DIABLO WATER DISTRICT

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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DIABLO WATER DISTRICT
FOR THE YEAR ENDED JUNE 30, 2014

Table of Contents

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DIABLO WATER DISTRICT

JUNE 30, 2014

BOARD OF DIRECTORS

Edward Garcia – President
Richard R. Head – Vice-President
Kenneth L. Crockett – Member
Howard Hobbs – Member
Enrico Cinquini – Member

Mike Yeraka – General Manager & Secretary

Jeffrey D. Polisner – General Counsel

DIABLO WATER DISTRICT

JUNE 30, 2014

ACRONYMS AND ABBREVIATIONS USED IN THE AUDIT REPORT

In order to facilitate the understanding of the audit report, the following list of acronyms and abbreviations are listed below:

ACWA/JPIA	Association of California Water Agencies/Joint Powers Insurance Authority
CALPERS	California Public Employee's Retirement System
CCCERA	Contra Costa County Employee's Retirement Association
CCWD	Contra Costa Water District
CCWA	Contra Costa Water Authority
CERBT	California Employer's Retiree Benefit Trust
EXT	Extension
GASB	Governmental Accounting Standards Board
LAIF	Local Agency Investment Fund
MERA	Main Extension Reimbursement Account
OAD	Oakley Assessment District
OPEB	Other Post-Employment Benefits
RBWTP	Randall-Bold Water Treatment Plant
REIMB	Reimbursement
SFAS	Statement of Financial Accounting Standards

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Diablo Water District, California

We have audited the accompanying financial statements of the business-type activities of Diablo Water District (District), California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2014, and the 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.

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Emphasis of Matters

Implementation of New Governmental Accounting Standards Board Pronouncement

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2014 that affected the format and nomenclature of the financial statements and required the restatement of net position:

> Statement 65 – *Items Previously Report as Assets and Liabilities*. See Notes 1F and 6B to the financial statements for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinions.

Restatements

As discussed in Note 6B, the District restated certain balances in related to restricted cash and investments, prepaids, capital assets, net OPEB asset, bond financing costs, long-term debt and other receivables and payables.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Information and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Maze & Associates

Pleasant Hill, California
June 18, 2015

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This section presents management's analysis of Diablo Water District's (District) financial condition and activities for the fiscal year ending June 30, 2014. A comparative analysis of fiscal years 2014 to 2013 are presented in this report under the following headings:

- Overview of the Financial Statements
- Financial Highlights
- Financial Analysis
- Capital Assets
- Debt Service
- Requests for Information

Overview of the Financial Statements

This section is intended to serve as an introduction to be read in combination with the District's basic financial statements. The District's financial statements are shown on pages 11-15. The District uses enterprise fund accounting to report its activities for financial statement purposes. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned. The basic financial statements include the statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows. The following is a brief explanation of the use of each of the statements:

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the District is improving or worsening.

The *statement of revenues, expenses, and changes in net position* presents information on how the District's net position changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. This statement measures the success of the District's operations for the fiscal year.

The *statement of cash flows* presents the cash inflows and cash outflows along with the resulting cash position at the fiscal year end.

This report also contains *notes to basic financial statements* which provide additional information that is essential to have a full understanding of the data provided in the basic financial statements.

Financial Highlights

- The District's net position totaled $39.7 million which decreased a total of $27,725 from 2013.
- Total assets increased by $2.5 million or 4.26% from 2013.
- Total liabilities increased by $2.6 million or 12.68% from 2013.
- Operating revenues totaled $8.285 million which increased by 4% from 2013.
- Operating expenses totaled $9.454 million which increased by 2.6% from 2013.

Financial Analysis

As mentioned before, the District's net position serves as a useful indicator of Diablo Water District's financial position over time. The District is well within the financial policies and guidelines set forth by the Board of Directors and management. Management believes the District's financial position remains strong during fiscal year 2014 as illustrated in the tables below:

Net Position
June 30, 2014 and 2013

	Balance June 30, 2014	Balance June 30, 2013 *
ASSETS:		
Current and Other Assets	$ 14,345,341	$ 11,047,893
Capital Assets (Net)	$ 48,013,066	$ 48,762,121
Total Assets	$ 62,358,407	$ 59,810,014
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Amount on Refunding	$ 145,166	$ 154,844
LIABILITIES:		
Noncurrent Liabilities	$ 20,479,643	$ 18,871,096
Current Liabilities	$ 2,320,559	$ 1,362,666
Total Liabilities	$ 22,800,202	$ 20,233,762
NET POSITION:		
Net Investment in Capital Assets	$ 31,189,112	$ 31,761,554
Restricted for Debt Service	$ 803,056	$ 808,336
Restricted for Facilities Reserve Charges	$ 3,614,121	$ 3,007,180
Unrestricted Net Position	$ 4,097,082	$ 4,154,026
Total Net Position	$ 39,703,371	$ 39,731,096

The following is a brief explanation of the above components of Net Position:

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The *unrestricted* component of net position is 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.

Comparison of fiscal year 2014 to 2013: The District's net position totaled $39.7 million in 2014 which decreased a total of $27,725 from 2013.

- Total assets increased by a total of $2.5 million from 2013, primarily due to an increase in investments and restricted cash and investments with fiscal agent (see note 2).

- Total liabilities increased by a total of $2.6 million from 2013, primarily due to an increase in Long-term liabilities as a result of the issuance of debt for the construction of new administrative facilities (see note 5).

Revenues, Expenses, and Changes in Net Position
June 30, 2014 and 2013

	Balance June 30, 2014	Balance June 30, 2013 *
OPERATING REVENUES:		
Water Sales	$ 8,172,067	$ 7,840,561
Wells Revenue	$ 113,387	$ 110,065
Total Operating Revenues	$ 8,285,454	$ 7,950,626
OPERATING EXPENSES:		
Purchase of Water	$ 3,072,970	$ 3,146,558
RBWTP Expenses	$ 1,362,601	$ 1,183,780
Well Expenses	$ 85,697	$ 87,741
Maintenance	$ 263,499	$ 243,298
Transmission & Distribution	$ 1,248,499	$ 1,094,682
Customer Accounts	$ 691,720	$ 755,220
Administrative & General	$ 1,005,453	$ 999,372
Depreciation	$ 1,723,977	$ 1,700,323
Total Operating Expenses	$ 9,454,416	$ 9,210,974
NET OPERATING INCOME (LOSS) without Depreciation:	$ 555,015	$ 439,975
NET OPERATING INCOME (LOSS) with Depreciation:	$ (1,168,962)	$ (1,260,348)
NON OPERATING REVENUE (EXPENSE):	$ (207,799)	$ (468,866)
NET INCOME BEFORE CONTRIBUTIONS:	$ (1,376,761)	$ (1,729,214)
CAPITAL CONTRIBUTIONS (Developer/Connection Fees):	$ 1,349,036	$ 619,396
CHANGES IN NET POSITION:	$ (27,725)	$ (1,109,818)
NET POSITION, Beginning of Year, As Restated (Note 6B)	$ 39,731,096	$ 40,840,914
NET POSITION, END OF YEAR	$ 39,703,371	$ 39,731,096

*As Restated (See Note 6B - *Restatements of Net Position)*

For the current fiscal year, operating revenues from water sales were $8.172 million, an increase from 2013 in the amount of $331,506 or 4%. Total operating income was $8.285 million versus a total budget of $8.469 million. The operating income came in under budget primarily due to customers cutting back their water usage because of the current drought situation. Operating expenses, without Depreciation, decreased by $219,788 or 2.9% compared to 2013.

