DIABLO WATER DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022

MANN, URRUTIA, NELSON, CPAS & ASSOCIATES, LLP
1760 CREEKSIDE OAKS DRIVE, SUITE 160
SACRAMENTO, CALIFORNIA 95833

DIABLO WATER DISTRICT

For the Year Ended June 30, 2023

BOARD OF DIRECTORS

Marilyn Tiernan	**President**
Scott Pastor	**Vice President**
Paul Seger	**Director**
Jason Shaw	**Director**
Joe Kovalick	**Director**
Dan Muelrath	**General Manager**
Wesley A. Miliband	**General Counsel**
Kait Knight	**Board Secretary**

DIABLO WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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DIABLO WATER DISTRICT
Acronyms and Abbreviations Used in the Annual Financial Report
For the Years Ended June 30, 2023 and 2022

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
CERBT	California Employer's Retiree Benefit Trust
COLA	Cost of Living Adjustment
COPs	Certificates-of-Participation
DVP	Delivery - versus - Payment
EARSL	Employees Average Remaining Service Lifetime
FDIC	Federal Deposit Insurance Corporation
FNP	Fiduciary Net Position
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Government Accounting Standards Board
HMO	Health Maintenance Organization
IBNR	Incurred But Not Reported
LAIF	Local Agency Investment Fund
MD&A	Management's Discussion & Analysis
MERA	Main Extension Reimbursement Account
No.	Number
NOL	Net OPEB Liability
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
PPO	Preferred Provider Organization
SBITA	Subscription-Based Information Technology Arrangement
TPL	Total Pension Liability
U.S.	United States
UAAL	Unfunded Actuarial Accrued Liability

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Diablo Water District (the "District") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Diablo Water District, as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diablo Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Change in Accounting Principle

As described in Notes 1 and 18 to the financial statements, during the fiscal year ending June 30, 2023, the District implemented new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (*SBITAs*). Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

SACRAMENTO OFFICE • 1760 CREEKSIDE OAKS WAY, SUITE 160 • SACRAMENTO, CA 95833 • O. 916.929.0540 • F. 916.929.0541
WWW.MUNCPAS.COM

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of Contributions to the Cost Sharing Defined Benefit Pension Plan, the Schedule of Changes in the Net OPEB Liability and Related Ratios, and the Schedule of Contributions to the OPEB Plan on pages 43 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Diablo Water District's basic financial statements. The Schedules of Cash and Investments Available for Operations and Schedules of Debt Service Net Revenues Coverage on pages 47 and 48, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Cash and Investments Available for Operations and Schedules of Debt Service Net Revenue Coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Cash and Investments Available for Operations and Schedules of Debt Service Net Revenue Coverage are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, on our consideration of Diablo Water 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 the effectiveness of the District's 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 Diablo Water District's internal control over financial reporting and compliance.

MUN CPAs, LLP

Sacramento, California
December 4, 2023

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, 2023 and 2022. 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 for 2023

- In 2023, the District's net position increased 2.90% or $2,036,533 from the prior year's net position of $70,271,723 to $72,308,256 as a result of this year's operations.

- In 2023, operating revenues increased by 14.46% or $1,818,342 from $12,572,567 to $14,390,909, from the prior year, primarily due to an increase in total water sales of $1,581,481. Water sales increased from the prior year due to updated and corrected water rates that went into effect in July 2022. The District also increased rates again in March 2023, due to passing through the increased cost of purchasing water and recouping the drought surcharge rates that were charged by CCWD.

- In 2023, operating expenses before depreciation expense increased by 13.09% or $1,722,026 from $13,153,515 to $14,875,541, from the prior year, due to an increase in source of supply - water purchases of $133,658, well expenses of $283,833, administrative expenses of $372,309 and transmission/distribution expenses of $620,580. Expenses increased due to adding full-time employees to the District, as well as the cost of inflation on items such as chemical and energy costs.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, 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 Statement of Net Position 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 Statement of Net Position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources – 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 Statement of Net Position

