Diablo Water District

Oakley, California

Annual Financial Report

For the Years Ended June 30, 2017 and 2016

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Diablo Water District

For the Year Ended June 30, 2017

BOARD OF DIRECTORS

Edward Garcia	**President**
Kenneth L. Crockett	**Vice President**
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Howard Hobbs	**Director**
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Jeffrey D. Polisner	**General Counsel**

Diablo Water District
Annual Financial Report
For the Years Ended June 30, 2017 and 2016

Table of Contents

Diablo Water District
Acronyms and Abbreviations Used in the Annual Financial Report
For the Years Ended June 30, 2017 and 2016

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

a.k.a	Also Known As
AB	Assembly Bill
ACWA/JPIA	Association of California Water Agencies/ Joint-Powers Insurance Authority
ARC	Annual Required Contribution
CalPERS	California Public Employee's Retirement System
CAMP	California Asset Management Program
CCCERA	Contra Costa County Employee's Retirement System
CCWA	Contra Costa Water Authority
CCWD	Contra Costa Water District
COLA	Cost of Living Adjustment
COPs	Certificates-of-Participation
EARSL	Employees Average Remaining Service Lifetime
FNP	Fiduciary Net Position
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Government Accounting Standards Board
IBNR	Incurred But Not Reported
LAIF	Local Agency Investment Fund
MD&A	Management's Discussion & Analysis
MERA	Main Extension Reimbursement Account
NPL	Net Pension Liability
OAD	Oakley Assessment District
OPEB	Other Post-Employment Benefits
PEPRA	Public Employee's Pension Reform Act
PERF C	Public Agency Cost-Sharing Multiple-Employer Plan
PERL	Public Employee's Retirement Law
TPL	Total Pension Liability
U.S.	United States
UAAL	Unfunded Actuarial Accrued Liability

FINANCIAL SECTION

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Diablo Water District
Oakley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Diablo Water District (District), which comprise the balance sheets as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
of Diablo Water District
Oakley, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 10 and the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, the Schedule of the District's Contributions to the Pension Plan, and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 53 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The Schedules of Cash and Investments Available for Operations and the Schedules of Debt Service Net Revenues Coverage on pages 59 and 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, 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.

Walnut Creek, California
December 15, 2017

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*

Independent Auditors' Report

To the Board of Directors
of Diablo Water District
Oakley, California

We have audited, in accordance with the 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 balance sheets of Diablo Water District (District) as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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To the Board of Directors
of Diablo Water District
Oakley, California

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.

Walnut Creek, California
December 15, 2017

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Diablo Water District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2017, the District's net position decreased (2.61%) or ($960,211) from the prior year's net position of $36,741,323 to $35,781,112 as a result of this year's operations.
- In 2016, the District's net position decreased (1.95%) or ($732,824) from the prior year's net position of $37,474,147 to $36,741,323 as a result of this year's operations.
- In 2017, operating revenues increased by 10.45% or $757,703 from $7,247,950 to $8,005,653, from the prior year, primarily due to an increase in residential and business water sales of $692,555 due to an increase in water sales as the Governor of the State of California declared the California drought over on April 7, 2017 as well as a rate increase.
- In 2016, operating revenues decreased by (8.53%) or ($675,983) from $7,923,933 to $7,247,950, from the prior year, primarily due to a decrease in residential and business water sales of ($621,030) due to the California drought crisis that mandates water conservation measures.
- In 2017, operating expenses before depreciation expense increased by 11.10% or $766,920 from $6,906,409 to $7,673,329, from the prior year, primarily due to increases in source of supply – water purchases of $541,908 and transmission and distribution of $403,083 as a result of the increase in water sales.
- In 2016, operating expenses before depreciation expense decreased by (7.13%) or ($530,712) from $7,437,121 to $6,906,409, from the prior year, primarily due to decreases in source of supply – water purchases of ($145,146), water treatment of ($132,664) and transmission and distribution of ($277,985) as a result of the decrease in water sales.

Required Financial Statements

This annual report consists of a series of financial statements. The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Balance Sheet includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "*Is the District better off or worse off as a result of this year's activities*?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Condensed Balance Sheets

	June 30, 2017	June 30, 2016	Change	June 30, 2015	Change
Assets:					
Current assets	$ 6,165,806	$ 5,719,021	$ 446,785	$ 6,769,682	$ (1,050,661)
Non-current assets	4,701,401	5,531,121	(829,720)	5,560,186	(29,065)
Capital assets, net	44,482,149	46,554,500	(2,072,351)	48,464,116	(1,909,616)
Total assets	55,349,356	57,804,642	(2,455,286)	60,793,984	(2,989,342)
Deferred outflows of resources	895,400	558,845	336,555	340,572	218,273
Total assets and deferred outflows of resources	$ 56,244,756	$ 58,363,487	$ (2,118,731)	$ 61,134,556	$ (2,771,069)
Liabilities:					
Current liabilities	$ 3,793,102	$ 3,264,838	$ 528,264	$ 3,381,264	$ (116,426)
Non-current liabilities	16,592,883	18,182,402	(1,589,519)	19,863,886	(1,681,484)
Total liabilities	20,385,985	21,447,240	(1,061,255)	23,245,150	(1,797,910)
Deferred inflows of resources	77,659	174,924	(97,265)	415,259	(240,335)
Net position:					
Net investment in capital assets	28,755,881	28,967,633	(211,752)	29,791,928	(824,295)
Restricted	4,322,370	5,128,763	(806,393)	4,558,896	569,867
Unrestricted	2,702,861	2,644,927	57,934	3,123,323	(478,396)
Total net position	35,781,112	36,741,323	(960,211)	37,474,147	(732,824)
Total liabilities, deferred outflows of resources and net position	$ 56,244,756	$ 58,363,487	$ (2,118,731)	$ 61,134,556	$ (2,771,069)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by $35,781,112 and $36,741,323 as of June 30, 2017 and 2016, respectively.