The District bills the users of the Knightsen well system directly on a bi-monthly basis. The District also receives payment for users of Beacon West and Willow Park Marina well system's from the county property tax roll. The cash balances for year ending June 30, 2014 for Knightsen well system was ($35,676), Beacon West well system $44,279 and Willow Park Marina $129,548.

The District entered into a Service Maintenance agreement with Delta Mutual Water Company in 1999. The District maintains the well system in addition to billing and collecting the well system's water charges. The District transfers all monies collected from the well system's users to Delta Mutual Water Company. The District bills Delta Mutual directly for the actual cost of materials and personnel in accordance with the agreement. The District's net income through June 30, 2014 totaled $13,853.

Rock Island Marina –This property was foreclosed on by the Bank, and the District has put a hold on collections from the property tax rolls. As of June 30, 2014 the cash balance was $121,597.

Brentwood Overlap – Some of the land south of Neroly Road and Delta Road was in both the District's and the City of Brentwood's corporate territories creating an overlap of potential service areas. In 2000, this area was detached from the District's territory and was annexed to Brentwood to eliminate the overlap of service areas. For connections in the overlap area the City of Brentwood agreed to pay connection fees to the District at the time of connection. The District collected a total of $248,642 in fees for this overlap area during fiscal year ending June 30, 2014.

RBWTP – In June 1989, the District and Contra Costa Water District (CCWD) entered into a Joint Exercise of Powers Agreement to construct a water treatment plant to be co-owned. CCWD owns 62.5% and DWD 37.5%. CCWD employees run the plant. Annually, CCWD presents the budget for the next fiscal year. The District pays monthly its share of the operation and maintenance expenses. After the actual expenses are audited by CCWD's auditors, a reconciliation payment is made either to or from the District. Reconciliation for year ending 2013 resulted in payment to CCWD by the District in the amount of $49,650. Total paid to CCWD for the District's share of RBWTP expenses for year ending June 2014 was $1,362,601. In September 2010, the District's share of the fixed costs at the RBWTP shifted down from 37.5% to 30% as a result of CCWD re-rating the Plant from 40 million gallons per day to 50 million gallons per day.

For the year ending June 30, 2014 the District's two well systems, Glen Park and Stonecreek, supplemented 276 million gallons of water, which equals a savings of $509,580 in raw water purchases. Total operating expenses for Glen Park Well were $64,417 and the total operating expenses for Stonecreek Well were $36,119 which is comparable to the savings in operating costs at RBWTP for treating less water at the plant.

Main Extension Reimbursement Account – Included in the per meter connection fee is an amount assessed for Main Extension Reimbursement. This account is used to reimburse developers who are required to install oversized water lines for future use. Reimbursement for year ending June 30, 2014 totaled $153,508. The account balance for year ending June 30, 2014 is $281,596.

Developer Connection Fees collected for the year ending June 30, 2014 totaled $1,050,394, compared to $619,396 in the prior fiscal year.

In December 2007, construction of the South Park Well was completed by Shea Homes as part of the Summer Lakes subdivision and the District took over ownership of the well at that time. The well serves three purposes; backup drinking water supply for the Summer Lakes subdivision, water to keep the lake level topped-off and irrigation for a large park turf area. The District bills the Summer Lakes Homeowners association for the Lake Fill and the City of Oakley for the Irrigation water on a monthly basis at the well water rate identified in the District's Regulations. Monies collected from the South Park well billing are kept in a separate fund and are used to pay District costs to operate the well system. The net income for the South Park Well System for the year ending June 30, 2014 was $24,363.

Capital Assets:

The District's investment in capital assets as of June 30, 2014, amounts to a total of $48,013,066 (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, Randall-Bold plant, office equipment, transmission and distribution, general plant, and infrastructure as follows:

Capital Assets, Net of Depreciation
June 30, 2014 and 2013

	Balance June 30, 2014	Balance June 30, 2013 *
Land	$ 2,734,489	$ 2,733,489
Construction in Progress	$ 461,338	$ -
Randall-Bold Plant	$ 10,221,955	$ 10,557,735
Office Equipment	$ 24,469	$ 42,731
Transmission & Distribution	$ 2,202,563	$ 2,109,760
General Plant	$ 797,505	$ 804,103
Infrastructure	$ 31,570,747	$ 32,514,303
Total Capital Assets (Net)	$ 48,013,066	$ 48,762,121

* As Restated (See Note 6B - *Restatements of Net Position)*

During fiscal year 2014, capital assets had a net decrease of $749,055 which is primarily due to the accumulated depreciation of capital assets that already exist in our District compared to the small amount of additions that were made to the District (see note 4B).

Construction in progress totaled $461,338 due to the new office administration building that is being built at 87 Carol Lane, Oakley.

Debt Service:

During fiscal year 2014, the District entered into an agreement with Holman Capital Corporation to finance the construction of our new office building and the interior recoating of Reservoir #1. Our loan is financed with American River Bank with an interest rate of 3.3%. Payments on the loan are due semi-annually in the amount of $92,515, commencing December 31, 2014, with a $2,025,876 final payment on December 31, 2021.

RBWTP Bond – the District makes semi-annual payments to CCWD for its share of the construction cost of RBWTP per the Joint Exercise of Power agreement. Total principal and interest paid for fiscal year 2014 was $150,096.

Series 2010 is the bond debt for our Stonecreek well project which began in April 2010. In May 2010, the District executed an Installment Sale Agreement relating to the $4,200,000, 2010 Water Revenue Certificates of Participation to finance the Stonecreek project. The Stonecreek well was placed into service in June 2011. Payments on Series 2010 are due semi-annually, commencing January 1, 2011, through 2035. Total principal and interest payments towards the 2010 Water Revenue Certificates of Participation for year ending June 30, 2014 were $276,256.

Series 2005/2013 is the bond debt for our Glen Park Well and Blending Facility project. The revenue bonds were renamed for reference purposes as Series 2013 when they were refinanced on April 1, 2013. The sale of the bonds resulted in a $525,750 gain to the District. The gain enabled the District to reimburse itself for expenses associated with the BNSF 24" waterline relocation project. The District Board approved Resolution 2013-6 pursuant to which the gain from the bond sale could be used by the District to help repay a side fund liability due to CalPERS. As with the refinance of the CCWA bonds, principal payments for the next two years were significantly reduced. The refinance agreement lowers the range of interest from 3.75% - 4.4% to 2.0% - 3.7%. The duration of the bond payments remains unchanged with the final payment due January 1, 2030. The annual debt service payments on the 2013 Water Revenue Certificates of Participation is calculated and then allocated to operating and facilities reserves based on an allocation capacity between existing users and future users. This annual allocation percentage is approved by the Board of Director's during the budget process. The total principal and interest payments towards the 2013 Water Revenue Certificates of Participation for year ending June 30, 2014 were $249,918.

County Retirement Termination Agreement – The District terminated its participation in the Contra Costa County Employees Retirement Association (CCCERA) effective September 30. 2005. Pursuant to its funding obligation upon termination, the District entered into a termination agreement with CCCERA under which the District agreed to pay the costs associated with its share of any unfunded actuarial liability that is attributable to the officers and employees of the District that either were retired or will retire under the CCCERA. The total payments towards the termination agreement for the year ending June 30, 2014 were $154,061.

For additional information on the District's long-term debt, see Note 5.

