024-25	FY2023-24	\$ Change	% Change
<b>Assets</b>				
Current Assets	\$ 49,338,629	\$ 51,939,722	\$ (2,601,093)	-5%
Non-Current Assets	166,363,161	147,236,839	19,126,322	13%
<b>Total Assets</b>	<b>\$ 215,701,790</b>	<b>\$ 199,176,561</b>	<b>\$ 16,525,229</b>	<b>8%</b>
<b>Deferred Outflows of Resources</b>				
	<b>\$ 1,824,664</b>	<b>\$ 3,569,846</b>	<b>\$ (1,745,182)</b>	<b>-49%</b>
<b>Liabilities</b>				
Current Liabilities	\$ 4,695,534	\$ 3,242,694	\$ 1,452,840	45%
Long-Term Liabilities	18,291,550	17,251,637	1,039,913	6%
<b>Total Liabilities</b>	<b>\$ 22,987,084</b>	<b>\$ 20,494,331</b>	<b>\$ 2,492,753</b>	<b>12%</b>
<b>Deferred Inflows of Resources</b>				
	<b>\$ 967,726</b>	<b>\$ 1,855,551</b>	<b>\$ (887,825)</b>	<b>-48%</b>
<b>Net Position</b>	<b>\$ 193,571,644</b>	<b>\$ 180,396,525</b>	<b>\$ 13,175,119</b>	<b>7%</b>

**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 2024-25 and 2023-24. Operating revenues increased by 7%, as rates increased 5% and 905 residential customers were added. Operating expenses, which include collection, solid waste, and recycled water, increased \$778 thousand or 5% 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

**West Bay Sanitary District**  
**Management's Discussion and Analysis**  
**June 30, 2025**

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of SVCW, the District is liable for its share of the operating expenses and debt, which increased 41% from prior year. As of the year ending June 30, 2025, the District's share was 23.53%, valued at \$28.0 million.

The Capital Fund received connection fees of \$651 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**

	<b>FY2024-25</b>	<b>FY2023-24</b>	<b>\$ Change</b>	<b>% Change</b>
Operating Revenues	\$ 36,303,313	\$ 34,027,074	\$ 2,276,239	7%
Operating Expenses	(15,283,441)	(14,505,449)	777,992	5%
Sewage Treatment Plant (SVCW)	(18,324,728)	(12,984,204)	5,340,524	41%
Operating Income (Loss)	2,695,144	6,537,421	8,394,755	128%
Non-Operating Rev / Exp	9,993,934	2,805,959	7,187,975	256%
Income Before Contributions & Special Items	12,689,078	9,343,380	3,345,698	36%
Pension Adjustment (GASB 68)	(888,456)	(1,489,456)	601,000	40%
Recycled Water Fund: Capital Contribution	723,763	941,226	(217,463)	-23%
Capital Fund: Connection Fees	650,734	617,021	33,713	5%
<b>Change in Net Position</b>	<b>\$ 13,175,119</b>	<b>\$ 9,412,171</b>	<b>\$ 3,762,948</b>	<b>40%</b>

**Budgetary Highlights**

The District adopted the annual budget for fiscal year 2024-25 on June 12, 2024, after reviewing at a Budget Workshop with the Board of Directors on May 1, 2024. 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, 2025.

District operating revenue was over the budget by \$636 thousand, or 2%. Total operating expenses were 17% under budget, as the result of less expenditures on contract and professional services. Sewage treatment expenses was less than the budget by \$216 thousand, as required contributions for SVCW was received before budget approval.

The Recycled Water Fund received \$724 thousand contribution from SHGCC to cover the annual SRF loan payment. SHGCC contributions for the Avy-Altschul Pump Station were also recognized in fiscal year 2025-26.

**West Bay Sanitary District**  
**Management's Discussion and Analysis**  
**June 30, 2025**

**Table 3**  
**Actual vs. Budget Report**

	<b>FY2024-25</b>	<b>Budget</b>	<b>\$ Variance</b>	<b>% Variance</b>
Operating Revenues	\$ 36,303,313	\$ 35,667,468	\$ 635,845	2%
Operating Expenses	(15,283,441)	(18,583,447)	(3,300,006)	-18%
Sewage Treatment Plant (SVCW)	(18,324,728)	(18,540,599)	(215,871)	-1%
Operating Income (Loss)	2,695,144	(1,456,579)	4,151,723	285%
Non-Operating Rev / Exp	9,993,934	1,021,838	8,972,096	878%
Income Before Contributions & Special Items	12,689,078	(434,741)	13,123,819	3019%
Pension Adjustment (GASB 68)	(888,456)	-	(888,456)	-100%
Recycled Water Fund: Capital Contribution	723,763	662,900	60,863	9%
Capital Fund: Connection Fees	650,734	250,000	400,734	160%
<b>Change in Net Position</b>	<b>\$ 13,175,119</b>	<b>\$ 478,159</b>	<b>\$ 12,696,960</b>	<b>2655%</b>

The District had \$43.5 million Capital Budget balance available as of June 30, 2024. There is \$27.4 million in budgeted capital expenditures, resulting in an ending balance of \$16.8 million after fiscal year 2024-25 for future capital expenditures. 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, 2025. Current capital expenditures were \$20.4 million, which was \$7.0 million under budget.

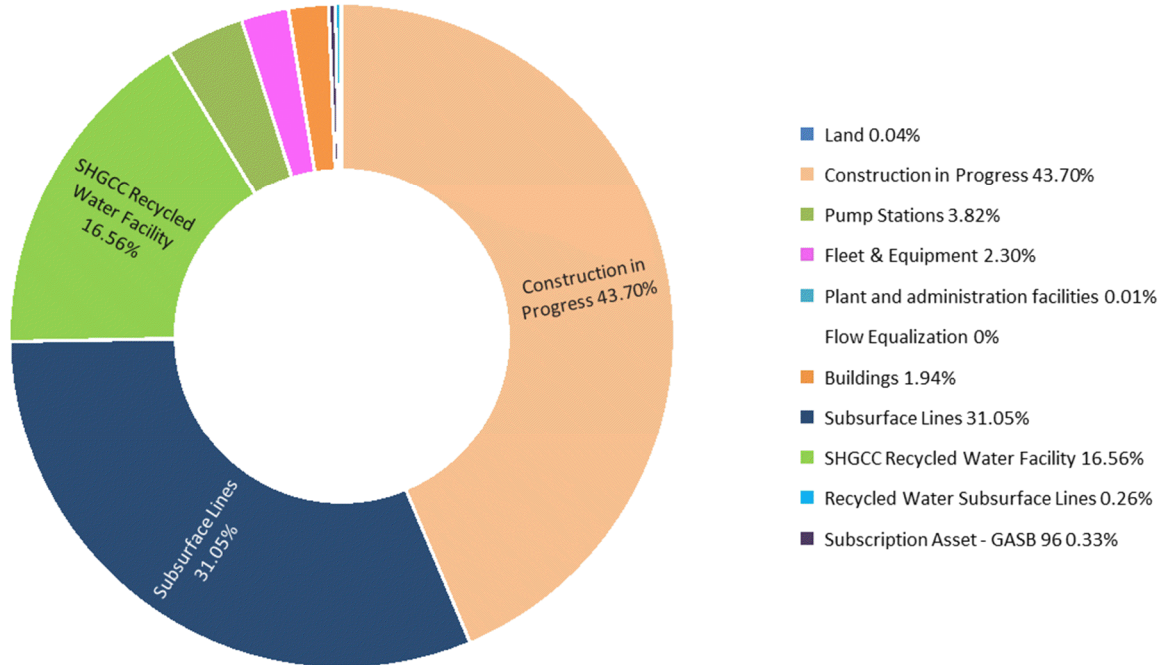
**Table 4**  
**Capital Budget**  
**Actual vs. Budget Report**