By far the largest portion of the District's net position (80% as of June 30, 2017 and 79% as of June 30, 2016) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

At the end of fiscal years 2017 and 2016, the District showed a positive balance in its unrestricted net position of $2,702,861 and $2,644,927, respectively, which may be utilized in future years.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2017	June 30, 2016	Change	June 30, 2015	Change
Operating revenues	$ 8,005,653	$ 7,247,950	$ 757,703	$ 7,923,933	$ (675,983)
Operating expenses	(7,673,329)	(6,906,409)	(766,920)	(7,437,121)	530,712
Operating income before depreciation	332,324	341,541	(9,217)	486,812	(145,271)
Depreciation expense	(2,479,981)	(2,445,664)	(34,317)	(2,400,500)	(45,164)
Operating income(loss)	(2,147,657)	(2,104,123)	(43,534)	(1,913,688)	(190,435)
Non-operating revenues(expenses), net	(361,886)	(178,145)	(183,741)	(322,957)	144,812
Net loss before capital contributions	(2,509,543)	(2,282,268)	(227,275)	(2,236,645)	(45,623)
Capital contributions	1,549,332	1,549,444	(112)	1,438,312	111,132
Change in net position	(960,211)	(732,824)	(227,387)	(798,333)	65,509
Net position:					
Beginning of year	36,741,323	37,474,147	(732,824)	38,272,480	(798,333)
End of year	$ 35,781,112	$ 36,741,323	$ (960,211)	$ 37,474,147	$ (732,824)

The statement of revenues, expenses and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, the District's net position decreased by ($960,211) and ($798,333) for the fiscal years ended June 30, 2017 and 2016, respectively.

Total Revenues

	June 30, 2017	June 30, 2016	Increase (Decrease)	June 30, 2015	Increase (Decrease)
Operating revenues:					
Water sales – residential and business	$ 7,555,128	$ 6,862,573	$ 692,555	$ 7,483,603	$ (621,030)
Water sales – other	146,033	113,035	32,998	164,627	(51,592)
Other charges for services	304,492	272,342	32,150	275,703	(3,361)
Total operating revenues	8,005,653	7,247,950	757,703	7,923,933	(675,983)
Non-operating:					
Investment earnings	26,619	74,727	(48,108)	37,182	37,545
Rental revenue	106,940	92,342	14,598	75,132	17,210
Other non-operating revenues	57,628	46,268	11,360	93,949	(47,681)
Total non-operating	191,187	213,337	(22,150)	206,263	7,074
Total revenues	$ 8,196,840	$ 7,461,287	$ 735,553	$ 8,130,196	$ (668,909)

In 2017, operating revenues increased by 10.45% or $757,703 from $7,247,950 to $8,005,653, from the prior year, primarily due to an increase in residential and business water sales of $692,555 due to an increase in water sales as the Governor of the State of California declared the California drought over on April 7, 2017 as well as a rate increase.

In 2016, operating revenues decreased by (8.53%) or ($675,983) from $7,923,933 to $7,247,950, from the prior year, primarily due to a decrease in residential and business water sales of ($621,030) due to the California drought crisis that mandates water conservation measures.

Total Expenses

	June 30, 2017	June 30, 2016	Increase (Decrease)	June 30, 2015	Increase (Decrease)
Operating expenses:					
Source of supply – water purchases	$ 3,151,450	$ 2,609,542	$ 541,908	$ 2,754,688	$ (145,146)
Water treatment – Randall-Bold water treatment	1,126,547	1,139,024	(12,477)	1,271,688	(132,664)
Well expenses	71,094	88,395	(17,301)	53,960	34,435
Maintenance	242,597	290,000	(47,403)	313,659	(23,659)
Transmission and distribution	1,488,669	1,085,586	403,083	1,363,571	(277,985)
Customer service	653,642	644,270	9,372	669,814	(25,544)
Administrative and general	939,330	1,049,592	(110,262)	1,009,741	39,851
Operating expenses before depreciation	7,673,329	6,906,409	766,920	7,437,121	(530,712)
Depreciation expense	2,479,981	2,445,664	34,317	2,400,500	45,164
Total operating expenses	10,153,310	9,352,073	801,237	9,837,621	(485,548)
Non-operating expenses:					
Interest expense	553,073	391,482	161,591	529,220	(137,738)
Total non-operating	553,073	391,482	161,591	529,220	(137,738)
Total expenses	$ 10,706,383	$ 9,743,555	$ 962,828	$ 10,366,841	$ (623,286)

In 2017, operating expenses before depreciation expense increased by 11.10% or $766,920 from $6,906,409 to $7,673,329, from the prior year, primarily due to increases in source of supply – water purchases of $541,908 and transmission and distribution of $403,083 as a result of the increase in water sales.

In 2016, operating expenses before depreciation expense decreased by (7.13%) or ($530,712) from $7,437,121 to $6,906,409, from the prior year, primarily due to decreases in source of supply – water purchases of ($145,146), water treatment of ($132,664) and transmission and distribution of ($277,985) as a result of the decrease in water sales.

Capital Asset Administration

Capital assets:	Balance June 30, 2017	Balance June 30, 2016	Balance June 30, 2015
Non-depreciable assets	$ 3,307,699	$ 2,900,069	$ 5,483,663
Depreciable assets	71,816,220	71,816,220	68,696,578
Accumulated depreciation	(30,641,770)	(28,161,789)	(25,716,125)
Total capital assets, net	$ 44,482,149	$ 46,554,500	$ 48,464,116

At the end of fiscal year 2017 and 2016, the District's investment in capital assets amounted to $44,482,149 and $46,554,500 (net of accumulated depreciation), respectively. Major capital asset additions during the year amounted to $407,630 and $536,048 for various projects and equipment. See Note 4 for further information.

Debt Administration

The long-term debt position of the District is summarized below:

Long-term debt:	Balance June 30, 2017	Balance June 30, 2016	Balance June 30, 2015
Certificates-of-participation	$ 9,180,000	$ 9,755,000	$ 10,135,000
Loans payable	2,436,478	2,538,571	2,637,376
Revenue bonds payable	4,226,840	5,419,710	6,611,380
Total	$ 15,843,318	$ 17,713,281	$ 19,383,756

Structured long-term debt items decreased by $1,869,963 and $1,670,475 for the fiscal years ended June 30, 2017 and 2016, due to regular principal payments on the District's structured long-term debt items. See Note 6 for further information.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Economic Conditions

The economic condition of the District appears to be improving over 2016 and 2015 with the increase in new housing units proposed in the District's service area. Also, the Governor of the State of California declared the California drought over on April 7, 2017 which should allow water sales to increase in the coming years.

Requests for Information

This financial report is designed to provide the District's ratepayers and creditors with a general overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Diablo Water District, Finance Department, at P.O. Box 127, Oakley, CA 94561 or (925) 625-3798.