Requests for Information:

This financial report is designed to provide ratepayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the monies it receives. If you have any questions concerning the information in this report or have a request for additional information, please contact: Diablo Water District, Finance Department, at P.O. Box 127, Oakley, CA 94561.

DIABLO WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS	
Current Assets:	
Cash and cash equivalents (Note 2)	$906,832
Investments (Note 2)	8,710,996
Accounts Receivable:	
Customer Accounts (Note 3A)	462,952
Delta Mutual (Note 3B)	15,988
Sandhill OAD (Note 3C)	65,056
Wells	3,109
CERBT (Note 8)	69,010
Deposits and prepayments	123,765
Total Current Assets	10,357,708
Noncurrent Assets:	
Restricted cash and investments with fiscal agent (Note 2)	3,531,056
Capital Assets (Note 4)	
Nondepreciable	3,195,827
Depreciable, net of accumulated depreciation	44,817,239
Net OPEB Asset (Note 8)	456,577
Total Noncurrent Assets	52,000,699
Total Assets	62,358,407
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding (Note 1F)	145,166
LIABILITIES	
Current Liabilities:	
Accounts payable	46,000
Accrued payroll and related expenses	5,022
Deposits Payable:	
Developer's Admin / Engineering / Inspection	209,475
Customers	202,790
Hydrant	4,750
Knightsen Customers	300
Substandard street deposits (Note 12B)	23,542
Maintenance bonds	417,500
Main extension reimbursement payable (Note 11)	281,596
Accrued compensated absences, due in one year (Note 1E)	5,399
Long-term liabilities, due in one year (Note 5)	1,124,185
Total Current Liabilities	2,320,559
Noncurrent Liabilities:	
Long-term liabilities, less current portion (Note 5)	20,458,049
Accrued compensated absences (Note 1E)	21,594
Total Noncurrent Liabilities	20,479,643
Total Liabilities	22,800,202
NET POSITION (Note 6)	
Net investment in capital assets	31,189,112
Restricted for debt service	803,056
Restricted for facilities reserve charges	3,614,121
Unrestricted net position	4,097,082
Total Net Position	$39,703,371

See accompanying notes to financial statements

DIABLO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES	
Water Sales:	
Residential and business	$8,039,409
Industrial	132,658
Total water sales	8,172,067
Wells revenue	113,387
Total Operating Revenues	8,285,454
OPERATING EXPENSES:	
Source of supply:	
Purchase of water	3,072,970
Water treatment:	
Randall-Bold expenses (Note 5B)	1,362,601
Well expenses	85,697
Maintenance:	
Salaries	118,992
Employee benefits	44,471
Payroll taxes	8,049
Engineering	46,368
Maintenance	23,521
General operating supplies	20,202
Utilities	1,896
Total maintenance	263,499
Transmission and distribution:	
Salaries	288,685
Employee benefits	91,913
Payroll taxes	16,829
Operating blending	17,151
Maintenance	593,116
Water samples	23,910
Chemicals	19,646
General operating supplies	65,826
Telephone	1,950
Utilities	149,761
Reimbursed overhead	(20,288)
Total transmission and distribution	1,248,499
Customer accounts	
Salaries	426,871
Employee benefits	193,145
Payroll taxes	31,948
Credit card processing fee	37,770
Collection expense	1,986
Total customer accounts	691,720

(Continued)

DIABLO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING EXPENSES (Continued):	
Administrative and general	
Salaries	121,699
Salaries - Facilities Reserve	186,721
Employee benefits	42,133
Employee benefits - Facilities Reserve	72,425
Payroll taxes	8,461
Office expense	144,170
Consulting fees	21,255
Insurance	90,650
Rent (Note 12C)	82,349
Health benefits, retirees	34,827
Auditing and accounting	41,513
Director's fees and expenses	6,814
Dues and subscriptions	17,773
Legal	43,230
State unemployment	11,700
Utilities	7,957
Telephone	5,603
Auto	46,000
Taxes and licenses	1,000
Travel and training	7,183
Miscellaneous	11,990
Total administrative and general	1,005,453
Depreciation (Note 4)	1,723,977
Total Operating Expenses	9,454,416
OPERATING INCOME (LOSS)	(1,168,962)
NONOPERATING REVENUE (EXPENSE):	
Revenues:	
Investment earnings	29,925
Delta Mutual labor, overhead and vehicle reimbursement (Note 3B)	13,854
Sandhill fees (Note 3C)	7,079
Rental income	63,503
Late fees	59,173
Other income and charges	122,722
Expenses:	
Interest on long-term debt expense	(504,055)
Net nonoperating revenues (expenses)	(207,799)
Income (loss) before contributions	(1,376,761)
CAPITAL CONTRIBUTIONS:	
Developer and connection fees	1,299,036
Developer capital contributions	50,000
CHANGE IN NET POSITION	(27,725)
NET POSITION, BEGINNING OF YEAR, AS RESTATED (NOTE 6B)	39,731,096
NET POSITION, END OF YEAR	$39,703,371

See accompanying notes to financial statements

DIABLO WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$8,310,513
Payments to suppliers	(6,089,890)
Payments to or on behalf of employees	(1,557,995)
Cash Flows from Operating Activities	662,628
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	29,925
Net Cash Flows From Investing Activities	29,925
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Delta Mutual labor, overhead and vehicle reimbursement	3,249
Sandhill Fees	15,526
Rental income	63,503
Late fees	59,173
Miscellaneous	122,722
Cash Flows from Noncapital Financing Activities	264,173
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Developer and connection fees	1,299,036
Additions to utility plant and equipment	(924,922)
Proceeds from issuance of loan	2,733,000
Cost of issuance of loan	(5,000)
Principal payments on long-term debt	(349,061)
Interest paid on long-term debt	(481,270)
Cash Flows from Capital and Related Financing Activities	2,271,783
NET CASH FLOWS	3,228,509
Cash and investments at beginning of year, as restated (Note 6B)	9,920,375
Cash and investments at end of year	$13,148,884

(Continued)

See accompanying notes to financial statements

DIABLO WATER DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income (Loss)	($1,168,962)
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	1,723,977
Effect of changes in:	
Accounts receivable (customer and wells)	25,059
Accounts receivable (CERBT)	(649)
Deposits and prepayments	(122,765)
Net OPEB asset	31,574
Accounts payable	85,233
Accrued payroll and related expenses	32,685
Deposits payable	184,778
Main extension reimbursement payable	(125,326)
Accrued compensated absences	(2,976)
Cash Flows from Operating Activities	$662,628
NONCASH TRANSACTIONS	
Capital contributions	$50,000
Amortization of deferred amount on refunding	($9,678)
Change in debt service reserve held by CCWA	$8,107

See accompanying notes to financial statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

Diablo Water District (District) was formed and exists under, and by virtue of, the County Water District Law of the State of California, Division 12 of the Water Code (§§30000-33901).

The District is governed by a Board of Directors consisting of five members, one of whom is annually elected President. The General Manager – Secretary is appointed by the Board pursuant to §30540 of the Water Code.

Diablo Water District changed its name from Oakley Water District on May 1, 1993.

The District's revenue is generated by direct collection of water usage charges from approximately 10,000 households located within the District's service area.

B. Basis of Presentation

The District's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. Basis of Accounting and Measurement Focus

The District accounts for all transactions in a single enterprise fund, which is a separate set of self-balancing accounts that comprise assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position display information about Diablo Water District. Eliminations have been made to minimize the double counting of internal activities. Enterprise fund activities are financed in whole or in part by fees charged to external parties.