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Assets:					
Current assets	$ 14,957,235	$ 14,974,630	$ (17,395)	$ 8,302,937	$ 6,671,693
Non-current assets	10,196,826	12,359,545	(2,162,719)	11,029,656	1,329,889
Capital assets, net	72,766,924	69,737,069	3,029,855	67,732,971	2,004,098
Total assets	97,920,985	97,071,244	849,741	87,065,564	10,005,680
Deferred outflows of resources	2,859,789	2,008,802	850,987	1,396,727	612,075
Total assets and deferred outflows of resources	$ 100,780,774	$ 99,080,046	$ 1,700,728	$ 88,462,291	$ 10,617,755
Liabilities:					
Current liabilities	$ 3,695,446	$ 3,701,052	$ (5,606)	$ 3,326,428	$ 374,624
Non-current liabilities	22,751,522	22,118,371	633,151	16,541,889	5,576,482
Total liabilities	26,446,968	25,819,423	627,545	19,868,317	5,951,106
Deferred inflows of resources	2,025,550	2,988,900	(963,350)	65,821	2,923,079
Net position:					
Net investment in capital assets	61,657,923	57,675,377	3,982,546	54,817,845	2,857,532
Restricted	8,740,823	10,934,928	(2,194,105)	10,718,413	216,515
Unrestricted	1,909,510	1,661,418	248,092	2,991,985	(1,330,567)
Total net position	72,308,256	70,271,723	2,036,533	68,528,243	1,743,480
Total liabilities, deferred outflow of resources and net position	$ 100,780,774	$ 99,080,046	$ 1,700,728	$ 88,462,381	$ 10,617,665

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 $72,308,256 and $70,271,723 as of June 30, 2023 and 2022, respectively.

By far the largest portion of the District's net position (85% as of June 30, 2023 and 82% as of June 30, 2022) 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 2023 and 2022, the District showed a positive balance in its unrestricted net position of $1,909,510 and $1,661,418, respectively, which may be utilized in future years.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Operating revenues	$ 14,390,909	$ 12,572,567	$ 1,818,342	$ 12,881,410	$ (308,843)
Operating expenses	(14,875,541)	(13,153,515)	(1,722,026)	(12,747,073)	(406,442)
Operating income (loss) before depreciation	(484,632)	(580,948)	96,316	134,337	(715,285)
Depreciation expense	(2,442,468)	(1,762,000)	(680,468)	(2,135,376)	373,376
Operating income (loss)	(2,927,100)	(2,342,948)	(584,152)	(2,001,039)	(341,909)
Non-operating revenues (expenses)	1,159,885	(10,862)	1,170,747	487,158	(498,020)
Net loss before capital contributions	(1,767,215)	(2,353,810)	586,595	(1,513,881)	(839,929)
Capital contributions	3,803,748	4,332,775	(529,027)	8,370,600	(4,037,825)
Change in net position	2,036,533	1,978,965	57,568	6,856,719	(4,877,754)
Net position:					
Beginning of year (includes adjustment)	70,271,723	68,292,758	1,978,965	61,671,434	6,621,324
End of year	$ 72,308,256	$ 70,271,723	$ 2,036,533	$ 68,528,153	$ 1,743,570

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 increased by $2,036,533 and increased by $1,978,965 for the fiscal years ended June 30, 2023 and 2022, respectively.

Total Revenues

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Operating Revenues:					
Water sales - residential and business	$ 13,376,006	$ 11,655,609	$ 1,720,397	$ 11,896,683	$ (241,074)
Water sales - other	368,622	507,538	(138,916)	490,219	17,319
Other charges for services	646,281	409,420	236,861	494,508	(85,088)
Total operating revenues	$ 14,390,909	$ 12,572,567	$ 1,818,342	$ 12,881,410	$ (308,843)
Non-operating:					
Investment (loss) gain	389,038	(239,694)	628,732	45,871	(285,565)
Lease revenue	169,435	125,568	43,867	143,996	(18,428)
Other non-operating revenues	1,298,880	820,062	478,818	732,852	87,210
Total non-operating revenues	1,857,353	705,936	1,151,417	922,719	(216,783)
Total revenues	$ 16,248,262	$ 13,278,503	$ 2,969,759	$ 13,804,129	$ (525,626)

In 2023, operating revenues increased by 14.46% or $1,818,342 from $12,572,567 to $14,390,909, from the prior year, primarily due to a increase in water sales of $1,581,481. Water sales increased from the prior year due to updated and corrected water rates that went into effect in July 2022. The District also increased rates again in March 2023, to pass-through the increased cost of purchasing water and to recoup the drought surcharge rates that were charged by CCWD. In 2022, operating revenues decreased by 2.40% or $308,843 from $12,881,410 to $12,572,567, from the prior year, primarily due to a consultant error in the water rate study that led to artificially low rates for 4 months, the new corrected rates became effective July 2022.