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BASIC FINANCIAL STATEMENTS

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Diablo Water District
Balance Sheets
June 30, 2017 and 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016
Current assets:		
Cash and cash equivalents (Note 2)	$ 3,373,597	$ 2,834,125
Investments (Note 2)	1,773,484	1,852,459
Accrued interest receivable	15,831	10,077
Accounts receivable – customers	461,580	379,349
Other receivables	120,595	492,399
Prepaid items	420,719	150,612
Total current assets	6,165,806	5,719,021
Non-current assets:		
Restricted – cash and cash equivalents (Note 2)	61,173	235,591
Restricted – investments (Note 2)	4,261,197	4,893,172
Net other post-employment benefits asset (Note 3)	379,031	402,358
Capital assets – not being depreciated (Note 4)	3,307,699	2,900,069
Capital assets – being depreciated, net (Note 4)	41,174,450	43,654,431
Total non-current assets	49,183,550	52,085,621
Total assets	55,349,356	57,804,642
Deferred outflows of resources:		
Deferred loss on refunding of revenue bonds, net (Note 6)	117,050	126,414
Deferred amounts related to net pension liability (Note 8)	778,350	432,431
Total deferred outflows of resources	895,400	558,845
Total assets and deferred outflows of resources	$ 56,244,756	$ 58,363,487

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2017	2016
Current liabilities:		
Accounts payable and accrued expenses	$ 498,251	$ 101,003
Main extension reimbursement payable (Note 14)	86,937	92,451
Deposits and unearned revenue	1,151,383	979,968
Accrued interest payable	31,936	34,950
Long-term liabilities – due within one year:		
Compensated absences (Note 5)	20,014	20,087
Certificates-of-participation (Note 6)	585,000	575,000
Loans payable (Note 6)	105,488	102,093
Revenue bonds payable (Note 6)	1,219,425	1,205,225
County pension plan termination liability (Note 7)	94,668	154,061
Total current liabilities	3,793,102	3,264,838
Non-current liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (Note 5)	60,043	60,261
Certificates-of-participation (Note 6)	8,595,000	9,180,000
Loans payable (Note 6)	2,330,990	2,436,478
Revenue bonds payable (Note 6)	3,007,415	4,214,485
County pension plan termination liability (Note 7)	655,094	765,041
Net pension liability (Note 8)	1,944,341	1,526,137
Total non-current liabilities	16,592,883	18,182,402
Total liabilities	20,385,985	21,447,240
Deferred inflows of resources:		
Deferred amounts related to net pension liability (Note 8)	77,659	174,924
Total deferred inflows of resources	77,659	174,924
Net position:		
Net investment in capital assets (Note 9)	28,755,881	28,967,633
Restricted (Note 10)	4,322,370	5,128,763
Unrestricted	2,702,861	2,644,927
Total net position	35,781,112	36,741,323
Total liabilities, deferred inflows of resources and net position	$ 56,244,756	$ 58,363,487

See Accompanying Notes to the Basic Financial Statements

Diablo Water District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Water sales – residential and business	$ 7,555,128	$ 6,862,573
Water sales – other	146,033	113,035
Other charges for services	304,492	272,342
Total operating revenues	8,005,653	7,247,950
Operating expenses:		
Source of supply – water purchases	3,151,450	2,609,542
Water treatment – Randall-Bold water treatment plant	1,126,547	1,139,024
Well expenses	71,094	88,395
Maintenance	242,597	290,000
Transmission and distribution	1,488,669	1,085,586
Customer service	653,642	644,270
Administrative and general	939,330	1,049,592
Total operating expenses	7,673,329	6,906,409
Operating income before depreciation expense	332,324	341,541
Depreciation expense	(2,479,981)	(2,445,664)
Operating (loss)	(2,147,657)	(2,104,123)
Non-operating revenues(expenses):		
Investment earnings	26,619	74,727
Rental income	106,940	92,342
Interest expense – long-term debt	(553,073)	(391,482)
Other non-operating revenues	57,628	46,268
Total non-operating revenue(expense), net	(361,886)	(178,145)
Net (loss) before capital contributions	(2,509,543)	(2,282,268)
Capital contributions:		
Developer and connection fees	1,549,332	1,515,344
Developer capital contributions – non-cash	-	34,100
Total capital contributions	1,549,332	1,549,444
Change in net position	(960,211)	(732,824)
Net position:		
Beginning of year	36,741,323	37,474,147
End of year	$ 35,781,112	$ 36,741,323

See Accompanying Notes to the Basic Financial Statements

Diablo Water District
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash receipts from customers and others	$ 8,643,564	$ 6,783,303
Cash paid to employees for salaries and wages	(1,402,588)	(1,384,147)
Cash paid to vendors and suppliers for materials and services	(6,320,398)	(5,851,082)
Net cash provided by (used in) operating activities	920,578	(451,926)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(407,630)	(501,948)
Proceeds from developer and connection fees	1,549,332	1,515,344
Principal paid on long-term debt	(1,882,318)	(1,670,475)
Interest paid on long-term debt	(546,723)	(394,464)
Net cash (used in) capital and related financing activities	(1,287,339)	(1,051,543)
Cash flows from investing activities:		
Proceeds from the maturity of investments	710,950	1,840,032
Investment earnings	20,865	71,375
Net cash provided by investing activities	731,815	1,911,407
Net increase(decrease) in cash and cash equivalents	365,054	407,938
Cash and cash equivalents:		
Beginning of year	3,069,716	2,661,778
End of year	$ 3,434,770	$ 3,069,716
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents	$ 3,373,597	$ 2,834,125
Restricted assets – cash and cash equivalents	61,173	235,591
Total cash and cash equivalents	$ 3,434,770	$ 3,069,716

Diablo Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating income(loss)	$ (2,147,657)	$ (2,104,123)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Depreciation	2,479,981	2,445,664
Rental income	106,940	92,342
Other non-operating revenues	69,983	46,268
Change in assets – (increase)decrease:		
Accounts receivable – customers	(82,231)	28,460
Other receivables	371,804	(333,925)
Prepaid items	(270,107)	(66,693)
Net other post-employment benefits asset	23,327	23,142
Change in deferred outflows of resources – (increase)decrease		
Deferred amounts related to net pension liability	(345,919)	(218,273)
Change in liabilities – increase(decrease):		
Accounts payable and accrued expenses	397,248	38,631
Main extension reimbursement payable	(5,514)	(65,338)
Deposits and unearned revenue	171,415	(297,792)
Compensated absences	(291)	1,368
County pension plan termination liability	(169,340)	(154,061)
Net pension liability	418,204	352,739
Change in deferred inflows of resources – increase(decrease)		
Deferred amounts related to net pension liability	(97,265)	(240,335)
Total adjustments	3,068,235	1,652,197
Net cash provided by operating activities	$ 920,578	$ (451,926)
Non-cash investing, capital and financing transactions:		
Change in fair-value of investments	$ (5,278)	$ (49)
Amortization of deferred loss on refunding of revenue bonds	$ (9,364)	$ (9,364)
Developer capital contributions – non-cash	$ -	$ 34,100

See Accompanying Notes to the Basic Financial Statements

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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 11,000 households and businesses located within the District's service area.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity* (GASB Statement No. 61) The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District had no component units as of year-end.