Enterprise fund operating revenues are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Enterprise funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets, liabilities and deferred outflows/inflows of resources (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

E. Compensated Absences

Compensated absences comprise unused vacation and compensatory time off and are recorded as an expense when earned. The accrued liability for unused compensated absences is computed using current employee pay rates. Sick pay does not vest and is not accrued.

The changes in compensated absences were as follows for fiscal year ended June 30, 2014:

Beginning Balance	$29,969
Additions	63,920
Payments	(66,896)
Ending Balance	$26,993
Current Portion	$5,399

Although accrued and unused sick leave may be carried over to, and used during, subsequent years, as discussed above, sick pay does not vest which means no payment shall be made for unused sick leave on termination of employment. However, upon retirement, employees may convert unused sick leave to credited service time in accordance with the provisions of the District's retirement plan with the California Public Retirement System.

F. Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

Any differences between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

The deferred charge on refunding was previously reported as a component of the long-term debt balance. With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, the balance of deferred charge on refunding is to be reported as a deferred outflow or deferred inflow, as applicable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

A. *Policies*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

The District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the District employs the Trust Department of a bank as the custodian of certain District managed investments, regardless of their form.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

For purposes of the statement of cash flows the District defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition.

The District is in compliance with the Board approved Investment Policy and California Government Code requirements.

B. *Classification*

The District's cash and investments consist of the following at June 30, 2014:

	Amount
Cash and cash equivalents	$906,832
Investments	8,710,996
Restricted cash and investments with fiscal agent	3,531,056
Total District cash and investments	$13,148,884

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the District's Investment Policy

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None	N/A
U.S. Treasury Obligations	5 years	None	None	N/A
State of California Obligations	5 years	None	None	N/A
California Local Agency Obligations	5 years	None	None	N/A
U.S. Agency Obligations	5 years	None	None	N/A
Bankers Acceptances	180 days	None	40%	30%
Commercial Paper	270 days	A-1/P-1/F-1	25%	10%
Negotiable Certificate of Deposit	5 years	None	30%	N/A
Repurchase Agreements	1 year	None	None	N/A
Reverse Repurchase Agreements	92 days	None	20%	N/A
Securities Lending Agreements	92 days	None	20%	N/A
Medium-Term Notes	5 years	A	30%	N/A
Mutual Funds	N/A	Highest Rating Category	20%	10%
Money Market Funds	N/A	Highest Rating Category	20%	10%
Collateralized Bank Deposits	5 years	None	None	N/A
Mortgage-Pass Through Securities	5 years	AA	20%	N/A
Time Deposits	5 years	None	None	N/A
County Pooled Investment Funds	N/A	None	None	N/A
Joint Powers Authority Pool	N/A	None	None	N/A
Local Agency Investment Fund	N/A	None	$50 million per acct	$50 million per acct
California Asset Management Program (CAMP)	N/A	None	None	N/A

D. Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statute. In addition to the authorized investments of the District listed above, the table below identifies additional investment types that are authorized for investments held by fiscal agents.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations	N/A	N/A
U.S. Government Sponsored Enterprises	N/A	N/A
U.S. Agency Obligations	N/A	A
State and Municipal Bonds	N/A	Two Highest Standard and Poor Rating Categories
Certificates of Deposit	N/A	A
Unsecured Certificates of Deposit	N/A	A-1
FDIC Insured Deposits	N/A	N/A
Investment Agreements	N/A	A
Pre-refunded Municipal Obligations	N/A	AAA
Commercial Paper	N/A	Highest Standard and Poor's Rating Category
Banker's Acceptances	1 year	Highest Standard and Poor's Rating Category
Money Market Mutual Funds	N/A	AAm, AAAm or AAAm-G
Local Agency Investment Fund	N/A	N/A
Corporate Notes	N/A	A

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call date:

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Type	12 Months or less	13 to 24 Months	25 to 36 Months	Total
District Investments				
California Local Agency Investment Fund	$7,423,530			$7,423,530
Negotiable certificates of deposit	687,551	$231,511	$368,404	1,287,466
Investments with Fiscal Agents				
Money market mutual funds	9,400			9,400
Negotiable certificates of deposit	501,979		291,677	793,656
Total Investments	$8,622,460	$231,511	$660,081	9,514,052
Cash with fiscal agents				2,728,000
Cash in banks and on hand				906,832
Total Cash and Investments				$13,148,884

The District is a participant 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 District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014, these investments matured in an average of 232 days.

Money market funds are available for withdrawal on demand and at June 30, 2014, matured in an average of 44 days.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's actual rating of its money market mutual funds as of June 30, 2014 as provided by Standard and Poor's was AAAm. The California Local Agency Investment Fund and the negotiable certificates of deposit were not rated.

NOTE 3 – ACCOUNTS RECEIVABLE

A. Customer Accounts Receivable

The District bills water consumption on a cycle billing method. Cycle billing results in an amount of services rendered but not yet billed at year-end. The District has recorded this revenue by estimating the unbilled amount. The estimate was calculated by using the billings subsequent to the balance sheet date (June 30) and calculating the amount of service provided prior to June 30. This calculated amount is included in accounts receivable. The Board approved turning accounts over to a collection agency at the discretion of the General Manager. Accounts are written off when approved by the Board. The balance of customer accounts receivable at June 30, 2014 was $462,952.

B. Delta Mutual Agreement

Effective October 15, 1999, the District entered into a service agreement with Delta Mutual Water Company. The agreement provides for the performance of services by the District required to continue the operation and maintenance of Delta Mutual's water treatment and distribution system. The District bills approximately 120 customers of Delta Mutual semiannually. Upon receipt of payment, the District transmits the proceeds to Delta Mutual. In addition to handling collection, the District bills Delta Mutual monthly for repairs, maintenance, testing, inspection and actual costs, including materials, contractor payments, personnel and vehicle costs and overhead in accordance with the Hour Rates Schedule contained in the agreement.

For the year ended June 30, 2014, the District billed Delta Mutual Customers $37,320 and of this amount, $15,988 was included in accounts receivable at the end of the fiscal year.

The District billed Delta Mutual Water Company $13,853 for the District's expenses and overhead for the fiscal year. There remains a receivable of $2,803 for unreimbursed District expenses as of June 30, 2014.

NOTE 3 – ACCOUNTS RECEIVABLE (Continued)

C. Sandhill Delta Mutual Agreement

The State of California Department of Health declared water wells in the Sandhill area (approximately 56) contaminated and hazardous to health for human consumption. As a Safe Drinking Water emergency project, the District annexed the area. A twelve inch water main from Laurel Road south to Bolton Road, including Ray Avenue, Malicoat Avenue, Douglas Road and Hill Avenue, was constructed to provide domestic water supply and eliminate the use of the existing nitrate impacted private wells.

The District entered into a contract between the State of California Department of Water Resources for a loan of $275,500, payable over 35 years, to finance the construction of the pipeline. An assessment on each parcel for construction costs and connection fees was assessed through the Contra Costa County property tax roll via the Sandhill Oakley Assessment District (OAD).

On June 1, 2005, the District paid the remaining loan balance of $199,772. This enabled the District to get a better Bond Rating which gave the District a lower interest rate for the financing of the Glen Park Well System.