	<b>FY2024-25</b>	<b>FY2024-25</b>	<b>\$ Variance</b>	<b>% Variance</b>
	<b>Actual</b>	<b>Budget</b>		
Transfer from Operations	\$ -	\$ (35,969)	\$ 35,969	100%
Interest Income	3,498,383	500,000	2,998,383	600%
Connection Charges	650,734	250,000	400,734	160%
Capital Expenditures	(20,377,610)	(27,396,500)	7,018,890	26%
<b>Change in Capital Budget</b>	<b>(16,228,493)</b>	<b>(26,682,469)</b>	<b>10,453,976</b>	<b>39%</b>
Beginning Capital Budget Balance	44,218,570	43,523,744	694,826	2%
<b>Ending Capital Budget Balance</b>	<b>\$ 27,990,077</b>	<b>\$ 16,841,275</b>	<b>\$ 11,148,802</b>	<b>66%</b>

**West Bay Sanitary District**  
Management's Discussion and Analysis  
June 30, 2025

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**Capital Assets**



Total net capital assets increased 42% compared to prior year. The District had capital expenditures of \$20.4 million for Capital Fund assets; administration, collection facilities, vehicles and equipment, and replacement and rehabilitation of sewer infrastructure. \$166 thousand in assets were removed from operations, which is the sales of two retired vehicles for a net gain of \$13 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 was reimbursed \$950 thousand by a separate CWSRF loan which included a grant for \$332,500, with SHGCC funding the balance. Both SRF loans are paid by SHGCC. The District expended \$19.9 million on the Bayfront Recycled Water Facility Project, which moved from planning to the construction phase. Table 5 shows a summary of capital assets owned by the District as of June 30, 2025.

**West Bay Sanitary District**  
**Management's Discussion and Analysis**  
**June 30, 2025**

**Table 5**  
**Capital Assets**

	<b>FY2024-25</b>	<b>FY2023-24</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 44,467	\$ 44,467	\$ -	0%
Construction in Progress	29,979,238	11,980,519	17,998,719	150%
Pump Stations	8,652,016	7,408,741	1,243,275	17%
Fleet & Equipment	4,818,459	3,345,395	1,473,064	44%
Plant and administration facilities	669,879	669,879	-	0%
Flow Equalization	2,738,197	2,738,197	-	0%
Buildings	4,226,770	4,147,496	79,274	2%
Subsurface Lines	71,413,305	71,397,642	15,663	0%
<b>Subtotal Capital Fund Assets</b>	<b>122,542,331</b>	<b>101,732,336</b>	<b>20,809,995</b>	<b>20%</b>
Accumulated Depreciation	(47,801,419)	(44,773,741)	(3,027,678)	-7%
<b>Net Capital Fund Assets</b>	<b>74,740,912</b>	<b>56,958,595</b>	<b>17,782,317</b>	<b>31%</b>
Sharon Heights Recycled Water Facilities	22,647,052	22,647,052	-	0%
Avy Pump Station (CIP)	67,978	1,258,707	(1,190,729)	-95%
Bayfront Recycled Water Facilities (CIP)	19,906,897	2,233,750	17,673,147	791%
Recycled Water Subsurface Lines	303,967	303,967	-	100%
<b>Recycled Water Assets</b>	<b>42,925,894</b>	<b>26,443,476</b>	<b>16,482,418</b>	<b>62%</b>
Accumulated Depreciation	(3,723,829)	(2,958,796)	(765,033)	-21%
<b>Net Recycled Water Assets</b>	<b>39,202,065</b>	<b>23,484,680</b>	<b>15,717,385</b>	<b>67%</b>
Subscription Asset - GASB 96	468,789	-	468,789	100%
Accumulated Amortization - GASB 96	(93,758)	-	(93,758)	-100%
<b>Net Subscription Asset</b>	<b>375,031</b>	<b>-</b>	<b>375,031</b>	<b>100%</b>
<b>Net Capital Assets</b>	<b>\$ 114,318,008</b>	<b>\$ 80,443,275</b>	<b>\$ 33,874,733</b>	<b>42%</b>

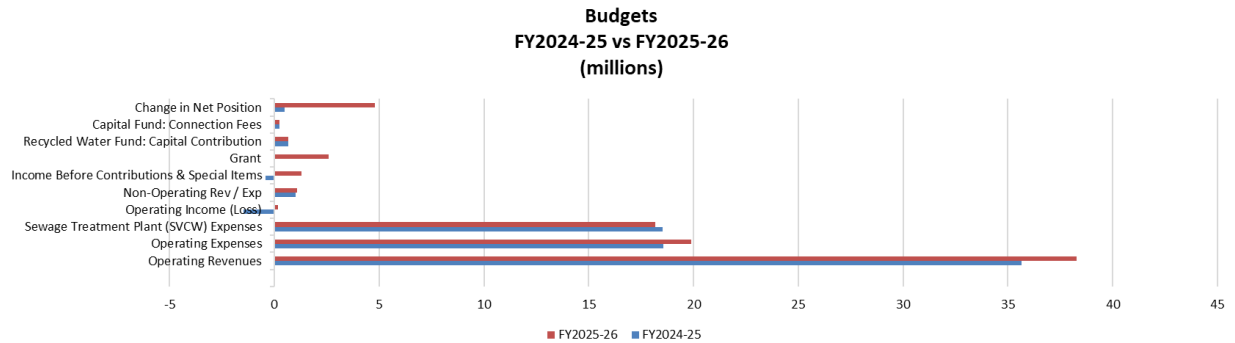
**West Bay Sanitary District**  
**Management's Discussion and Analysis**  
**June 30, 2025**

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**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 99% of performance goals for 2024 and 92.47% for 2025. Goals are reviewed and revised annually to ensure the District strives to improve and provide exceptional service to our customers.



The fiscal year 2025-26 original budget was approved June 25, 2025, with minor adjustments after the budget workshop on May 13, 2025 with the full board. Revenue is expected to increase 7% with sewer service rate increases of 5% in fiscal year 2025-26. 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 fiscal year 2024-25. Other revenues are expected to have nominal increases.

Operating expenses are increasing 7%, with required salary and benefit increases and inflation. Along with employee step increases throughout the year, salaries increased 4.5%, due to labor negotiated Memorandum of Understanding effective July 1, 2025. The consumer price index for all urban consumers (CPI-U) for San Francisco-Oakland-Hayward was 1.3 in April 2025, when the budget was developed.

Sewage Treatment Plant (SVCW) expenses are increasing due to cash-in-lieu and commencement of additional debt. Table 6 shows a budget comparison from fiscal year 2024-25 to fiscal year 2025-26.

**West Bay Sanitary District**  
**Management's Discussion and Analysis**  
**June 30, 2025**

**Table 6**  
**Approved Budgets**

	<b>FY2024-25</b>	<b>FY2025-26</b>	<b>\$ Change</b>	<b>% Change</b>
Operating Revenues	\$ 35,667,468	\$ 38,280,812	\$ 2,613,344	7%
Operating Expenses	(18,583,448)	(19,900,288)	(1,316,840)	7%
Sewage Treatment Plant (SVCW)	(18,540,559)	(18,191,973)	348,586	-2%
Operating Income (Loss)	(1,456,539)	188,551	1,645,090	872%
Non-Operating Rev / Exp	1,021,838	1,090,806	68,968	6%
Income Before Contributions & Special Items	(434,701)	1,279,358	1,714,059	134%
Grant	-	2,601,019	2,601,019	
Recycled Water Fund: Capital Contribution	662,900	662,900	-	0%
Capital Fund: Connection Fees	250,000	250,000	-	0%
<b>Change in Net Position</b>	<b>\$ 478,199</b>	<b>\$ 4,793,277</b>	<b>\$ 4,315,078</b>	<b>90%</b>

**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 fiscal year 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 \$14,599,389, and the Avy Altschul pump station SRF loan balance is \$522,500 as of June 30, 2025. In fiscal year 2024-25, 93.2 million gallons (MG) were treated and 58.7 MG of recycled water were delivered to the SHGCC pond for irrigation.