Total Expenses

	June 30, 2023	June 30, 2022	Change	June 30, 2021	Change
Operating expenses:					
Source of supply - water purchases	$ 5,469,681	$ 5,336,023	$ 133,658	$ 5,330,564	$ 5,459
Water treatment - Randall-Bold water treatment	2,105,829	1,957,748	148,081	1,805,073	152,675
Well expenses	413,275	129,442	283,833	175,925	(46,483)
Maintenance	491,879	584,641	(92,762)	562,117	22,524
Transmission and distribution	2,465,026	1,844,446	620,580	1,899,217	(54,771)
Customer service	1,467,139	1,210,812	256,327	1,022,460	188,352
Administrative and general	2,462,712	2,090,403	372,309	1,951,717	138,686
Operating expenses before depreciation	14,875,541	13,153,515	1,722,026	12,747,073	406,442
Depreciation expense	2,442,468	1,762,000	680,468	2,135,376	(373,376)
Total operating expenses	17,318,009	14,915,515	2,402,494	14,882,449	33,066
Non-operating expenses:					
Interest and amortization expense	697,468	716,798	(19,330)	435,561	281,237
Total non-operating	697,468	716,798	(19,330)	435,561	281,237
Total expenses	$ 18,015,477	$ 15,632,313	$ 2,383,164	$ 15,318,010	$ 314,303

In 2023, operating expenses before depreciation expense increased by 13.09% or $1,722,026 from $13,153,515 to $14,875,541, from the prior year, primarily due to increases in source of supply – water purchases of $133,658, well expenses of $283,833, administrative expenses of $372,309 and transmission/distribution expenses of $620,580. Expenses were higher due to adding full-time employees to the District, as well as the cost of inflation on items such as chemical and energy costs.

In 2022, operating expenses before depreciation expense increased by 3.19% or $406,442 from $12,747,073 to $13,153,515, from the prior year, primarily due to increases in source of supply – water purchases of $5,459, and water treatment plant expenses of $152,675 and customer expenses of $188,352. Water treatment plant expenses were higher than expected due to inflation on chemical and energy costs.

Capital Asset Administration

	Balance June 30, 2023	Balance June 30, 2022	Balance June 30, 2021
Capital assets:			
Non-depreciable assets	$ 7,631,683	$ 4,494,436	$ 3,170,309
Depreciable assets	104,730,280	102,395,204	100,694,186
Accumulated depreciation	(39,595,039)	(37,152,571)	(36,131,524)
Total capital assets, net	$ 72,766,924	$ 69,737,069	$ 67,732,971

At the end of fiscal year 2023 and 2022, the District's investment in capital assets amounted to $72,766,924 and $69,737,069 (net of accumulated depreciation), respectively. Major capital asset additions during the year amounted to $3,272,627 and $2,199,696 for various projects and equipment. See Note 3 for further information.

Debt Administration

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

	Balance June 30, 2023	Balance June 30, 2022	Balance June 30, 2021
Long-term debt:			
Certificates-of-participation	$ 8,193,855	$ 8,626,229	$ 12,994,720
Loans payable	10,309,000	10,806,000	-
Revenue bonds payable	-	-	-
Total	$ 18,502,855	$ 19,432,229	$ 12,994,720

Structured long-term debt items decreased by $929,374 for the fiscal year ended June 30, 2023, due to regular principal payments on the District's structured long-term debt items. See Note 7 for further information.

Structured long-term debt items increased by $6,437,509 for the fiscal year ended June 30, 2022, due to regular principal payments on the District's structured long-term debt items as well as a new loan agreement. See Note 7 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 continues to be stable. We have seen an increase in water sales due to the Governor easing some of the drought restrictions on residential customers effective March 2023. We have also been able to collect on and bring down our receivable balances on customers' past due water bills. The District does however, continue to be challenged by the COVID-19 pandemic with the continued cost of inflation and supply chain shortage.