Basis of Presentation

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements are reported using the *"economic resources"* measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

The Financial Statements (i.e., the balance sheet, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government. The District accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In accordance with U.S. GAAP, the Balance Sheet reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

> **Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as expense until that time.
>
> **Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Operating revenues are those revenues that are generated from the primary operations of the District. The District reports a measure of operations by presenting the change in net position from operations as *operating income* in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the District as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, and other infrequently occurring transactions of a non-operating nature. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

> Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
>
> Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.
>
> Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Restricted Assets

Restricted assets are cash and cash equivalents and investments whose use is limited by legal and debt covenant requirements such as debt payment, reserve balance maintenance and developer impact fees.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Receivables

Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The District policy has set the capitalization threshold for reporting capital assets at $5,000, all of which must have an estimated useful life in excess of three years. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Randall-Bold water treatment plant	25 to 75 years
Infrastructure	25 to 75 years
Transmission and distribution system	5 to 50 years
General plant	5 to 50 years
Office equipment	3 to 5 years

Major outlays for capital assets are capitalized as construction in progress, once constructed, and repairs and maintenance costs are expensed.

Compensated Absences

The District's personnel policies provide for accumulation of vacation leave and compensatory time off. Liabilities for vacation leave and compensatory time off are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination. 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 Employee Retirement System (CalPERS).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 11). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS	June 30, 2017	June 30, 2016
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Measurement period	July 1, 2015 to June 30, 2016	July 1, 2014 to June 30, 2015

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Net Position

Net position represents the difference between all other elements in the balance sheet and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by outside parties.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Investments

Cash and investments as of June 30 were classified in the accompanying financial statements as follows:

Description	June 30, 2017	June 30, 2016
Cash and cash equivalents	$ 3,373,597	$ 2,834,125
Investments	1,773,484	1,852,459
Restricted – cash and cash equivalents	61,173	235,591
Restricted – investments	4,261,197	4,893,172
Total	$ 9,469,451	$ 9,815,347

Cash and investments as of June 30 consisted of the following:

Description	June 30, 2017	June 30, 2016
Petty cash	$ 2,675	$ 2,675
Deposits held with financial institutions	3,421,654	3,067,041
Investments	6,045,122	6,745,631
Total	$ 9,469,451	$ 9,815,347

Demand Deposits

At June 30, 2017 and 2016, the carrying amount of the District’s demand deposits was $3,421,654 and $3,067,041, respectively, and the financial institution balance was $4,177,096 and $3,851,272, respectively. The $755,442 and $784,231 respective net difference as of June 30, 2017 and 2016 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2017 and 2016, none of the District's deposits and investments was exposed to disclosable custodial credit risk.

Investments

The District's investments as of June 30, 2017 were as follows:

				Maturity		
Type of Investments	**Measurement Focus**	**Credit Rating**	**June 30, 2017 Fair Value**	**12 Months or Less**	**13 to 24 Months**	**25 to 60 Months**
Non-negotiable certificates-of-deposit	Level 2	N/A	1,579,887	200,200	199,628	1,180,059
Government sponsored agency securities	Level 2	AA+	890,051	391,036	-	499,015
Local Agency Investment Fund (LAIF)	Uncategorized	N/A	2,776,281	2,776,281	-	-
Money market mutual funds	N/A	AAA	3,768	3,768	-	-
Held by bank or bond trustee:						
Non-negotiable certificates-of-deposit	Level 2	N/A	784,694	-	-	784,694
Money market mutual funds	N/A	AAA	10,441	10,441	-	-
Total investments			$ 6,045,122	$ 3,381,726	$ 199,628	$ 2,463,768

The District's investments as of June 30, 2016 were as follows:

				Maturity		
Type of Investments	**Measurement Focus**	**Credit Rating**	**June 30, 2016 Fair Value**	**12 Months or Less**	**13 to 24 Months**	**25 to 60 Months**
Non-negotiable certificates-of-deposit	Level 2	N/A	1,618,496	240,295	200,340	1,177,861
Government sponsored agency securities	Level 2	AA+	400,352	-	-	400,352
Local Agency Investment Fund (LAIF)	Uncategorized	N/A	3,758,826	3,758,826	-	-
Money market mutual funds	N/A	AAA	1,559	1,559	-	-
Held by bank or bond trustee:						
Non-negotiable certificates-of-deposit	Level 2	N/A	795,105	286,075	-	509,030
Money market mutual funds	N/A	AAA	171,293	171,293	-	-
Total investments			$ 6,745,631	$ 4,458,048	$ 200,340	$ 2,087,243

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 debt 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. These investments have been made in accordance with the District's investment policy. As of June 30, 2017 and 2016 the District had $795,135 and $966,398, respectively, invested with its bond trustee.

Note 2 – Cash and Investments (Continued)

Authorized Deposits and Investments

The District's investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code as follows:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
State on local agency bonds	5-years	None	None
U.S. treasury obligations	5-years	None	None
Government sponsored agency securities	5-years	None	None
Banker's acceptances	270 days	40%	30%
Prime commercial paper	180 days	30%	10%
Nn-negotiable certificates of deposit	5-years	30%	None
Medium-term notes	5-years	30%	None
Mortgage pass-through securities	5-years	20%	None
Mutual funds	5-years	20%	10%
Money market mutual funds	5-years	20%	20%
Collateralized bank deposits	None	None	None
County pooled investment funds	None	None	None
California Local Agency Investment Fund (LAIF)	None	None	None

Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District's investments with LAIF at June 30, 2017 and 2016 included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: 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: generally mortgage-backed securities that 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 (for example, Collateralized Mortgage Obligations) or credit card receivables.

The District had $2,776,281 and $3,758,826 invested in LAIF, which had invested 2.89% and 2.81% of the pooled investment funds as of June 30, 2017 and June 30, 2016, respectively, in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 0.998940671 and 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2017 and 2016, respectively.

Note 2 – Cash and Investments (Continued)

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

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. As of June 30, 2017 and 2016, the District's investment in the LAIF was not rated as noted in the table above.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF or non-negotiable certificates-of-deposit.