The total collected from the property owners through the Contra Costa County property tax roll in fiscal year 2014 was $15,526, including interest and administrative fees of $7,079, and the remaining balance due from the property owners as of June 30, 2014 was $65,056.

NOTE 4 – CAPITAL ASSETS

A. Policies

Property, plant and equipment are stated at cost. The District capitalizes all assets with a historical cost of at least $5,000 and a useful life of at least three years. The cost of additions to utility plant and major replacements of property are capitalized. Capitalized costs include material, direct labor, transportation and such indirect items as engineering, supervision, employee fringe benefits and interest on net borrowed funds related to plant under construction. Contributed property is recorded at estimated fair market value at the date of donation. Repairs, maintenance and minor replacements of property are expensed.

The purpose of depreciation is to spread the cost of capital assets 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 depreciable capital assets.

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation of all capital assets in service, excluding land, 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.

Capital assets are depreciated using the straight line method of depreciation, which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

	Useful Lives
Randall-Bold Water Treatment Plant	5 - 50
Office Equipment	3 - 5
Transmission and Distribution	5 - 50
General Plant	5 - 50
Infrastructure	25 - 75

B. *Current Year Activity*

Capital assets balances and activity are summarized below:

	Balance June 30, 2013 (as restated, Note 6B)	Additions	Balance June 30, 2014
Capital assets not being depreciated:			
Land	$2,733,489	$1,000	$2,734,489
Construction in progress		461,338	461,338
Total capital assets not being depreciated	2,733,489	462,338	3,195,827
Capital assets being depreciated:			
Randall-Bold plant	23,300,926	217,030	23,517,956
Office equipment	402,990		402,990
Transmission and Distribution	4,712,522	181,387	4,893,909
General plant	2,051,468	64,167	2,115,635
Infrastructure	37,604,887	50,000	37,654,887
Total capital assets being depreciated	68,072,793	512,584	68,585,377
Less accumulated depreciation for:			
Randall-Bold plant	(12,743,191)	(552,810)	(13,296,001)
Office equipment	(360,259)	(18,262)	(378,521)
Transmission and Distribution	(2,602,762)	(88,584)	(2,691,346)
General plant	(1,247,365)	(70,765)	(1,318,130)
Infrastructure	(5,090,584)	(993,556)	(6,084,140)
Total accumulated depreciation	(22,044,161)	(1,723,977)	(23,768,138)
Net capital assets being depreciated	46,028,632	(1,211,393)	44,817,239
Capital assets, net	$48,762,121	($749,055)	$48,013,066

NOTE 5 – LONG-TERM LIABILITIES

A. *Composition and Changes*

The District generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The District's long-term liabilities and transactions are summarized below and discussed in detail thereafter.

	Authorized and Issued	Balance June 30, 2013 (as restated, Note 6B)	Additions and Adjustments	Retirements	Balance June 30, 2014	Current Portion
CCWA Water Treatment Revenue Refunding Bonds, 2012 Series A, 1.0 - 3.0%	$8,143,700	$7,278,903	$8,107		$7,287,010	$674,500
2010 Water Revenue Certificates of Participation, 2.0 - 5.0%	4,200,000	3,860,000		$115,000	3,745,000	120,000
2013 Water Revenue Certificates, 2.0 - 3.7%	6,670,000	6,670,000		80,000	6,590,000	80,000
County Retirement Plan Termination	3,985,036	1,381,285		154,061	1,227,224	154,061
Administrative Facilities and Reservoir #1 Interior Recoating Loan, 3.3%	2,733,000		2,733,000		2,733,000	95,624
Total Long-Term Liabilities	$25,731,736	$19,190,188	$2,741,107	$349,061	$21,582,234	$1,124,185

B. *Description of the District's Long Term Debt Issues*

Contra Costa Water Authority – On May 24, 1989, the District signed a Joint Exercise of Power Agreement with the Contra Costa Water District (CCWD) to form the Contra Costa Water Authority (CCWA) for the purpose of financing, constructing, owning and operating a joint water treatment plant. The CCWA is governed by a five-member Board of Directors that is comprised of Directors of the CCWD. The District's share of the capital costs of the plant, which was completed on July 7, 1992, was $16,454,516, plus construction period interest of $2,106,570. The District's 35.5% share of the construction cost will be paid in semiannual payments over a period of 30 years to the CCWD, which will pay principal and interest on revenue bonds issued by the CCWA to finance the project. The original bond issue was called and reissued in 1993. The revenue bonds financing the cost of the treatment plant were sold at competitive bid on July 18, 2012 and refinanced with the issuance of the Water Treatment Revenue Refunding Bonds, 2012 Series A.

The District's total liability is partially offset by the application of a reserve account held by the CCWA which will be applied to the last payment due in the year 2020. The balance in the reserve account decreased $8,107 during fiscal year 2014 which resulted in an increase in the District's outstanding liability, and the ending balance of the reserve account at June 30, 2014 was $856,690.

Interest is payable semiannually on April 1 and October 1 and principal payments are due annually on October 1 through 2020. A portion of the repayment of the liability will come from Facilities Reserve revenues and the balance will come from operating funds.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Each year, the Contra Costa Water District issues a reconciliation statement for the District's actual share of the expenses related to the Randall-Bold Water Treatment Plant (RBWTP). The District's actual expenses for its share of expenses for the operation of the RBWTP for the year ended June 30, 2014 were $1,300,595.

2010 Water Revenue Certificates of Participation – During fiscal year 2009/2010, the District issued the 2010 Water Revenue Certificates of Participation (2010 COPs) in the principal amount of $4,200,000. The 2010 COPs were used to finance a new well system (Stonecreek). Interest is payable semiannually on January 1 and July 1 and principal payments are due annually on January 1 through 2035.

2013 Series Certificate Water Revenue Bonds – During fiscal year 2004/2005, the District issued $7,500,000 of Series 2005 Water Revenue Certificates to finance improvements to the District's water system, including the Glen Park well system, blending facility, and the relocation of a 24-inch water line as a result of BNSF Railway installing a second track that would be located over the water line. The Series 2005 Certificates were refunded in April 2013 from proceeds of the issuance of the 2013 Water Revenue Certificates of Participation (2013 COPs). The District Board approved Resolution 2013-6 pursuant to which proceeds from the 2013 COPs could be used by the District to repay a side fund liability due to CalPERS (see Note 7). Interest is payable semiannually on January 1 and July 1 and principal payments are due annually on January 1 through 2030.

County Retirement Termination Agreement – The District terminated its participation in the Contra Costa County Employees Retirement Association (CCCERA) effective September 30. 2005. Pursuant to its funding obligation upon termination, the District entered into a termination agreement with CCCERA under which the District agreed to pay the costs associated with its share of any unfunded actuarial liability that is attributable to the officers and employees of the District that either were retired or will retire under the CCCERA. The District's initial termination funding obligation was $3,985,036 as of September 30, 2005, but it is subject to periodic recomputation and adjustment no less than every three years. The most recent computation as of December 31, 2012 indicated a remaining net termination liability of $1,381,285 as of that date. The obligation is amortized over 15 years with annual installment payments. The final settlement date for the obligation will occur when the CCCERA's actuary determines that the remaining termination liability is below 20% of the value of the initial termination funding obligation.