The main area of uncertainty is the possibility of another drought and what our anticipated water sales will be through next year. In Fiscal year 2022, the District hired a rate consultant that restructured the rates to ensure accurate cost recovery from the appropriate customer classes (single family, multi-family, non-residential, etc.) As customer demands change over time and costs increase, the District must review its cost allocations to ensure a legal and equitable application of these costs. The new rate structure also includes drought shortage rates to help stabilize District revenue during times of drought.

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.

DIABLO WATER DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 2,039,632	$ 3,919,685
Investments (Note 2)	11,837,886	9,559,753
Accrued interest receivable	118,233	22,439
Accounts receivable - customers (Note 4)	583,277	618,935
Due from governmental agencies (Note 4)	3,510	543,242
Other receivables (Note 4)	1,535	1,325
Leases receivable - current (Note 5)	129,314	92,375
Prepaid expenses and other assets	243,848	216,876
Total current assets	14,957,235	14,974,630
Non-current assets		
Restricted - investments (Note 2)	8,740,823	10,934,928
Capital assets - not being depreciated (Note 3)	7,631,683	4,494,436
Capital assets - being depreciated (net of accumulated depreciation) (Note 3)	65,135,241	65,242,633
Leases receivable - long-term (Note 5)	1,456,003	1,424,617
Total non-current assets	82,963,750	82,096,614
TOTAL ASSETS	97,920,985	97,071,244
DEFERRED OUTFLOW OF RESOURCES		
Deferred amounts related to county pension plan termination liability	405,391	434,347
Deferred amounts related to net OPEB liability (Note 10)	855,125	862,774
Deferred amounts related to net pension liability (Note 9)	1,599,273	711,681
Total deferred outflow of resources	2,859,789	2,008,802
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 100,780,774	$ 99,080,046

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENTS OF NET POSITION (continued)
JUNE 30, 2023 AND 2022

LIABILITIES	2023	2022 (Restated)
Current liabilities		
Accounts payable and accrued expenses	$ 1,167,168	$ 1,113,153
Main extension reimbursement payable (Note 15)	541,706	474,165
Deposits and unearned revenue	738,554	979,614
Current portion of long-term liabilities		
Compensated absences (Note 6)	120,096	53,868
Certificates-of-participation (Note 7)	425,000	400,000
Loans payable (Note 7)	558,000	497,000
Subscription (SBITA) liability (Note 7)	106,146	129,463
County pension plan termination liability (Note 8)	38,776	53,789
Total current liabilities	3,695,446	3,701,052
Noncurrent liabilities		
Long-term liabilities - due in more than one year		
Compensated absences (Note 6)	94,814	38,704
Certificates-of-participation (Note 7)	7,768,855	8,226,229
Loans payable (Note 7)	9,751,000	10,309,000
Subscription (SBITA) liability (Note 7)	-	106,146
County pension plan termination liability (Note 8)	820,308	908,413
Net pension liability (Note 9)	3,152,424	1,367,588
Net OPEB liability (Note 10)	1,164,121	1,162,291
Total noncurrent liabilities	22,751,522	22,118,371
TOTAL LIABILITIES	26,446,968	25,819,423
DEFERRED INFLOW OF RESOURCES		
Deferred amounts related to net OPEB liability (Note 10)	561,959	407,812
Deferred amounts related to net pension liability (Note 9)	74,274	1,204,517
Leases receivable (Note 5)	1,389,317	1,376,571
Total deferred inflow of resources	2,025,550	2,988,900
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	28,472,518	28,808,323
NET POSITION		
Net investment in capital assets (Note 11)	61,657,923	57,675,377
Restricted (Note 12)	8,740,823	10,934,928
Unrestricted	1,909,510	1,661,418
Total net position	72,308,256	70,271,723
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 100,780,774	$ 99,080,046