Note 3 – Net Other Post-Employment Benefits Asset

Plan Description

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 members 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 Anthem Blue Cross Classic PPO with Medicare, Anthem Blue Cross HMO with Medicare, or the Kaiser Senior Advantage Plan, and eligible family members are offered health benefits at the retired employee's expense. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy

As required by GASB Statement No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

Note 3 – Net Other Post-Employment Benefits Obligation (Continued)

Annual OPEB Cost and Net OPEB Obligation (Asset)

Summary changes in net other post-employment benefits balances for the years ended June 30 were as follows:

Description	2017	2016
Annual OPEB cost:		
Annual required contribution (ARC)	$ 23,327	$ 23,142
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Total annual OPEB cost	23,327	23,142
Contributions made:		
Contributions	-	-
Total contributions made	-	-
Total change in net OPEB obligation	23,327	23,142
Net OPEB obligation(asset):		
Beginning of year	(402,358)	(425,500)
End of year	$ (379,031)	$ (402,358)

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/asset for the fiscal year ended June 30, 2017 and the two preceding years are shown in the following table.

Three-Year History of Net OPEB Obligation(Asset)

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable(Asset)
June 30, 2017	$ 23,327	$ -	0.00%	$ (379,031)
June 30, 2016	23,142	-	0.00%	(402,358)
June 30, 2015	33,720	2,643	7.84%	(425,500)

The most recent valuation (dated July 1, 2016) includes an Actuarial Accrued Liability of $693,719. Plan assets amounted to $866,215. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2016 was $1,192,170. The ratio of the funded actuarial accrued liability to annual covered payroll was (14.47%).

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Note 3 – Net Other Post-Employment Benefits Obligation (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent, closed 30 years
Remaining amortization period	25 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.28%
Projected salary increase	3.50%
Inflation - discount rate	7.28%
Health care trend rate	7.00% to 5.50%

Note 4 – Capital Assets

Summary changes in capital asset balances for the year ended June 30, 2017 were as follows:

Description	Balance July 1, 2016	Additions	Deletions/ Transfers	Balance June 30, 2017
Non-depreciable assets:				
Land	$ 2,900,069	$ -	$ -	$ 2,900,069
Construction-in-process	-	407,630	-	407,630
Total non-depreciable assets	2,900,069	407,630	-	3,307,699
Depreciable assets:				
Randall-Bold water treatment plant	23,558,173	-	-	23,558,173
Infrastructure	38,113,987	-	-	38,113,987
Buildings and structures	2,394,420	-	-	2,394,420
Transmission and distribution system	5,480,623	-	-	5,480,623
General plant	2,269,017	-	-	2,269,017
Total depreciable assets	71,816,220	-	-	71,816,220
Accumulated depreciation:				
Randall-Bold water treatment plant	(14,396,501)	(550,249)	-	(14,946,750)
Infrastructure	(8,925,929)	(1,449,031)	-	(10,374,960)
Buildings and structures	(29,930)	(33,130)	-	(63,060)
Transmission and distribution system	(3,005,299)	(192,571)	-	(3,197,870)
General plant	(1,804,130)	(255,000)	-	(2,059,130)
Total accumulated depreciation	(28,161,789)	(2,479,981)	-	(30,641,770)
Total depreciable assets, net	43,654,431	(2,479,981)	-	41,174,450
Total capital assets, net	$ 46,554,500	$ (2,072,351)	$ -	$ 44,482,149

Note 4 – Capital Assets (Continued)

Summary changes in capital asset balances for the year ended June 30, 2016 were as follows:

Description	Balance July 1, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable assets:				
Land	$ 2,734,489	$ -	$ 165,580	$ 2,900,069
Construction-in-process	2,749,174	326,505	(3,075,679)	-
Total non-depreciable assets	5,483,663	326,505	(2,910,099)	2,900,069
Depreciable assets:				
Randall-Bold water treatment plant	23,520,201	37,972	-	23,558,173
Infrastructure	38,079,887	34,100	-	38,113,987
Buildings and structures	-	2,394,420	-	2,394,420
Transmission and distribution system	4,903,398	577,225	-	5,480,623
General plant	2,193,092	75,925	-	2,269,017
Total depreciable assets	68,696,578	3,119,642	-	71,816,220
Accumulated depreciation:				
Randall-Bold water treatment plant	(13,846,251)	(550,250)	-	(14,396,501)
Infrastructure	(7,504,398)	(1,421,531)	-	(8,925,929)
Buildings and structures	-	(29,930)	-	(29,930)
Transmission and distribution system	(2,816,346)	(188,953)	-	(3,005,299)
General plant	(1,549,130)	(255,000)	-	(1,804,130)
Total accumulated depreciation	(25,716,125)	(2,445,664)	-	(28,161,789)
Total depreciable assets, net	42,980,453	673,978	-	43,654,431
Total capital assets, net	$ 48,464,116	$ 1,000,483	$ (2,910,099)	$ 46,554,500

Note 5 – Compensated Absences

Summary changes to compensated absences balances for the year ended June 30, 2017, were as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year	Due in More Than One Year
$ 80,348	$ 82,104	$ (82,395)	$ 80,057	$ 20,014	$ 60,043

Summary changes to compensated absences balances for the year ended June 30, 2016, were as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
$ 78,980	$ 79,458	$ (78,090)	$ 80,348	$ 20,087	$ 60,261

Note 6 – Long-Term Debt

The District has incurred long-term debt to finance projects or purchase assets, which have useful lives equal to or greater than the related debt.

Summary changes to long-term debt balances for the year ended June 30, 2017, were as follows:

Long-Term Debt	Balance July 1, 2016	Additions/ Adjustments	Payments/ Amortization	Balance June 30, 2017
Certificates-of-participation – 2010	$ 3,500,000	$ -	$ (125,000)	$ 3,375,000
Certificates-of-participation – 2013	6,255,000	-	(450,000)	5,805,000
Loans payable – 2014	2,538,571	-	(102,093)	2,436,478
Revenue bonds payable – 2012 Series A	5,419,710	12,355	(1,205,225)	4,226,840
Total long-term debt	17,713,281	$ 12,355	$ (1,882,318)	15,843,318
Less current portion	(1,882,318)			(1,909,913)
Non-current portion	$ 15,830,963			$ 13,933,405

Summary changes to long-term debt balances for the year ended June 30, 2016, were as follows:

Long-Term Debt	Balance July 1, 2015	Additions/ Adjustments	Payments/ Amortization	Balance June 30, 2016
Certificates-of-participation – 2010	$ 3,625,000	$ -	$ (125,000)	$ 3,500,000
Certificates-of-participation – 2013	6,510,000	-	(255,000)	6,255,000
Loans payable – 2014	2,637,376	-	(98,805)	2,538,571
Revenue bonds payable – 2012 Series A	6,611,380	1,130	(1,192,800)	5,419,710
Total long-term debt	19,383,756	$ 1,130	$ (1,671,605)	17,713,281
Less current portion	(1,671,605)			(1,882,318)
Non-current portion	$ 17,712,151			$ 15,830,963