In fiscal year 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 fiscal year 2023-24, with funding from SHGCC and included a second SRF loan of \$522,500 and a grant for \$332,500 or 35% of the \$950,000 estimated project cost. The State Water Resources Control Board approved the Final Budget and the District was reimbursed for construction costs in fiscal year 2024-25.

**West Bay Sanitary District**  
Management's Discussion and Analysis  
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Sharon Heights Recycled Water Facility

The District began a new 1 MGD recycled water treatment and distribution facility on the Flow Equalization and Resource Recovery Facility (FERRF) site. The construction costs is expected to be \$86 million. The District was originally awarded a \$15 million grant from the California State Water Recycling Funding Program (WRFP). In fiscal year 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.

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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 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 fiscal year 2026-27. The District was awarded a \$4,884,112 million grant to fund a portion of the Ecotone Levee Project by the National Fish and Wildlife Foundation (NFWF). The funds are matching, requiring a 112% contribution by the District of \$5.5 million.

**West Bay Sanitary District**  
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**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, 2025 and June 30, 2024

<b>Assets</b>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 18,543,547	\$ 21,580,943
Investments	27,198,151	27,293,136
Restricted cash and investments	1,520,985	1,519,315
Accounts receivable	1,453,999	713,526
Interest receivable	489,497	750,762
Prepaid expenses and other current assets	132,450	82,040
Total Current Assets	<u>49,338,629</u>	<u>51,939,722</u>
<b>Noncurrent Assets:</b>		
Investments	23,401,363	38,634,273
Investment in Silicon Valley Clean Water	28,023,380	27,652,279
Restricted cash and investments	443,117	352,067
Net OPEB asset	177,293	154,944
<b>Capital assets:</b>		
Non-depreciable	49,998,580	15,517,443
Depreciable net of accumulated depreciation and amortization	64,319,428	64,925,832
Total Capital Assets - Net	<u>114,318,008</u>	<u>80,443,275</u>
Total Noncurrent Assets - Net	<u>166,363,161</u>	<u>147,236,838</u>
Total Assets	<u>\$ 215,701,790</u>	<u>\$ 199,176,560</u>
 <b>Deferred Outflows of Resources</b>		
OPEB adjustments	\$ 27,561	\$ 7,259
Pension adjustments	1,797,103	3,562,587
Total Deferred Outflows of Resources	<u>\$ 1,824,664</u>	<u>\$ 3,569,846</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, 2025 and June 30, 2024

<b>Liabilities</b>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Current Liabilities:		
Accounts payable	\$ 2,564,178	\$ 1,197,482
Payroll and related liabilities	650,780	477,867
Unearned revenue	128,324	148,869
Other liabilities	204,860	131,553
Customer deposits	567,743	775,123
State Revolving Fund Loans, current	516,917	511,799
Subscription liability, current	62,732	-
Total Current Liabilities	<u>4,695,534</u>	<u>3,242,693</u>
Noncurrent Liabilities:		
Customer deposits	1,458,404	1,458,404
Net pension liability	1,129,780	1,193,844
State Revolving Fund Loans	15,495,352	14,599,389
Subscription liability	208,014	-
Total Noncurrent Liabilities	<u>18,291,550</u>	<u>17,251,637</u>
Total Liabilities	<u>\$ 22,987,084</u>	<u>\$ 20,494,330</u>
 <b>Deferred Inflows of Resources</b>		
OPEB adjustments	\$ 21,826	\$ 28,065
Pension adjustments	945,900	1,827,486
Total Deferred Inflows of Resources	<u>\$ 967,726</u>	<u>\$ 1,855,551</u>
 <b>Net Position</b>		
Net Investment in Capital Assets	\$ 98,034,993	\$ 65,332,087
Restricted for OPEB	183,028	134,138
Unrestricted:		
Capital project reserve	22,999,436	43,523,744
Invested in Silicon Valley Clean Water	28,023,380	27,652,279
Operations reserve	18,135,886	14,024,468
Unreserved	26,194,921	29,729,809
Total Net Position	<u>\$ 193,571,644</u>	<u>\$ 180,396,525</u>

**Concluded**

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

*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, 2025 and June 30, 2024**

	June 30, 2025	June 30, 2024
<b>Operating Revenues:</b>		
Service charges	\$ 34,070,458	\$ 32,227,643
Flow equalization uses	174,508	403,165
Permit and inspection fees and other services	346,871	447,140
Other operating revenues	1,711,476	949,126
Total operating revenues	<u>36,303,313</u>	<u>34,027,074</u>
<b>Operating Expenses:</b>		
Sewage treatment plant (SVCW)	18,324,728	12,984,204
Sewage collection and general administration:		
Salaries and benefits	7,789,074	7,022,122
Materials and supplies	619,284	638,381
Insurance	420,487	329,736
Contract services	819,792	726,124
Professional services	355,585	736,059
Repairs and maintenance	428,872	495,971
Utilities	509,578	480,755
Other operating expenses	287,958	254,638
Total sewage collection and general administration	<u>11,230,630</u>	<u>10,683,786</u>
Depreciation and amortization expense	4,052,811	3,821,663
Total operating expenses	<u>33,608,169</u>	<u>27,489,653</u>
<b>Operating Income (Loss)</b>	<u>2,695,144</u>	<u>6,537,421</u>
<b>Nonoperating Revenues (Expenses):</b>		
Investment income	3,498,383	3,818,657
Interest expense	(163,371)	(156,179)
Increase (decrease) of equity in Silicon Valley Clean Water	371,101	(1,832,615)
Other nonoperating expenses	-	(311,963)
Other nonoperating revenues	6,287,821	1,288,059
Total nonoperating revenues (expenses)	<u>9,993,934</u>	<u>2,805,959</u>
<b>Income before contributions</b>	<u>12,689,078</u>	<u>9,343,380</u>
<b>Capital Contributions:</b>		
Capital Fund: Connection Fees	650,734	617,021
Recycled Water Fund: Capital Contributions	723,763	941,226
Total capital contributions	<u>1,374,497</u>	<u>1,558,247</u>
<b>Special Item: Pension (Expense) Credit</b>	<u>(888,456)</u>	<u>(1,489,456)</u>
<b>Change in Net Position</b>	<u>13,175,119</u>	<u>9,412,171</u>
<b>Beginning Net Position</b>	180,396,525	170,984,354
<b>Ending Net Position</b>	<u>\$ 193,571,644</u>	<u>\$ 180,396,525</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, 2025 and June 30, 2024

	June 30, 2025	June 30, 2024
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 35,408,222	\$ 33,212,241
Cash payments to suppliers for goods and services	(20,449,998)	(17,860,044)
Cash payments to employees for services	(5,675,590)	(5,230,537)
Cash payments of benefits on behalf of employees	(2,058,083)	(1,813,842)
Net Cash Provided by Operating Activities	7,224,551	8,307,818
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Cash received from connection fees	650,734	617,021
Cash received from the State Revolving Fund loans	1,412,880	-
Principal paid for the State Revolving Fund loan	(511,799)	(506,732)
Cash received from other financing activities	6,287,821	1,288,059
Cash received from capital contributions	723,763	941,226
Interest payments	(163,371)	(156,179)
Cash received on the sale of capital assets	38,901	18,985
Purchases and construction of capital assets	(37,927,544)	(12,357,118)
Net Cash (Used) by Capital and Related Financing Activities	(29,488,615)	(10,154,738)
<b>Cash Flows from Investing Activities:</b>		
Transfers to investment accounts	-	(20,000,000)
Transfers from investment accounts	18,200,000	-
Investment income	1,026,668	1,262,753
Net Cash Provided (Used) by Investing Activities	19,226,668	(18,737,247)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,037,396)	(20,584,167)
Cash and Cash Equivalents Beginning	21,580,943	42,165,110
Cash and Cash Equivalents Ending	\$ 18,543,547	\$ 21,580,943

**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, 2025 and June 30, 2024

	June 30, 2025	June 30, 2024
<b>Reconciliation of Operating Income to Cash Flows Provided</b>		
<b>by Operating Activities:</b>		
Operating Income (Loss)	\$ 2,695,144	\$ 6,537,421
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	4,052,811	3,821,663
Pension credit	(888,456)	(1,489,456)
Net change in:		
Accounts receivable	(740,473)	(473,295)
Prepaid expenses and other current assets	(50,410)	(4,062)
Deferred outflows of resources	1,745,182	2,089,535
Accounts payable	1,366,696	(1,210,114)
Payroll and related liabilities	172,913	11,298
Unearned revenue	(20,545)	(298,669)
Other liabilities	73,307	73,300
Customer deposits	(207,380)	(116,169)
Net OPEB asset/liability	(22,349)	(120,578)
Net pension asset/liability	(64,064)	573,744
Deferred inflows of resources	(887,825)	(1,086,800)
Net Cash Provided (Used) by Operating Activities	\$ 7,224,551	\$ 8,307,818

**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, 2025 and June 30, 2024

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**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, 2025 and June 30, 2024

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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, 2025 and June 30, 2024

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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, 2025 and June 30, 2024

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*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, 2025 and June 30, 2024.