Administrative Facilities and Reservoir #1 Interior Recoating Loan – During fiscal year 2014, the District entered into a loan agreement with Holman Capital Corporation to finance the construction of a new administrative facilities building and the interior recoating of reservoir #1. The loan bears an interest rate of 3.3%. Principal and interest payments on the loan are due semi-annually on each June 30 and December 31 commencing on December 31, 2014 through 2021.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

C. *Debt Service Requirements*

Annual debt service requirements are shown below for all long-term obligations except the County Retirement Plan Termination Agreement obligation, because the ultimate repayment terms of the County Retirement cannot be determined at this time as discussed above:

Year ending June	Principal	Interest	Total
2015	$970,124	$587,327	$1,557,451
2016	1,671,605	567,358	2,238,963
2017	1,882,318	539,832	2,422,150
2018	1,909,914	510,161	2,420,075
2019	1,948,274	824,440	2,772,714
2020-2024	6,872,775	1,488,955	8,361,730
2025-2029	3,175,000	745,564	3,920,564
2030-2034	1,655,000	226,190	1,881,190
2035	270,000	6,750	276,750
Total	$20,355,010	$5,496,577	$25,851,587

NOTE 6 – NET POSITION

A. *Net Position*

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position is divided into three captions described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. The District reports the following balances restricted for:

Debt Service – are funds restricted for the payment of debt service on the District's outstanding 2010 and 2013 Water Revenue Certificates of Participation.

Facilities Reserve Charges – are funds restricted from new connections to the District's water system as well as the interest earned on the facilities reserve fund to those uses of water connection fees and capacity charges that are authorized by law. Per Regulation 3, these uses may include, but are not limited to, "payment of the costs of planning, designing, and construction facilities that increase the District's water supply or the capacity of its water treatment, storage and distribution system; for payment of principal and interest on indebtedness incurred for said facilities; and for payment expenses of enlarging or relocating facilities to accommodate growth of the District."

Unrestricted describes the portion of Net Position which is not restricted to use.

NOTE 6 – NET POSITION (Continued)

B. Restatements of Net Position

During fiscal year 2014, the District restated beginning net position which is summarized in the following table and discussed in detail below:

Beginning balance as previously reported		$26,989,668
Restatements:		
Deferred compensation investment		(388,024)
Deferred compensation payable		388,024
Cash in CERBT		(839,334)
Net OPEB asset		488,151
Prepaid CalPERS side fund		(911,434)
Capital assets		16,764,331
Bond financing costs		(2,259,394)
Compensated absences		(29,969)
CCWA Bonds		864,797
CCCERA Obligation		(1,381,285)
Various accruals:		
Customer accounts receivable	($56,409)	
Sandhill accounts receivable	(6,303)	
Accounts payable	42,906	
Developer's admin / engineering / inspection deposits payable	17,062	
Substandard street deposits payable	143	
Accrued payroll and related expenses	48,166	
Subtotal, various accruals		45,565
Beginning balance, as restated		$39,731,096

Deferred Compensation Investment and Deferred Compensation Payable – The District's deferred compensation plan was amended in 1997 to implement requirements that the plan assets be held in trust for the exclusive benefit of plan participants and their beneficiaries. Therefore, in fiscal year 2014, the District removed and restated the balance of the Deferred Compensation Investment and Payable as of July 1, 2013, both in the amount of $388,024.

Cash in CERBT and Net OPEB Asset – The District participates in and made a deposit with the California Employers Retirees Benefit Trust (CERBT) in fiscal year 2010. During that fiscal year, the District should have also implemented the provisions of Governmental Accounting Board Statement No. 45 in fiscal year 2010 under which the difference between the District's contributions to its OPEB Plan (via contributions to a Trust or payments for retiree healthcare premiums) and the actuarially required contributions are recorded as a Net OPEB Asset or Net OPEB Liability, rather than the assets in the CERBT Trust. Therefore, in fiscal year 2014, the District removed the balance of the investment in the CERBT Trust of $839,334 as of July 1, 2013 and instead recalculated and recorded the Net OPEB Asset in the amount of $488,151 as of July 1, 2013.

NOTE 6 – NET POSITION (Continued)

Prepaid CalPERS Side Fund – The District paid off the CalPERS side fund in fiscal year 2013 and had recorded the payment as a prepaid expense. However, the payoff of the CalPERS Side Fund represents a liability that had been established when the District had joined the State-wide pension pool in fiscal year 2007. Therefore, the balance of the prepaid CalPERS side fund in the amount of $911,434 as of July 1, 2013 has been removed and fund balance restated in that amount.

Capital Assets – Governmental Accounting Board Statement No. 34 requires that infrastructure be capitalized beginning in fiscal year 2003. During fiscal year 2014, the District determined that developer dedicated infrastructure over those fiscal years in the amount of $18,802,000 and associated accumulated depreciation in the amount of $2,028,339 had not been recorded in the general ledger. Therefore, the balance of capital assets and accumulated depreciation have been increased and restated in those amounts as of July 1, 2013, along with an additional minor correction in the amount of $9,330.

Bond Financing Costs - A provision of GASB Statement No. 65 requires that bond issuance costs, other than prepaid insurance, be expensed in the year incurred. As a result of the implementation of the provisions of the Statement in fiscal year 2014, bond issuance costs as of July 1, 2013 in the amount of $2,259,394 have been removed and net position has been reduced and restated in that amount as of July 1, 2013.

Compensated Absences – During fiscal year 2014, the District determined that unpaid compensated absences balances had not been recorded in the general ledger. The District calculated and recorded the outstanding balance and the balance of compensated balances has been increased and restated in the amount of $29,969 as of July 1, 2013.

CCWA Bonds – During fiscal year 2014, the District determined that the balance of District's liability for the Water Treatment Revenue Refunding Bonds, 2012 Series A should be reported net of the balance in the reserve account for the Bonds held by CCWA. Therefore, the liability for the Bonds has been reduced and restated in the amount of $864,797 as of July 1, 2013.

Contra Costa County Employees Retirement Association (CCCERA) Obligation – During fiscal year 2014, the District determined that the liability for terminating its participation in the CCCERA retirement plan in fiscal year 2006 should have been recorded in the general ledger. Therefore the liability in the amount of $1,381,285 has been recorded and restated in that amount as of July 1, 2013.

Customer Accounts Receivable, Sandhill Accounts Receivable, Accounts payable, Developer's Admin / Engineering / Inspection Deposits Payable, Substandard Street Deposits Payable and Accrued Payroll and Related Expenses –During fiscal year 2014, the District analyzed various account balances and corrected minor reporting errors in the prior fiscal year and those balances have been restated in the net amount of $45,565 as of July 1, 2013.

NOTE 6 – NET POSITION (Continued)

C. Minimum Balance Policies

The District established minimum balances for certain components of net position as follows:

General reserve equal to one quarter of operations income or $2,250,000, that is comprised of $600,000 for general cash shortfalls, $650,000 for emergency purposes and $1,000,000 for rate stabilization.

Facilities reserve cash shortfalls due to reduced hookups of 140 per year for three years, or $1,800,000.

Infrastructure replacement equal to 5% of the replacement cost of large depreciated assets or $1,400,000.

The above balances are included in unrestricted net position.

NOTE 7 – EMPLOYEES' RETIREMENT SYSTEM

A. Pension Plan

During fiscal year ended June 30, 2006, the District changed its retirement plan from Contra Costa County Employees Retirement Association (CCCERA) to California Public Employees Retirement System (CALPERS). All District employees are eligible to participate in pension plans offered by CALPERS, an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The District's employees participate in the Miscellaneous Employee Plan. Benefit provisions under the Plan are established by State statute and District resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CALPERS; the District must contribute these amounts. The Plan's provisions and benefits in effect at June 30, 2014, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Minimum Retirement age	50 -55	52 - 67
Monthly benefits, as a % of annual salary	2%-2.7 %	1.0% - 2.5%
Required employee contribution rates	8%	6.50%
Required employer contribution rates	16.867%	6.70%

NOTE 7 – EMPLOYEES' RETIREMENT SYSTEM (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the District must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability.