Note 6 – Long-Term Debt (Continued)

Certificates-of-Participation – 2010

During fiscal year 2010, the District issued $4,200,000 of 2010 Water Revenue Certificates-of-Participation (2010 COPs). 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. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 130,000	$ 151,919	$ 281,919
2019	135,000	146,719	281,719
2020	140,000	141,319	281,319
2021	145,000	135,719	280,719
2022	150,000	129,919	279,919
2023-2027	850,000	552,270	1,402,270
2028-2032	1,055,000	347,714	1,402,714
2033-2035	770,000	78,250	848,250
Total	$ 3,375,000	$ 1,683,829	$ 5,058,829

Certificates-of-Participation – 2013

During fiscal year 2005, the District issued $7,500,000 of Series 2005 Water Revenue Certificates-of-Participation (2005 COPs) to finance improvements to the District's water system, including the Glen Park well system and blending facility. In April 2013, the 2005 COPs were refunded from proceeds of the issuance of the 2013 Water Revenue Certificates-of-Participation (2013 COPs), which included costs associated with 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. Interest is payable semiannually on January 1 and July 1 and principal payments are due annually on January 1 through 2030. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 455,000	$ 164,203	$ 619,203
2019	460,000	155,103	615,103
2020	465,000	145,903	610,903
2021	480,000	136,603	616,603
2022	390,000	125,803	515,803
2023-2027	2,115,000	460,027	2,575,027
2028-2030	1,440,000	104,820	1,544,820
Total	$ 5,805,000	$ 1,292,462	$ 7,097,462

Note 6 – Long-Term Debt (Continued)

Loans Payable – 2014

During fiscal year 2014, the District entered into a loan agreement with Holman Capital Corporation to finance the construction of a new administration building and the interior recoating of reservoir No. 1. The loan bears an interest rate of 3.3 % per annum. Principal and interest payments on the loan are due semiannually on each June 30 and December 30 commencing on December 30, 2014 through 2021. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 105,488	$ 79,542	$ 185,030
2019	108,999	76,031	185,030
2020	112,626	72,404	185,030
2021	116,373	68,657	185,030
2022	1,992,992	32,884	2,025,876
Total	$ 2,436,478	$ 329,518	$ 2,765,996

Revenue Bonds Payable – 2012 Series A

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 the 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 original total debt service liability of $8,143,700 is partially offset by the application of a reserve account held by the CCWA which will be applied to the last payment due in fiscal year 2021. The balance in the reserve account increased $1,130 during fiscal year 2016 which resulted in a decrease in the District's outstanding liability, and the ending balance of the reserve account at June 30, 2017 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 the District’s developer impact fees revenues/reserves and the remaining balance will come from operating funds.

Note 6 – Long-Term Debt (Continued)

Revenue Bonds Payable – 2012 Series A

Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 1,219,425	$ 121,650	$ 1,341,075
2019	1,244,275	96,888	1,341,163
2020	1,285,100	58,948	1,344,048
2021	1,322,375	19,836	1,342,211
Reserve	(844,335)	-	(844,335)
Total	$ 4,226,840	$ 297,322	$ 4,524,162

Deferred Loss on Refunding of Revenue Bonds

Changes in deferred loss on refunding of revenue bonds, net for the year ended June 30, 2017 was as follows:

Balance July 1, 2016	Additions	Amortization	Balance June 30, 2017
$ 126,414	$ -	$ (9,364)	$ 117,050

Changes in deferred loss on refunding of revenue bonds, net for the year ended June 30, 2016 was as follows:

Balance July 1, 2015	Additions	Amortization	Balance June 30, 2016
$ 135,778	$ -	$ (9,364)	$ 126,414

Note 7 – County Pension Plan Termination Liability

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 re-computation and adjustment no less than every three years. The most recent computation as of June 30, 2016 (reported for June 30, 2017) indicated a remaining net termination liability of $749,742 as of that date. The obligation is being amortized over approximately 8 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. The estimated annual remaining liability payments are as follows:

Fiscal Year	Principal
2018	$ 94,668
2019	94,668
2020	94,668
2021	94,668
2022	94,668
2023	94,668
2024	94,668
2025	87,066
Total	749,742
Less current	(94,668)
Non-current	$ 655,074

Note 8 – Net Pension Liability and Defined Benefit Pension Plan

Changes in the net pension liability and the related deferred outflows and inflows of resources for the year ended June 30, 2017 were as follows:

Type of Account	Balance as of July 1, 2016	Additions	Deletions	Balance as of June 30, 2017
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 211,486	$ 237,345	$ (211,486)	$ 237,345
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	7,857	2,791	(5,196)	5,452
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	200,773	40,665	(83,865)	157,573
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	-	372,153	-	372,153
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	12,315	-	(6,488)	5,827
Total deferred outflows of resources	$ 432,431	$ 652,954	$ (307,035)	$ 778,350
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 1,526,137	$ 629,690	$ (211,486)	$ 1,944,341
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 58,408	$ -	$ (58,408)	$ -
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	-	269	(96)	173
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	13,463	(7,480)	5,983
Changes in assumptions:				
CalPERS – Miscellaneous Plan	116,516	-	(45,013)	71,503
Total deferred inflows of resources	$ 174,924	$ 13,732	$ (110,997)	$ 77,659

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Changes in the net pension liability and the related deferred outflows and inflows of resources for the year ended June 30, 2016 were as follows:

Type of Account	Balance as of July 1, 2015	Additions	Deletions	Balance as of June 30, 2016
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 192,153	$ 211,486	$ (192,153)	$ 211,486
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	12,641	(365)	(4,419)	7,857
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	290,749	(89,976)	200,773
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	16,714	(4,399)	12,315
Total deferred outflows of resources	$ 204,794	$ 518,584	$ (290,947)	$ 432,431
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 1,173,398	$ 544,892	$ (192,153)	$ 1,526,137
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 394,316	$ 25,296	$ (361,204)	$ 58,408
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	20,943	-	(20,943)	-
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	158,130	(41,614)	116,516
Total deferred inflows of resources	$ 415,259	$ 183,426	$ (423,761)	$ 174,924

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required member contribution rates	8.000%	6.500%
Required employer contribution rates – FY 2016	12.878%	7.066%
Required employer contribution rates – FY 2015	17.857%	6.500%