*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, 2025 and June 30, 2024

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

*Subscription-Based Information Technology Arrangements (SBITAs)*

The District has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of \$20,000 or more with a subscription term greater than one year. Variable payments based on future performance of the District, usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position. Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITA.
- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

*Long-Term Liabilities*

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

*Compensated Absences*

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, four types of leave qualify for liability recognition for compensated absences – vacation, floating holiday, sick leave and compensated time. The liability for compensated absences is reported as incurred in the financial statements. Each of the leave types are paid in cash upon reaching a cap in total hours allowed to accrue, or upon termination or retirement.

The following summarizes the changes in compensated absences during fiscal year June 30, 2025:

Description	Balance			Deletions	Balance		Due Within One Year
	July 01, 2024	Additions			June 30, 2025		
Compensated Absences	\$ 473,717	\$ 2,024	\$ -	\$ 475,741	\$ 475,741		\$ 475,741

The following summarizes the changes in compensated absences during fiscal year June 30, 2024:

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

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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*Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68, *accounting and financial reporting for Pensions – an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames. During the fiscal year ended June 30, 2025, the District obtained an actuarial valuation for its pension plan in order to determine the amount required to fully fund its unfunded pension liability. As of June 30, 2025 the District had a net pension asset. For the period, the following time frames were used.

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

*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	July 1, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

*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. 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

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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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 implementation of this standard did not have a material impact on the District’s financial statements.

**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 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 implementation of this standard did not have a material impact on the District’s financial statements and management determined there were no concentrations or constraints that make the District vulnerable to the risk of substantial impact.

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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*Upcoming Accounting and Reporting Changes*

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. 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.

**GASB Statement No. 104, *Disclosure of Certain Capital Assets***

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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**NOTE 3 - CASH AND INVESTMENTS**

The District's cash and investments consisted of the following as of June 30, 2025:

Description	Rating	Fair Value June 30, 2025	Maturities			Concen- trations
			12 Months or Less	13 - 24 Months	25 - 60 Months	
<b>BMO Investments:</b>						
Fixed Income	AA+/BBB	\$39,638,456	\$ 16,237,093	\$ 19,913,304	\$ 3,488,059	55.74%
Cash	N/A	10,961,058	10,961,058	-	-	15.41%
Total Bank of West Investments	AAA	50,599,514	27,198,151	19,913,304	3,488,059	71.16%
<b>Restricted Investments:</b>						
Cash with fiscal agents - PARS (Pension)	N/A	443,117	443,117	-	-	0.62%
Total Restricted Investments		443,117	443,117	-	-	0.62%
<b>Cash and Cash Equivalents:</b>						
Carrying amount of cash on hand/in banks	N/A	406,860	406,860	-	-	0.57%
Money Market	N/A	1,520,985	1,520,985	-	-	2.14%
LAIF	N/A	18,135,886	18,135,886	-	-	25.51%
Petty Cash	N/A	800	800	-	-	0.00%
Total Cash and Cash Equivalents		20,064,531	20,064,531	-	-	28.22%
Total Cash and Investments		\$71,107,162	\$ 47,705,799	\$ 19,913,304	\$ 3,488,059	100.00%

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

Description	Rating	Fair Value June 30, 2024	Maturities			Concen- trations
			12 Months or Less	13 - 24 Months	25 - 60 Months	
<b>BMO Investments:</b>						
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%
<b>Restricted Investments:</b>						
Cash with fiscal agents - PARS (Pension)	N/A	352,067	352,067	-	-	0.39%
Total Restricted Investments		352,067	352,067	-	-	0.39%
<b>Cash and Cash Equivalents:</b>						
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%

*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, 2025, the bank balance of the District's cash in bank, which was \$2,096,239, exceeded the insured limit by \$1,846,239. 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. None of the District's deposits with financial institutions in excess of FDIC limits were held in

**West Bay Sanitary District**  
**Notes to Financial Statements**  
For the Years Ended June 30, 2025 and June 30, 2024

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uncollateralized accounts. All of the District's accounts met the collateral and categorization requirements as noted in the following paragraphs.

*Collateral and Categorization Requirements*

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

**Investment Policy**

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

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

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

*Fair Value Measurements*

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

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

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Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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

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

*California Local Agency Investment Fund*

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

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

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

LAIF allows local agencies such as the District to participate in the Pooled Money Investment Account (PMIA) managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. One hundred percent of the pooled funds are invested in non-derivative financial products. The balance in LAIF is available for withdrawal on demand. The PMIA fair value balance, as of June 30, 2025 and 2024, was approximately \$179 billion and \$178 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.

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor's or P-1 by Moody's Investors Service.

- *Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Or, in the case of investments, the risk of loss of the investment due to failure, impairment or malfeasance of the third party whose name in which the investment is held and who has physical possession of the instrument. In order to limit loss exposure due to Custodial Credit Risk, the investment policy requires all securities be received and delivered using the standard delivery versus payment (DVP) procedure, and all securities be held by a third-party bank or trust department under the terms of a custody or trustee agreement. None of the District's investments were subject to custodial credit risk.
- *Concentration of Credit Risk* - See the chart above for the District's limitations on the amount that can be invested in any one issuer.

**NOTE 4 - INVESTMENT IN SILICON VALLEY CLEAN WATER**

Silicon Valley Clean Water (SVCW), formerly South Bayside System Authority, was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan, from which SVCW took title to property including sanitary sewerage pumping stations, as well as transmission and outfall facilities originally constructed by that plan. SVCW is a joint exercise of powers agency between the District, the Cities of Belmont, Redwood City, and San Carlos. The Agency's wastewater treatment plant is in Redwood City and serves more than 220,000 people and businesses in service areas. SVCW provides wastewater transmission, treatment, and effluent disposal services for member agencies. At June 30, 2025 and 2024, the District had approximately 23.53% and 22.66%, respectively, in equity interest in SVCW, which is reported using the equity method of accounting. The District's investment in SVCW at June 30, 2025 and 2024 was \$28,023,380 and \$27,652,279, respectively, as reflected on the statement of net position. The change in the investment for the years ended June 30, 2025 and 2024 was an increase of \$371,101 and a decrease of \$1,832,615, respectively, as reflected in the statement of revenues, expenses and changes in net position. During the year ended June 30, 2025, the District paid a total of \$18,324,727 that includes \$6,598,860 paid for the cost of operating and maintaining the facility, \$1,341,900 in capital and reserve contributions, \$3,656,340 in cash in lieu of debt, and \$2,155,593 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 2025 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.