The District uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$331,698	100%	$0
June 30, 2013	297,700	100%	0
June 30, 2014	175,750	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are amortized over a rolling thirty year period.

As required by State law, effective July 1, 2005, the District's Miscellaneous Employee Plan was terminated, and the employees in the Plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry to this pool was that the District true-up any unfunded liability in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The District satisfied its Plan's unfunded liability by making a lump sum contribution of $1,052,161 on March 1, 2013.

NOTE 7 – EMPLOYEES' RETIREMENT SYSTEM (Continued)

The schedule of funding progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pool is shown below:

	Actuarial (In thousands)					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2010	$2,297,871,345	$1,815,671,616	$482,199,729	79.0%	$434,023,381	111.1%
2011	2,486,708,579	1,981,073,089	505,635,490	79.7%	427,300,410	118.3%
2012	2,680,181,441	2,178,799,790	501,381,651	81.3%	417,600,034	120.1%

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS

A. *Plan Provisions*

Full-time employees who retire from the District after at least 10 years of service are eligible to receive health care benefits covering themselves and any qualified family members. The District pays 100% of the premiums for both retiree and eligible family member for all retirees until the retiree reaches age 65. Once the retiree reaches age 65, a percentage of the health care benefits for said retirees is covered based on years of service for either the Medicare Prime Plan or the Kaiser Senior Advantage Plan, and eligible family members are offered health benefits at the retired employee's expense. As of June 30, 2014, there were seven participants receiving these health care benefits.

The District joined the California Employers Retirees Benefit Trust (CERBT), an agent multiple-employer plan, consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. CERBT is administrated by CALPERS, and is managed by an appointed board not under the control of the District's Board of Directors. This Trust is not considered a component unit by the District and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

B. *Funding Policy and Actuarial Assumptions*

The District's policy is to prefund these benefits by accumulating assets with CERBT discussed above. The annual required contribution (ARC) for the year ended June 30, 2014 was determined as part of a June 30, 2011 alternative measurement method calculation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The assumptions used included (a) 7.61% discount rate, (b) 3.50% projected annual salary increase, and (c) 5.50% - 7.50% health inflation increases for fiscal years 2013 through 2016 and 5.50% thereafter. The health care cost trend rate is the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially or alternative measurement methods determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed 30 year amortization period.

C. *Funding Progress and Funded Status*

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2014, the District contributed $71,593 to the Plan, representing pay-as-you-go premiums, and received a reimbursement from the CERBT Trust for those premiums in the amount of $69,010. As a result, the District has calculated and recorded the Net OPEB Asset, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution	$17,587
Interest on Net OPEB Obligation	(37,832)
Adjustment to annual required contribution	54,402
Annual OPEB cost	34,157
Pay as you go (premiums paid)	(71,593)
Reimbursement from CERBT Trust	69,010
Change in Net OPEB obligation	31,574
Net OPEB obligation (asset) June 30, 2013 (as restated, Note 6B)	(488,151)
Net OPEB obligation (asset) June 30, 2014	**($456,577)**

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the alternative measurement method calculation dated July 1, 2013, amounted to $542,504. The AAL is fully funded, since assets have been transferred to CERBT. The District's prior year contributions, along with investment income, net of current year premiums reimbursed to the District, resulted in assets with CERBT of $928,339 as of June 30, 2014.

The Plan's annual OPEB cost and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$30,882	$54,416	176%	($519,153)
6/30/2013	33,516	2,514	8%	(488,151)
6/30/2014	34,157	2,583	8%	(456,577)

The Schedule of Funding Progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the alternative measurement calculations is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2010	$651,497	$495,527	$155,970	131.48%	$1,070,823	14.57%
6/30/2011	812,993	617,481	195,512	131.66%	1,041,628	18.77%
7/1/2013	839,334	542,504	296,830	154.71%	1,053,982	28.16%

NOTE 9 – DEFERRED COMPENSATION

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 benefit 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 have been excluded from these financial statements.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District has purchased the commercial insurance coverage for risks of loss except worker's compensation through East Bay Insurance Agency, the Districts' selected insurance broker/consultant. During the fiscal year ended June 30, 2014 the District paid $90,650 for current year coverage.

The District participates in the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool, for worker's compensation coverage. The purpose of ACWA/JPIA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expense. During the fiscal year which ended June 30, 2014, the District paid $23,029 for current year coverage.

The following types of loss risks are covered by the commercial insurance policies and ACWA/JPIA as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability ($0)	$1,000,000
Excess Liability ($1,000,000)	$10,000,000
Property ($1,000)	Replacement cost up to aggregate of $14,243,606
Inland Marine Tools and Equipment ($500)	$10,000
Auto Liability ($500)	$1,000,000
Public Officials and Management Liability ($0)	$1,000,000
Crime Coverage ($250)	Various sublimits to $250,000
Cyber Liability ($0)	$1,000,000
Worker's Compensation ($2,500)	Statutory Limit
Worker's Compensation - Employer's Liability ($2,500)	$2,000,000

Liabilities under these programs are accrued and charged to expense when the claims are reasonably determinable and when the existence of the District's liability is probable. The District did not have any outstanding claims as of June 30, 2014.

The District has not incurred a claim that has exceeded its insurance coverage limits in any of the last three years.

NOTE 11 – MAIN EXTENSION REIMBURSEMENT PAYABLE

Regulation #3 of the District sets forth the connection charges and reimbursements for certain main extensions. In general terms, this Regulation requires the applicant to pay to the District a facilities reserve charge and a main extension reimbursement assessment, and to advance to the District its costs of materials, labor, engineering and administration.

The District reimburses eligible applicants over a 10-year period without interest for extensions and enlargements of the District's pipeline facilities. The reimbursement is paid in July of each year following acceptance of the facilities by the District. The maximum amount of reimbursement cannot exceed 10% of the originally established potential reimbursement amount. If the 10% liability is under $5,000, then $5,000 will be paid annually until the liability is paid off. This policy is subject to the availability of sufficient funds in the District's Main Extension Reimbursement Assessment (MERA) account.

During fiscal year 2014, the District made reimbursement payments totaling $153,508 and as of June 30, 2014 the balance of future amounts payable to eligible applicants was $595,849. The District records the collection of the MERA in a separate account and the balance available for future reimbursement payments as of June 30, 2014 was $281,596, which has been recorded as a liability. The difference of $314,253 has not been recorded as a liability, because it is only payable upon the availability of funds in the MERA account.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is subject to litigation arising in the normal course of business. In the opinion of District staff, there is no presently filed litigation which is likely to have a material adverse effect on the financial position of the District.

B. Substandard Street Deposit Liability

Developers are required to deposit with the District the estimated cost of relocating pipelines in substandard streets. The District has deposited $10,957 received in 1989 from the developers of Laurel Woods in an interest-bearing account. If the costs exceed the amount on deposit, the developer will be required to reimburse the District. If the costs are less than the amount on deposit, the District will refund the excess to the developer. The amount on deposit, together with accrued interest, was $23,542 as of June 30, 2014.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

C. Operating Lease

The District leases office space at 2107 Main Street in Oakley, California through a lease agreement with Cypress Square – S&R Associates. The agreement provides for monthly lease payments of $5,084 through April 2014 at which time the lease payments increase to $5,305 per month until the expiration of the lease agreement. The District has the ability to cancel the lease at any time prior to the lease expiration in April 2015.