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

<u>*Plan Description*</u>

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

<u>*Members Covered by Benefit Terms*</u>

At June 30, 2016 (Valuation Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	9	4	13
Transferred and terminated members	7	-	7
Retired members and beneficiaries	6	-	6
Total plan members	22	4	26

At June 30, 2015 (Valuation Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	10	3	13
Transferred and terminated members	7	-	7
Retired members and beneficiaries	5	-	5
Total plan members	22	3	25

<u>*Benefits Provided*</u>

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 months for Classic and 36 months for PEPRA of full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous members are calculated as 2.0% to 2.7% of the average final 12 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as 1% to 2.5% of the average final 36 months compensation.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.65 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ending June 30, 2016 and 2015 (Measurement Dates), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2017 were as follows:

	Miscellaneous Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 215,685	$ 21,660	$ 237,345
Contributions – members	83,306	19,919	103,225
Total contributions	$ 298,991	$ 41,579	$ 340,570

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Contributions (Continued)

Contributions for the year ended June 30, 2016 were as follows:

	Miscellaneous Plans		
Contribution Type	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Contributions – employer	$ 196,405	$ 15,081	$ 211,486
Contributions – members	82,201	14,579	96,780
Total contributions	$ 278,606	$ 29,660	$ 308,266

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement periods ending June 30, 2016 and 2015 (Measurement Dates), the total pension liability was determined by rolling forward the June 30, 2015 and 2014 total pension liabilities. The June 30, 2016 and 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2016 and 2015 Valuations were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

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.*

The table below reflects 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 geometric rates of return are net of administrative expenses.

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	100.00%		

[1] An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

[2] An expected inflation rate-of-return of 3.0% is used for years 11+.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Sensitivity of the District's 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 of the Plan as of the measurement date, calculated using the discount rate of 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2016 Valuation Date as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.65%**	**Current Discount Rate 7.65%**	**Discount Rate + 1% 8.65%**
CalPERS – Miscellaneous Plan	2,961,578	$ 1,944,341	$ 1,103,645

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, 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 (6.65%) or 1 percentage-point higher (8.65%) than the current rate for the June 30, 2015 Valuation Date as follows:

	Plan's Net Pension Liability/(Asset)		
Plan Type	**Discount Rate - 1% 6.65%**	**Current Discount Rate 7.65%**	**Discount Rate + 1% 8.65%**
CalPERS – Miscellaneous Plan	2,491,935	$ 1,526,137	$ 728,759

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2017:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2015 (Measurement Date)	$ 7,091,723	$ 5,565,586	$ 1,526,137
Balance as of June 30, 2016 (Measurement Date)	$ 7,555,731	$ 5,611,390	$ 1,944,341
Change in Plan Net Pension Liability	$ 464,008	$ 45,804	$ 418,204

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2016:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2014 (Measurement Date)	$ 6,914,032	$ 5,740,634	$ 1,173,398
Balance as of June 30, 2015 (Measurement Date)	$ 7,091,723	$ 5,565,586	$ 1,526,137
Change in Plan Net Pension Liability	$ 177,691	$ (175,048)	$ 352,739

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015 and 2014). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016 and 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2016 and 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16 fiscal year and the 2014-15 fiscal year).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability for the June 30, 2016 measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2016	Change Increase/ (Decrease)
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.055970%	0.055628%	0.000342%
Percentage of Plan (PERF C) Net Pension Liability	0.022470%	0.022234%	0.000236%

The District's proportionate share of the net pension liability for the June 30, 2015 measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2015	Change Increase/ (Decrease)
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.055628%	0.047477%	0.008151%
Percentage of Plan (PERF C) Net Pension Liability	0.022234%	0.018857%	0.003377%

For the years ended June 30, 2017 and 2016, the District recognized pension expense in the amounts of $212,365 and $96,255, respectively, for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The expected average remaining service lifetime (EARSL) for PERF C for the measurement date ending June 30, 2015 is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 237,345	$ -
Difference between actual and proportionate share of employer contributions	5,452	173
Adjustment due to differences in proportions	157,573	5,983
Differences between expected and actual experience	5,827	-
Differences between projected and actual earnings on pension plan investments	372,153	-
Changes in assumptions	-	71,503
Total Deferred Outflows/(Inflows) of Resources	$ 778,350	$ 77,659

The District will recognize $237,345 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2018, as noted above.

Note 8 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	$ 99,958
2018	94,152
2019	172,841
2020	96,395
Total	$ 463,346

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 211,486	$ -
Difference between actual and proportionate share of employer contributions	7,857	-
Adjustment due to differences in proportions	200,773	-
Differences between expected and actual experience	12,315	-
Differences between projected and actual earnings on pension plan investments	-	58,408
Changes in assumptions	-	116,516
Total Deferred Outflows/(Inflows) of Resources	$ 432,431	$ 174,924

The District will recognize $211,486 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	$ (8,121)
2018	(7,528)
2019	(12,996)
2020	74,666
Total	$ 46,021

Note 9 – Net Investment in Capital Assets

Net investment in capital assets consisted of the following as of June 30:

Description	June 30, 2017	June 30, 2017
Net investment in capital assets:		
Capital assets – not being depreciated	$ 3,307,699	$ 2,900,069
Capital assets, net – being depreciated	41,174,450	43,654,431
Deferred loss on refunding of revenue bonds, net	117,050	126,414
Certificates-of-participation – current	(585,000)	(575,000)
Loans payable – current	(105,488)	(102,093)
Revenue bonds payable – current	(1,219,425)	(1,205,225)
Certificates-of-participation – non-current	(8,595,000)	(9,180,000)
Loans payable – non-current	(2,330,991)	(2,436,478)
Revenue bonds payable – non-current	(3,007,415)	(4,214,485)
Total net investment in capital assets	$ 28,755,880	$ 28,967,633

Note 10 – Restricted Net Position

Restricted net position consisted of the following as of June 30:

Description	June 30, 2017	June 30, 2016
Restricted net position:		
Restricted for debt service	$ 845,867	$ 1,201,988
Restricted for AB-1600 requirements – impact fees	3,476,503	3,926,775
Total restricted net position	$ 4,322,370	$ 5,128,763

Note 11 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the accompanying financial statements.

Note 12 – 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 workers' compensation through East County Insurance Agency, the Districts' selected insurance broker/consultant.

The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), a public entity risk pool, for workers' compensation coverage. The purpose of ACWA/JPIA is to provide a cost-effective form of risk management to public entities, allowing them to bypass the high cost of workers' compensation insurance.