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SVCW’s condensed audited financial information is presented below for the year ended June 30, 2025, (most recent information available):

	June 30, 2025
Total Assets	\$ 961,521,330
Deferred Outflows of Resources	12,761,243
Total Liabilities	854,147,985
Deferred Inflows of Resources	1,029,885
Total Net Position	119,104,703
Total Revenues	86,202,342
Total Expenses	87,531,599

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

The District entered into financing agreements with SVCW for repayment of the District’s allocated share of bonds and State Water Resource Control Board loans with an outstanding balance of \$279,707,619 as of June 30, 2025, 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 2025, gross Sewer Fund revenues amounted to \$34,070,458. The annual debt service commitments are summarized as follows:

Fiscal year ending:	Principal	Interest	Total
2026	\$ 4,310,648	\$ 2,417,979	\$ 6,728,628
2027	4,384,456	2,337,942	6,722,398
2028	6,160,709	3,547,899	9,708,607
2029	6,273,780	3,429,029	9,702,809
2030	6,402,430	3,707,886	10,110,316
2031-2035	33,960,939	16,581,865	50,542,803
2036-2040	40,514,577	12,897,464	53,412,042
2041-2045	38,647,055	8,774,863	47,421,918
2046-2050	34,365,739	4,985,453	39,351,193
2051-2055	27,451,265	2,483,105	29,934,370
2056-2060	15,454,752	617,783	16,072,535
Total debt service	\$ 217,926,350	\$ 61,781,268	\$ 279,707,619

**West Bay Sanitary District**  
**Notes to Financial Statements**  
For the Years Ended June 30, 2025 and June 30, 2024

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

The District's capital assets consisted of the following as of June 30, 2025:

Description	Balance June 30, 2024	Additions	Adjustments/ Transfers	Deletions	Balance June 30, 2025
<b>Non-depreciable Capital Assets:</b>					
Land	\$ 44,467	\$ -	\$ -	\$ -	\$ 44,467
Construction in progress	15,472,976	35,724,413	(1,243,276)	-	49,954,113
Total non-depreciable capital assets	15,517,443	35,724,413	(1,243,276)	-	49,998,580
<b>Depreciable Capital Assets:</b>					
Pump stations	7,408,740	-	1,243,276	-	8,652,016
Fleet	3,345,395	1,639,404	-	(166,340)	4,818,459
Plant and administration facilities	669,879	-	-	-	669,879
Buildings	4,147,495	79,275	-	-	4,226,770
Flow equalization facilities	2,738,197	-	-	-	2,738,197
Subsurface lines	71,397,642	15,663	-	-	71,413,305
Recycled Water Subsurface lines	303,967	-	-	-	303,967
SHGCC Recycled Water Facility	22,647,052	-	-	-	22,647,052
Subscription right-of-use assets	-	468,789	-	-	468,789
Total depreciable capital assets	112,658,367	2,203,131	1,243,276	(166,340)	115,938,434
<b>Less accum. depreciation and amortization for:</b>					
Pump stations	(4,062,705)	(227,521)	-	-	(4,290,226)
Fleet	(1,973,306)	(386,593)	-	166,340	(2,193,559)
Plant and administration facilities	(629,294)	(26,781)	-	-	(656,075)
Buildings	(1,796,958)	(208,195)	-	-	(2,005,153)
Flow equalization facilities	(2,738,197)	-	-	-	(2,738,197)
Subsurface lines	(33,573,279)	(2,344,929)	-	-	(35,918,208)
Recycled Water Subsurface lines	-	(10,132)	-	-	(10,132)
SHGCC Recycled Water Facility	(2,958,796)	(754,902)	-	-	(3,713,698)
Subscription right-of-use assets	-	(93,758)	-	-	(93,758)
Total accum.depreciation and amortization	(47,732,535)	(4,052,811)	-	166,340	(51,619,006)
Total depreciable capital assets - net	64,925,832	(1,849,680)	1,243,276	-	64,319,428
Total capital assets - net	\$ 80,443,275	\$ 33,874,733	\$ -	\$ -	\$ 114,318,008

Depreciation and amortization expense for the year ended June 30, 2025 was \$4,052,811.

**West Bay Sanitary District**  
**Notes to Financial Statements**  
For the Years Ended June 30, 2025 and June 30, 2024

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
<b>Non-depreciable Capital Assets:</b>					
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
<b>Depreciable Capital Assets:</b>					
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
<b>Less accumulated depreciation for:</b>					
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.

The following details construction in progress as of June 30, 2025 and June 30, 2024:

Project	June 30, 2025	June 30, 2024
Avy Altschul Pump Station & Reclaimed Water Design	\$ 67,978	\$ 1,258,707
FERRF Levee Improvements	12,088,702	6,940,489
North Bay-Ringwood, Bayfront Canal, & CIP Point Repair	17,890,536	5,040,030
Bayfront RWF	19,906,897	2,233,750
Total Construction in Progress	\$ 49,954,113	\$ 15,472,976

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

**NOTE 6 - NONCURRENT LIABILITIES**

The District's noncurrent liabilities consisted of the following as of June 30, 2025:

Description	Balance			Balance June 30, 2025	Due Within One Year
	July 01, 2024	Additions	Deletions		
Net Pension Liability	\$ 1,193,844	\$ 3,712,041	\$ 3,776,105	\$ 1,129,780	\$ -
State Revolving Fund Loans	15,111,188	1,412,880	511,799	16,012,269	532,776
Subscription Liability	-	330,438	59,692	270,746	62,732
<b>Total Noncurrent Liabilities</b>	<b>\$ 16,305,032</b>	<b>\$ 5,455,359</b>	<b>\$ 4,347,596</b>	<b>\$ 17,412,795</b>	<b>\$ 595,508</b>

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 Loans	15,617,920	-	506,732	15,111,188	511,799
<b>Total Noncurrent Liabilities</b>	<b>\$ 16,238,020</b>	<b>\$ 3,425,206</b>	<b>\$ 3,358,194</b>	<b>\$ 16,305,032</b>	<b>\$ 511,799</b>

*State Revolving Fund Loans*

Project	Maturity Date	Interest Rate	Balance			Balance June 30, 2025	Due Within One Year
			July 01, 2024	Additions	Deletions		
Sharon Heights Water Recycling	3/31/2050	1.00%	\$ 15,111,188	\$ -	\$ 511,799	\$ 14,599,389	\$ 532,776
Avy Altschul Pump Station	n/a	n/a	-	522,500	-	522,500	-
Bayfront Recycled Water Facility	n/a	n/a	-	890,380	-	890,380	-
<b>Total State Revolving Fund Loans</b>			<b>\$ 15,111,188</b>	<b>\$ 1,412,880</b>	<b>\$ 511,799</b>	<b>\$ 16,012,269</b>	<b>\$ 532,776</b>

**Sharon Heights Water Recycling** - 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, 2025, the SRF loan balance was \$14,599,389. 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 March 30, 2050:

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Fiscal Year Ending June 30:	Principal	Interest	Total
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	537,906	125,005	662,911
2031-35	2,771,299	543,255	3,314,554
2036-40	2,912,663	401,891	3,314,554
2041-45	3,061,238	253,316	3,314,554
2046-50	3,217,393	97,161	3,314,554
<b>Total Debt Service</b>	<b>\$ 14,599,389</b>	<b>\$ 1,973,382</b>	<b>\$ 16,572,771</b>

**Avy Altschul Pump Station** - The District has entered into a \$950,000 agreement with the State Water Resources Control Board (SWRCB or State Revolving Fund Loan) to finance the construction of Avy Altschul Pump Station. The funding will be disbursed through a grant of \$332,500 and a loan of \$617,500. The loan funds together with all accrued interest will be repaid in annual installments commencing one year after the completion of construction which was estimated to be December 31, 2024. The SWRCB reimbursed the Authority for project-related expenditures as incurred, and the outstanding liability was \$522,500 as of June 30, 2025.

**Bayfront Recycled Water Facility** - The District has entered into a \$66,600,000 agreement with the State Water Resources Control Board (SWRCB or State Revolving Fund Loan) to finance the construction of Bayfront Recycled Water Facility. The funding will be disbursed through a grant of \$5,000,000, federal loan of \$50,000,000, and state loan of \$11,600,000. The loan funds together with all accrued interest will be repaid in annual installments commencing one year after the completion of construction which was estimated to be July 1, 2027. The SWRCB reimbursed the Authority for project-related expenditures as incurred, and the outstanding liability was \$890,380 as of June 30, 2025.