D. Brentwood Pump Station

The District entered into an agreement with the City of Brentwood (City) on September 18, 1996 for the construction of a water main on Empire Avenue connecting the City's distribution system to the District's. The purpose of the agreement was to enable the District to wheel water treated for potability at the Randall-Bold Water Treatment Plant to the City of Brentwood.

Construction costs were borne by the City and the project was completed in October of 1997. The District reads the meter on the last working day of each month and delivers a copy of the reading to the City.

Under the terms of the original agreement, the District is not obligated to transport water after December 31, 2003. Commencing the same date, the District was obligated to pay 90% of Brentwood's constructions costs up to a maximum of $585,000 in ten equal annual installments without interest. The agreement was amended on October 25, 2000. The service areas located south of Neroly Road and Delta Road ("overlap areas") will be serviced by the City. The ten annual installments were reduced to six with payments starting in 2008 through 2013, and the District made the final payment in fiscal year 2013.

For connections in the overlap areas, the City pays a connection fee subject to annual increases per the Construction Cost Index.

NOTE 13 – SUBSEQUENT EVENTS

The District awarded the construction contract for its new administrative office building in June 2014 for an amount not to exceed $1,631,567, plus contingencies. Construction of the building began in July 2014.

The District awarded the contracts for the recoating and associated inspection of Reservoir No. 1 project in September 2014 in amounts not to exceed $403,069.

Subsequent to the fiscal year end, the District discovered sand in the Glen Park well. The well was shut down and an investigation into the cause has started, but it is too early to estimate the cost of repairs to the well.

Also subsequent to the fiscal year end, the ACWA/JPIA indicated that the District's Beacon West tanks had pressure relief valves that required replacement and the tanks should either be inspected and rated or replaced. The District replaced the pressure relief valves, but has determined that replacing the tanks is the more viable option, at a cost of approximately $65,000. However, the Beacon West water system lacks the funds to replace the tanks, so the District is pursuing grant funds for the project.

The District declared a Water Shortage Emergency in May 2015, amending sections 5.9.2.2 and 5.9.2.3 of the District's Water Shortage Contingency Plan contained within its 2010 Urban Water Management Plan and amending the District's Drought Emergency Regulation No. 9. The Plan requires a mandatory reduction of water use by its customers to achieve an overall 28 percent reduction of 2013 water use in the entire District

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SUPPLEMENTAL INFORMATION

DIABLO WATER DISTRICT
SCHEDULE OF CHANGES TO NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Allocations to		
	Operations	Facilities Reserve	District Total
BEGINNING BALANCES - JUNE 30, 2013, AS RESTATED			
Cash and investments	$5,999,834	$3,920,541	$9,920,375
Non-cash assets, net of liabilities	29,810,721		29,810,721
Total Net Position	35,810,555	3,920,541	39,731,096
Net Income (Loss) After Depreciation	(27,725)		(27,725)
EXPENSE AND REVENUE ALLOCATIONS:			
Payments for CCWA Bond	71,337	(71,337)	
Payments for 2010 well bond	161,256	(161,256)	
Payments for 2013 well bond	132,714	(132,714)	
Payment for 2014 building loan	2,138	(2,138)	
Facilities reserve expenses:			
Engineering	26,097	(26,097)	
Legal	21,615	(21,615)	
County collection fees	739	(739)	
Salaries	186,721	(186,721)	
Employee benefits	72,425	(72,425)	
Ground water exploration	2,625	(2,625)	
Asset management system	39,525	(39,525)	
Facilities reserve revenues:			
Developer fees	(1,050,394)	1,050,394	
Interest income	(6,386)	6,386	
Sandhill tax assessment fees	(7,079)	7,079	
Net Income (Loss) After Allocations	(374,392)	346,667	(27,725)
ENDING BALANCES - JUNE 30, 2014			
Cash and investments	9,534,763	4,267,208	13,801,971
Non-cash assets, net of liabilities	25,901,400		25,901,400
Total Net Position	$35,436,163	$4,267,208	$39,703,371
NET POSITION COMPONENTS OF ENDING BALANCES - JUNE 30, 2014			
Net investment in capital assets	$31,189,112		$31,189,112
Restricted for debt service	149,969	$653,087	803,056
Restricted for facilities reserve charges		3,614,121	3,614,121
Unrestricted net position	4,097,082		4,097,082
Total Net Position	$35,436,163	$4,267,208	$39,703,371

DIABLO WATER DISTRICT
SCHEDULE OF CASH AND INVESTMENTS AVAILABLE FOR OPERATIONS
JUNE 30, 2014

CASH AND INVESTMENTS - JUNE 30, 2014

Cash in bank - general checking	$323,445
Cash in bank - money market	108,620
Cash in bank - maintenance bond	417,500
Cash in bank - payroll tax deposit	100
Cash in bank - investments	31,050
Cash on hand	2,575
Investments - Local Agency Investment Fund	7,423,530
Investments - Negotiable Certificates of Deposit	1,287,466
Series 2010 Bonds	297,257
Series 2013 Bonds	505,799
2014 Loan	2,728,000
Cash in bank - Laurel Woods	23,542
Total cash and investments	13,148,884
LESS RESTRICTED FUNDS:	
Series 2010 Bonds	297,257
Series 2013 Bonds	505,799
2014 Loan	2,728,000
Facilities reserve	3,614,121
Main extension reimbursement	281,596
Developer's admin/engineering/inspection deposits	209,475
Customer deposits	202,790
Hydrant deposits	4,750
Knightsen customer deposits	300
Maintenance bonds	417,500
Payroll tax deposit	100
South Park well system	183,727
Knightsen well system	(35,676)
Beacon West well system	44,279
Willow Park Marina well system	129,548
Rock Island well system	121,269
Laurel Woods account	23,542
Total restricted funds	8,728,377
LESS DESIGNATED FUNDS:	
Rate stabilization fund	1,000,000
Total designated funds	1,000,000
Cash and Investments Available for Operations	$3,420,507

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STATISTICAL SECTION

DIABLO WATER DISTRICT
COMPARATIVE SCHEDULE OF
NET INCOME AND WATER REVENUE
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2013-2014	2012-2013	Difference
Net Income:			
Water sales	$8,172,067	$7,840,561	$331,506
Operating expenses	(7,730,439)	(7,817,460)	87,021
Depreciation	(1,723,977)	(1,324,283)	(399,694)
Net operating income (loss)	(1,282,349)	(1,301,182)	18,833
Interest and other income	409,643	1,215,378	(805,735)
Interest on bonds and other expenses	(504,055)	(877,289)	373,234
Capital contributions	1,349,036	0	1,349,036
Net income (loss)	**(27,725)**	**(963,093)**	**935,368**
Add back depreciation	1,723,977	1,324,283	399,694
Net income before depreciation	**$1,696,252**	**$361,190**	**$1,335,062**

	2013-2014	2012-2013	Difference
Water Revenue:			
Residential and business	$8,039,409	$7,783,200	$256,209
Industrial	132,658	57,361	75,297
Total operating revenue	**$8,172,067**	**$7,840,561**	**$331,506**