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

Type of Coverage (Deductible)		Coverage Limit
Liability ($0)		$ 1,000,000
Excess liability ($0)		$ 10,000,000
Property ($1,000) –	Replacement cost up to an aggregate of	$ 17,352,764
Inland marine tools and equipment ($500) (Total Limit $48,625) –	Per item	$ 10,000
Auto liability ($500) –	Each accident	$ 1,000,000
Public officials & management liability ($0) (Limit to $3.0 million) –	Each occurance	$ 1,000,000
Crime coverage ($250) –	With various sublimits to	$ 250,000
Cyber liability ($0)		$ 1,000,000
Workers' compensation ($2,500)		Statutory Limit
Workers' compensation – employer's liability		$ 2,000,000

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2017, 2016 and 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2017, 2016 and 2015.

Note 13 – Commitments

Main Extension Reimbursement Payable

Regulation No. 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 developer impact 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.

Delta Mutual Agreement

Effective October 15, 1999, the District entered into a service agreement with Delta Mutual Water Company (Company). The agreement provides for the performance of services by the District required to continue the operation and maintenance of the Company's water treatment and distribution system. The District bills approximately 120 customers of the Company semiannually. Upon receipt of payment, the District transmits the proceeds to the Company. In addition to handling collection, the District bills the Company 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.

Sandhill Project

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 remaining balance due from the property owners as of June 30, 2017 was $35,484.

Substandard Street Deposit Liability

Developers are required to deposit with the District the estimated cost of relocating pipelines in substandard streets. 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 $216,000 as of June 30, 2017.

Note 13 – Commitments (Continued)

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 November 30, 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 14 – Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

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REQUIRED SUPPLEMENTARY INFORMATION

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Diablo Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Years Ended June 30, 2017 and 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	**June 30, 2016**[1]	**June 30, 2015**[1]	**June 30, 2014**[1]
District's Proportion of the Net Pension Liability	0.022470%	0.022234%	0.018857%
District's Proportionate Share of the Net Pension Liability	$ 1,944,341	$ 1,526,137	$ 1,173,398
District's Covered-Employee Payroll	$ 1,251,800	$ 1,044,488	$ 1,014,066
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	155.32%	146.11%	115.71%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.06%	78.40%	79.82%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Diablo Water District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Years Ended June 30, 2017 and 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2016-17[1]**	**2015-16[1]**	**2014-15[1]**	**2013-14[1]**
Actuarially Determined Contribution[2]	$ 237,345	$ 211,486	$ 192,153	$ 172,392
Contribution in Relation to the Actuarially Determined Contribution[2]	(237,345)	(211,486)	(192,153)	(172,392)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll[3]	$ 1,341,221	$ 1,251,800	$ 1,044,488	$ 1,014,066
Contributions as a Percentage of Covered-Employee Payroll	17.70%	16.89%	18.40%	17.00%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Diablo Water District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefit Plan
For the Years Ended June 30, 2017 and 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	$ 866,215	$ 693,719	$ (172,496)	124.87%	$ 1,192,170	-14.47%
July 1, 2013	$ 839,334	$ 542,504	$ (296,830)	154.71%	$ 1,053,982	-28.16%
June 30, 2011	$ 812,993	$ 617,481	$ (195,512)	131.66%	$ 1,041,628	-18.77%
June 30, 2010	$ 651,497	$ 495,527	$ (155,970)	131.48%	$ 1,070,823	-14.57%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.

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SUPPLEMENTARY INFORMATION

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Diablo Water District
Schedules of Cash and Investments Available for Operations
June 30, 2017 and 2016

	2017	2016
Cash accounts:		
General checking	$ 2,953,422	$ 2,413,950
Other checking	50,732	235,591
Maintenance bonds	417,500	417,500
Cash on hand	2,575	2,575
Payroll tax deposit	100	100
Total cash accounts	3,424,329	3,069,716
Investment accounts:		
Local Agency Investment Fund	2,776,281	3,758,826
Government sponsored agency securities	890,051	400,352
Money market accounts – held with bond trustee	10,441	171,293
Money market accounts – investment accounts	3,768	1,559
Non-negotiable certificates-of-deposit	1,579,887	1,618,496
Non-negotiable certificates-of-deposit – held with bond trustee	784,694	795,105
Total investment accounts	6,045,122	6,745,631
Total cash and investments	$ 9,469,451	$ 9,815,347
Restricted net position:		
Certificates-of-participation – 2013 – reserve account	$ 512,718	$ 601,044
Certificates-of-participation – 2010 – reserve account	282,417	365,353
Loans payable – 2014 loan proceeds remaining for debt service – project complete	50,732	235,591
Restricted for debt service	845,867	1,201,988
Facilities reserve	3,476,503	3,926,775
Restricted for AB-1600 requirements – developer impact fees	3,476,503	3,926,775
Total restricted net position	4,322,370	5,128,763
Designated funds:		
Rate stabilization fund	1,000,000	1,000,000
Customer deposits/Developer-admin deposits	515,489	(19,060)
Maintenance bonds	417,500	417,500
Main extension reimbursement payable	86,937	92,451
Substandard street deposits	216,000	216,000
South Park well system	218,373	199,127
Willow Park Marina well system	150,182	181,134
Rock Island well system	123,367	122,402
Beacon well system	89,496	73,927
Payroll tax deposit	100	100
Knightsen well system	(10,006)	(18,494)
Total designated funds	2,807,438	2,265,087
Total assigned cash and investments	7,129,808	7,393,850
Cash and investments available for operations	2,339,643	2,421,497
Total cash and investments	$ 9,469,451	$ 9,815,347
Reconciliation to balance sheet:		
Cash and cash equivalents	$ 3,373,597	$ 2,834,125
Investments	1,773,484	1,852,459
Restricted – cash and cash equivalents	61,173	235,591
Restricted – investments	4,261,197	4,893,172
Total cash and investments	$ 9,469,451	$ 9,815,347

Diablo Water District
Schedules of Debt Service Net Revenues Coverage
For the Years Ended June 30, 2017 and 2016

	2017	2016
Total revenues:		
Operating revenues	$ 8,005,653	$ 7,247,950
Non-operating revenues	191,187	213,337
Capital contributions – developer and connection fees	1,549,332	1,515,344
Total revenues	9,746,172	8,976,631
Total expenses:		
Operating expenses before depreciation expense	7,673,329	6,906,409
Non-operating expenses	553,073	391,482
Less debt service items:		
Interest expense – long-term debt	(553,073)	(391,482)
Total expenses	7,673,329	6,906,409
Net revenues available for debt service	$ 2,072,843	$ 2,070,222
Debt service for the fiscal year	$ 2,429,041	$ 2,064,939
Debt service net revenues coverage ratio	85%	100%