*Subscription-Based Information Technology Arrangement (SBITA) Liability*

The District has entered into various subscription-based IT arrangements and has recorded a liability to offset the right-to-use assets. These are calculated using the District's incremental borrowing rate of 3.71%.

The future principal and interest payments were as follows as of June 30, 2025:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 62,732	\$ 10,045	\$ 72,777
2027	65,926	7,717	73,643
2028	69,281	5,271	74,552
2029	72,807	2,701	75,508
<b>Total Debt Service</b>	<b>\$ 270,746</b>	<b>\$ 25,734</b>	<b>\$ 296,480</b>

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**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, 2025 and June 30 2024:

Description	June 30, 2025	June 30, 2024
Capital project reserve	\$ 22,999,436	\$ 43,523,744
Invested in Silicon Valley Clean Water	28,023,380	27,652,279
Operations reserve	18,135,886	14,024,468
Total Committed Unrestricted Net Position	<u>\$ 69,158,702</u>	<u>\$ 85,200,491</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

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The District has incurred two claims that have not exceeded its insurance coverage limits in the last three years. Audited condensed financial information for CSRMA is presented below for the year ended June 30, 2024 (most recent information available):

	June 30, 2024
Total Assets	\$ 39,433,497
Total Liabilities	27,415,066
Total Equity	12,018,431
Total Revenues	24,879,936
Total Expenditures	22,895,588

**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, 2025 and 2024, are summarized as follows:

	2025			2024		
	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%	7.75%
Required employer contribution rates	13.41%	10.15%	7.87%	13.34%	10.10%	7.68%

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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**Employees Covered** - At June 30, 2025, the following employees were covered by the benefit terms for the Plan:

	2025	2024
Active	32	30
Transferred	10	12
Separated	18	12
Retired	25	25
Total	85	79

**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, 2025, the District made the following pension contributions:

	2025	2024
Contributions - employer	\$ 466,171	\$ 428,597

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

As of June 30, 2025, the District’s net pension liability was as follows:

	2025	2024
Proportionate Share of NPL	\$ 1,129,780	\$ 1,193,844

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, 2024, 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, 2023 rolled forward to June 30, 2024 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.

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The District's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2025 was as follows:

	2025	2024
Beginning Proportion	0.02387%	0.01325%
Ending Proportion	0.02336%	0.02387%
Change - Increase/(Decrease)	-0.00052%	0.01062%

For the year ended June 30, 2025, the District recognized a pension expense of \$1,286,006.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 29,038	\$ -	\$ 72,078	\$ -
Differences between Expected and Actual Experience	97,680	3,811	60,988	9,461
Differences between Projected and Actual Investment Earnings	65,040	-	193,294	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	942,089	1,051,121	929,970
Change in Employer's Proportion	1,139,174	-	1,756,510	888,055
Pension Contributions Made Subsequent to Measurement Date	466,171	-	428,597	-
Total	\$ 1,797,103	\$ 945,900	\$ 3,562,587	\$ 1,827,486

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

	2025		2024	
<b>Fiscal Year Ending June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>			
2025	\$ -	\$ 815,990		
2026	394,609	422,479		
2027	32,895	62,489		
2028	(20,183)	5,546		
2029	(22,288)	-		
2030	-	-		
Thereafter	-	-		
<b>Total</b>	\$ 385,033	\$ 1,306,504		

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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**Actuarial Assumptions** - The total pension liabilities in the June 30, 2024, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
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.

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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 District’s proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District’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>2025</u>	<u>2024</u>
1% Decrease	5.90%	5.90%
Net Pension Liability \$	4,914,632	4,763,826
Current	6.90%	6.90%
Net Pension Liability \$	1,129,780	1,193,844
1% Increase	7.90%	7.90%
Net Pension Liability \$	(1,985,711)	(1,744,558)

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

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Notes to Financial Statements  
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**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:

	2025	2024
Active employees	30	27
Inactive employees	7	7
<b>Total employees</b>	<b>37</b>	<b>34</b>

*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, 2025, total contributions were \$56,571 and total contributions included in the measurement period were \$56,571. The District's contributions were 1.16% of covered employee payroll during the fiscal year ended June 30, 2025. 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. Employees are not required to contribute to the plan.

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*Actuarial Assumptions*

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

	2025	2024
Valuation Date:	July 1, 2024	June 30, 2022
Measurement Date:	June 30, 2025	June 30, 2024
Actuarial Cost Method:	Entry Age, Level Percent of Pay	Entry Age, Level Percent of Pay
Valuation of Fiduciary Net Position	Fair value of assets	Fair value of assets
Amortization Period:	20 years	20 years
Actuarial Assumptions:		
Salary Increases	3.0%	3.0%
Inflation Rate	2.5%	2.5%
Investment Rate of Return	6.0%, net of investment expense	6.0%, net of investment expense
Healthcare Trend Rate	7.0% <sup>(Note 1)</sup>	5.50%
Preretirement Mortality	CalPERS experience study (2000-2019)	CalPERS experience study (2000-2019)
Postretirement Mortality	CalPERS experience study (2000-2019)	CalPERS experience study (2000-2019)

Note 1: 7.00% for 2025 decreasing to 5.40% for 2029, 5.25% for 2030-2034, 4.60% for 2035-2049, 4.50% for 2050-2064, 4.25% for 2065-2074, and 4.00% for 2075 and later years; Medicare ages: 4.50% for 2025-2064, 4.25% for 2065-2074, and 4.00% for 2075 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.

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

<b>Asset Class</b>	<b>Percentage of Portfolio</b>	<b>Long-Term Expected Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>	

*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 July 1, 2024 (valuation date) for the fiscal year ended June 30, 2025 (reporting date). The following summarizes the changes in the net OPEB liability during the year ended June 30, 2025:

<b>Fiscal Year Ended June 30, 2025 (Measurement Date June 30, 2025)</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2024</b>	\$ 376,040	\$ 530,984	\$ (154,944)
Service cost	6,325	-	6,325
Interest in Total OPEB Liability	25,709	-	25,709
Employer contributions	-	56,571	(56,571)
Balance of diff between actual and exp experience	49,981	-	49,981
Balance of changes in assumptions	11,697	-	11,697
Actual investment income	-	62,835	(62,835)
Administrative expenses	-	(3,345)	3,345
Benefit payments	(31,571)	(31,571)	-
<b>Net changes</b>	<b>62,141</b>	<b>84,490</b>	<b>(22,349)</b>
<b>Balance at June 30, 2025</b>	<b>\$ 438,181</b>	<b>\$ 615,474</b>	<b>\$ (177,293)</b>
Covered Employee Payroll	\$ 4,838,627		
Total OPEB Liability as a % of Covered Employee Payroll	9.06%		
Plan Fid. Net Position as a % of Total OPEB Liability	140.46%		
Service Cost as a % of Covered Employee Payroll	0.13%		
Net OPEB Liability as a % of Covered Employee Payroll	-3.66%		

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*Deferred Inflows and Outflows of Resources*

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 18,254	\$ -	\$ -	\$ 22,747
Difference between actual and expected earnings	-	21,826	41,311	-
Change in assumptions	9,307	-	-	2,705
OPEB contribution subsequent to measurement date	-	-	50,538	-
<b>Totals</b>	<b>\$ 27,561</b>	<b>\$ 21,826</b>	<b>\$ 91,669</b>	<b>\$ 25,452</b>

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,	2025	2024
	<b>Deferred Outflows/(Inflows) of Resources</b>	
2025	\$ -	\$ 5,532
2026	10,917	12,260
2027	(2,107)	(3,285)
2028	(10,281)	(8,937)
2029	(6,322)	(4,977)
2030	(233)	(21,398)
Thereafter	13,761	-
<b>Total</b>	<b>\$ 5,735</b>	<b>\$ (20,805)</b>

*OPEB Expense*

The following summarizes the OPEB expense by source during the year ended June 30, 2025:

	2025	2024
Service cost	\$ 6,325	\$ 5,554
Interest in TOL	25,709	22,099
Expected investment income	(32,395)	(28,294)
Adjustment to change in measurement period	-	(49,612)
Difference between actual and expected experience	5,557	1,712
Difference between actual and expected earnings	(1,862)	4,225
Change in assumptions	495	(406)
Administrative expenses	3,345	2,807
Adjustment	507	-
<b>OPEB Expense</b>	<b>\$ 7,681</b>	<b>\$ (41,915)</b>

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The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2025:

	2025	2024
Net OPEB liability ending	\$ (177,293)	\$ (154,944)
Net OPEB liability beginning, adjusted	154,944	83,978
Change in net OPEB liability	(22,349)	(70,966)
Changes in deferred outflows	(20,301)	76,050
Changes in deferred inflows	(6,240)	2,613
Employer contributions and implicit subsidy	56,571	-
Adjustment to change in measurement period	-	(49,612)
<b>OPEB Expense</b>	<b>\$ 7,681</b>	<b>\$ (41,915)</b>

*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 2025 and 2024) that is one percentage point lower or one percentage point higher, is as follows:

	2025	2024
1% Increase	\$ (223,041)	\$ (194,614)
Discount Rate	\$ (177,293)	\$ (154,944)
1% Decrease	\$ (122,931)	\$ (107,452)

*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(7.0% for 2025 and 5.5% for 2024) that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	2025	2024
1% Increase	\$ (113,742)	\$ (95,175)
Trend Rate	\$ (177,293)	\$ (154,944)
1% Decrease	\$ (229,781)	\$ (203,866)

**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

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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the treatment facility and all the recycled water. SHGCC has the right to receive the first 400 gallons per day of recycled water.

The District received a California Clean Water State Revolving Fund (SRF) loan to build the recycled water treatment facility. The long-term agreement between the District and SHGCC establishes the terms and conditions of pre-payments each year by SHGCC to the District for the full annual SRF loan payment over the life of the loan, with 2.2 times the annual payment held as a deposit. Through June 30, 2025, 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 \$14,484,335 as of June 30, 2025.

**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.

**West Bay Sanitary District**  
Notes to Financial Statements  
For the Years Ended June 30, 2025 and June 30, 2024

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

Total Assets	\$ 91,197,895
Total Liabilities	66,755,969
Total Equity	24,441,926
Total Revenues	70,128,930
Total Expenditures	71,905,349

**NOTE 15 - COMPARATIVE DATA/RECLASSIFICATIONS**

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included in the accompanying financial statements for the prior year has been restated to appropriately present restricted net position and unrestricted net position, which has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

**REQUIRED SUPPLEMENTARY INFORMATION**

**West Bay Sanitary District**  
**Schedule of Pension Contributions - CalPERS**  
**June 30, 2025**

<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Fiscal Year Ended	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Contractually Required Contributions	\$ 399,280	\$ 387,500	\$ 413,896	\$ 297,313	\$ 295,459
Contributions in Relation to					
Contractually Required Contributions	399,280	387,500	413,896	297,313	295,459
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 2,544,628</b>	<b>\$ 2,799,216</b>	<b>\$ 2,795,654</b>	<b>\$ 2,806,611</b>	<b>\$ 3,264,521</b>
<b>Contributions as a % of Covered Payroll</b>	<b>15.69%</b>	<b>13.84%</b>	<b>14.80%</b>	<b>10.59%</b>	<b>9.05%</b>

<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Fiscal Year Ended	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Contractually Required Contributions	\$ 398,336	\$ 348,274	\$ 355,455	\$ 428,597	\$ 466,171
Contributions in Relation to					
Contractually Required Contributions	6,592,343	348,274	355,455	428,597	466,171
<b>Contribution Deficiency (Excess)</b>	<b>\$ (6,194,007)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 3,436,890</b>	<b>\$ 3,765,114</b>	<b>\$ 3,467,099</b>	<b>\$ 3,685,614</b>	<b>\$ 4,838,627</b>
<b>Contributions as a % of Covered Payroll</b>	<b>191.81%</b>	<b>9.25%</b>	<b>10.25%</b>	<b>11.63%</b>	<b>9.63%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2023

Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
Remaining Amortization Period no more than 26 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 morality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

**West Bay Sanitary District**  
**Schedule of Proportionate Share of Net Pension Liability**  
**June 30, 2025**

<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Fiscal Year Ended	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Proportion of Net Pension Liability (Misc Plan Only)	0.12849%	0.12750%	0.12991%	0.13412%	0.13721%
Proportionate Share of Net Pension Liability	\$ 3,524,991	\$ 4,429,092	\$ 5,120,961	\$ 5,054,719	\$ 5,494,504
Covered Payroll	\$ 2,411,343	\$ 2,544,628	\$ 2,799,216	\$ 2,795,654	\$ 2,806,611
Proportionate Share of NPL as a % of Covered Payroll	146.18%	174.06%	182.94%	180.81%	195.77%
Plan's Fiduciary Net Position as a % of the TPL	78.29%	73.58%	72.32%	73.42%	73.03%

<b>Miscellaneous Plan</b>					
Plan Measurement Date	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Fiscal Year Ended	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Proportion of Net Pension Liability (Misc Plan Only)	0.00000%	-0.18380%	0.01325%	0.02387%	0.02336%
Proportionate Share of Net Pension Liability	\$ -	\$ (3,490,048)	\$ 620,100	\$ 1,193,844	\$ 1,129,780
Covered Payroll	\$ 3,264,521	\$ 3,436,890	\$ 3,765,114	\$ 3,467,099	\$ 3,685,614
Proportionate Share of NPL as a % of Covered Payroll	0.00%	-101.55%	16.47%	34.43%	30.65%
Plan's Fiduciary Net Position as a % of the TPL	72.52%	115.26%	97.51%	95.48%	95.97%

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

**West Bay Sanitary District**  
**Schedule of OPEB Contributions**  
**June 30, 2025**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Actuarially determined contribution (ADC)	\$ 11,604	\$ 11,579	\$ 16,607	\$ 17,602
Less: actual contribution in relation to ADC	(9,418)	(5,120)	(5,120)	(87,458)
Contribution deficiency (excess)	<u>\$ 2,186</u>	<u>\$ 6,459</u>	<u>\$ 11,487</u>	<u>\$ (69,856)</u>
Covered employee payroll	\$ 2,795,654	\$ 2,806,611	\$ 3,697,419	\$ 3,808,342
Contrib. as a % of covered employee payroll	0.34%	0.18%	0.14%	2.30%
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Actuarially determined contribution (ADC)	\$ 9,832	\$ 2,689	\$ 2,770	\$ -
Less: actual contribution in relation to ADC	(62,264)	(50,358)	(53,331)	(56,571)
Contribution deficiency (excess)	<u>\$ (52,432)</u>	<u>\$ (47,669)</u>	<u>\$ (50,561)</u>	<u>\$ (56,571)</u>
Covered employee payroll	\$ 3,922,592	\$ 4,357,169	\$ 3,685,614	\$ 4,838,627
Contrib. as a % of covered employee payroll	1.59%	1.16%	1.45%	1.17%

**Notes to Schedule:**

*Assumptions and Methods*

Valuation Date:	July 1, 2024
Measurement Date:	June 30, 2025
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, 2025**

<b>Total OPEB liability</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Service cost	\$ 6,513	\$ 6,708	\$ 6,909	\$ 7,254	\$ 7,544	\$ 4,538	\$ 5,554	\$ 6,325
Interest	16,476	17,188	17,672	18,732	19,857	25,099	22,099	25,709
Differences between expected and actual experience	-	-	66,449	-	-	(59,838)	-	49,981
Adjustment to change in measurement period	-	-	-	-	-	-	746	-
Changes of assumptions	-	-	(2,612)	-	-	(1,379)	-	11,697
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-	(12,264)	(28,331)	(31,571)
Net change in Total OPEB Liability	15,080	9,561	71,085	18,136	27,401	(43,844)	68	62,141
Total OPEB Liability - beginning	278,553	293,633	303,194	374,279	392,415	419,816	375,972	376,040
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>	<u>\$ 438,181</u>
<b>Plan fiduciary net position</b>								
Employer contributions	\$ 232,909	\$ 14,335	\$ 17,333	\$ 5,120	\$ 87,458	\$ 62,264	\$ 53,331	\$ 56,571
Net investment income	10,234	12,089	15,717	13,423	54,267	(50,877)	48,095	62,835
Benefit payments	(7,909)	(14,335)	(17,333)	(7,850)	-	(12,264)	(28,331)	(31,571)
Adjustment to change in measurement period	-	-	-	-	-	-	50,358	-
Administrative expense	-	-	-	-	(1,755)	(2,488)	(2,807)	(3,345)
Net change in plan fiduciary net position	235,234	12,089	15,717	10,693	139,970	(3,365)	120,646	84,490
Plan fiduciary net position - beginning	-	235,234	247,323	263,040	273,733	413,703	410,338	530,984
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>	<u>\$ 615,474</u>
Net OPEB liability	\$ 58,399	\$ 55,871	\$ 111,239	\$ 118,682	\$ 6,113	\$ (34,366)	\$ (154,944)	\$ (177,293)
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%	140.46%
Covered employee payroll	\$ 2,799,216	\$ 2,795,654	\$ 2,806,611	\$ 3,697,419	\$ 3,808,342	\$ 3,922,592	\$ 3,685,614	\$ 4,838,627
Net OPEB Liability as a percentage of covered payroll	2.09%	2.00%	3.96%	3.21%	0.16%	-0.88%	-4.20%	-3.66%
Total OPEB Liability as a percentage of covered payroll	10.49%	10.85%	13.34%	10.61%	11.02%	9.58%	10.20%	9.06%

*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, 2025

	Budget Amounts	Actual (GAAP Basis)	Variance
<b>Operating Revenues:</b>			
Service charges	\$ 33,445,360	\$ 34,070,458	\$ 625,098
Flow equalization uses	200,000	174,508	(25,492)
Permit and inspection fees and other services	69,210	346,871	277,661
Other operating revenues	1,952,898	1,711,476	(241,422)
Total operating revenues	<u>35,667,468</u>	<u>36,303,313</u>	<u>635,845</u>
<b>Operating Expenses:</b>			
Sewage treatment plant (SVCW)	18,540,559	18,324,728	215,831
Sewage collection and general administration:			
Salaries and benefits	8,539,513	7,789,074	750,439
Materials and supplies	961,912	619,284	342,628
Insurance	371,058	420,487	(49,430)
Contract services	1,031,620	819,792	211,828
Professional services	1,701,275	355,585	1,345,690
Repairs and maintenance	729,365	428,872	300,493
Utilities	546,455	509,578	36,877
Other operating expenses	640,001	287,958	352,043
Total sewage collection and general administration	<u>14,521,198</u>	<u>11,230,630</u>	<u>3,290,568</u>
Depreciation and amortization	4,062,250	4,052,811	9,439
Total operating expenses	<u>37,124,007</u>	<u>33,608,169</u>	<u>3,515,838</u>
Operating Income (Loss)	<u>(1,456,539)</u>	<u>2,695,144</u>	<u>4,151,683</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	501,000	3,498,383	2,997,383
Interest expense	(151,112)	(163,371)	(12,259)
Increase (decrease) of equity in Silicon Valley Clean Water	-	371,101	371,101
Other nonoperating revenues	671,950	6,287,821	5,615,871
Total nonoperating revenues (expenses)	<u>1,021,838</u>	<u>9,993,934</u>	<u>8,972,096</u>
Income before contributions	(434,701)	12,689,078	13,123,779
Capital Contributions	912,900	1,374,497	461,597
Special Item: Pension (Expense) Credit	-	(888,456)	(888,456)
Change in Net Position	478,199	13,175,119	12,696,920
Beginning Net Position	180,396,525	180,396,525	-
Ending Net Position	<u>\$ 180,874,724</u>	<u>\$ 193,571,644</u>	<u>\$ 12,696,920</u>

**West Bay Sanitary District**  
**Schedule of Combining Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2025**

	General Fund	Capital Fund	Treatment Plant Fund	Solid Waste Fund	Recycled Water Fund	Total
<b>Operating Revenues:</b>						
Service charges	\$ 34,070,458	\$ -	\$ -	\$ -	\$ -	\$ 34,070,458
Flow equalization uses	174,508	-	-	-	-	174,508
Permit and inspection fees and other services	346,871	-	-	-	-	346,871
Other operating revenues	1,581,000	-	-	130,476	-	1,711,476
Total operating revenues	36,172,837	-	-	130,476	-	36,303,313
<b>Operating Expenses:</b>						
Sewage treatment plant (SVCW)	-	-	18,324,728	-	-	18,324,728
Sewage collection and general admin.:						
Salaries and benefits	7,564,050	-	-	-	225,024	7,789,074
Materials and supplies	601,871	-	-	-	17,413	619,284
Insurance	385,661	-	-	-	34,826	420,487
Contract services	819,792	-	-	-	-	819,792
Professional services	302,504	-	-	-	53,081	355,585
Repairs and maintenance	423,500	-	-	-	5,372	428,872
Utilities	248,227	-	-	-	261,351	509,578
Other operating expenses	222,061	-	-	-	65,897	287,958
Total sewage collection and gen. admin.	10,567,666	-	-	-	662,964	11,230,630
Depreciation and amortization	93,758	3,194,019	-	-	765,034	4,052,811
Total operating expenses	10,661,424	3,194,019	18,324,728	-	1,427,998	33,608,169
<b>Operating Income (Loss)</b>	<b>25,511,413</b>	<b>(3,194,019)</b>	<b>(18,324,728)</b>	<b>130,476</b>	<b>(1,427,998)</b>	<b>2,695,144</b>
<b>Nonoperating Revenues (Expenses):</b>						
Investment income	1,884,417	1,256,844	66,969	-	290,153	3,498,383
Interest expense	(12,259)	-	-	-	(151,112)	(163,371)
Increase (decrease) of equity in SVCW	-	-	371,101	-	-	371,101
Other nonoperating revenues	5,525,026	38,901	-	-	723,894	6,287,821
Total nonoperating revenues (expen.)	7,397,184	1,295,745	438,070	-	862,935	9,993,934
<b>Income before contributions</b>	<b>32,908,597</b>	<b>(1,898,274)</b>	<b>(17,886,658)</b>	<b>130,476</b>	<b>(565,063)</b>	<b>12,689,078</b>
<b>Capital Contributions:</b>						
Capital Fund: Connection Fees	-	650,734	-	-	-	650,734
Recycled Water Fund: Capital Contri.	-	-	-	-	723,763	723,763
Total capital contributions	-	650,734	-	-	723,763	1,374,497
<b>Special Item: Pension Credit</b>	<b>(888,456)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(888,456)</b>
<b>Change in Net Position</b>	<b>32,020,141</b>	<b>(1,247,540)</b>	<b>(17,886,658)</b>	<b>130,476</b>	<b>158,700</b>	<b>13,175,119</b>
<b>Beginning Net Position</b>	<b>43,340,897</b>	<b>94,950,081</b>	<b>27,652,279</b>	<b>898,820</b>	<b>13,554,448</b>	<b>180,396,525</b>
<b>Ending Net Position</b>	<b>\$ 75,361,038</b>	<b>\$ 93,702,541</b>	<b>\$ 9,765,621</b>	<b>\$ 1,029,296</b>	<b>\$ 13,713,148</b>	<b>\$ 193,571,644</b>

**West Bay Sanitary District**  
Annual Capacity Fee Report AB1600  
For the Fiscal Year Ended June 30, 2025

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**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, 2025, 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 21, 2025.

**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 21, 2025  
Morgan Hill, California