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
OPERATING REVENUE		
Water sales - residential and business	$ 13,376,006	$ 11,655,609
Water sales - other	368,622	507,538
Other charges for services and miscellaneous operating revenues	646,281	409,420
Total operating revenue	14,390,909	12,572,567
OPERATING EXPENSES		
Source of supply - water purchases	5,469,681	5,336,023
Water treatment - Randall-Bold water treatment plant	2,105,829	1,957,748
Well expenses	413,275	129,442
Maintenance	491,879	584,641
Transmission and distribution	2,465,026	1,844,446
Customer service	1,467,139	1,210,812
Administrative, capital, and general	2,462,712	2,090,403
Total operating expenses	14,875,541	13,153,515
Operating loss before depreciation expense	(484,632)	(580,948)
Depreciation/amortization expense	(2,442,468)	(1,762,000)
OPERATING LOSS	(2,927,100)	(2,342,948)
NON-OPERATING REVENUES (EXPENSES)		
Investment gain (loss)	389,038	(239,694)
Lease revenue	169,435	125,568
Aid from governmental agencies	44,789	477,755
Interest expense	(697,468)	(637,204)
Other non-operating revenues	1,254,091	342,307
Amortization expense	-	(79,594)
Total non-operating revenues (expenses)	1,159,885	(10,862)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,767,215)	(2,353,810)
CAPITAL CONTRIBUTIONS		
Developer and connection fees	2,321,748	3,422,775
Developer capital contributions	1,482,000	910,000
TOTAL CAPITAL CONTRIBUTIONS	3,803,748	4,332,775
CHANGE IN NET POSITION	2,036,533	1,978,965
TOTAL NET POSITION, BEGINNING OF YEAR	70,271,723	68,528,153
PRIOR PERIOD ADJUSTMENT (NOTE 18)	-	(235,395)
TOTAL NET POSITION, BEGINNING OF YEAR RESTATED	70,271,723	68,292,758
TOTAL NET POSITION, END OF YEAR	$ 72,308,256	$ 70,271,723

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 16,080,231	$ 12,965,021
Payments to employees for salaries and wages	(4,132,148)	(3,490,514)
Payments to suppliers for goods and services	(10,657,261)	(9,313,628)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,290,822	160,879
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from developer and connection fees	2,321,748	3,422,775
Acquisition and construction of capital assets	(5,472,322)	(3,537,569)
Contributed capital	1,482,000	910,000
Proceeds on from loans payable	-	10,842,101
Grant revenue for capital purposes	44,789	477,755
Principal paid on long-term debt	(1,058,623)	(4,368,491)
Interest paid on long-term debt	(697,468)	(637,204)
NET CASH (USED FOR) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,379,876)	7,109,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest (paid) received	293,029	(249,782)
Purchase of investments	(1,076,183)	(11,654,091)
Sale of investments	992,155	5,117,770
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	209,001	(6,786,103)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,880,053)	484,143
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,919,685	3,435,542
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,039,632	$ 3,919,685

The accompanying notes are an integral part of the financial statements.

DIABLO WATER DISTRICT
STATEMENT OF CASH FLOW (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

		2023		2022
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Loss	$	(2,927,100)	$	(2,342,948)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		2,442,468		1,762,000
Lease income		169,435		125,568
Other non-operating revenue		1,254,091		342,307
(Increase) decrease in assets:				
Accounts receivable - customers		(32,667)		306,478
Grants receivables		539,732		(110,185)
Other receivables		(210)		94,200
Prepaid expenses		(26,972)		(23,800)
(Increase) decrease in deferred outflows of resources:				
Deferred amounts related to OPEB liability		7,649		(728,466)
Deferred amounts related to net pension liability		(887,592)		601
Deferred amounts related to county pension plan termination liability		28,956		36,196
Increase (decrease) in current liabilities:				
Accounts payable and accrued expenses		54,015		288,271
Main extension reimbursement payable		67,541		91,953
Deposits and unearned revenue		(241,060)		(240,346)
Compensated absences		122,338		(30,185)
County pension plan termination liability		(103,118)		(50,270)
Net OPEB liability		1,830		468,564
Net pension liability		1,784,836		(1,249,999)
Increase (decrease) in deferred inflows of resources:				
Deferred amounts related to net pension liability		(1,130,243)		1,167,206
Deferred amounts related to lease revenue		12,747		(125,568)
Deferred amounts related to net OPEB liability		154,146		379,302
TOTAL ADJUSTMENTS		4,217,922		2,503,827
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	1,290,822	$	160,879
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Developer capital contributions	$	1,482,000	$	910,000
Amortization of deferred loss on refunding of certificates-of-participation		-		79,594
Inception of leases and SBITAs		-		28,901
Acquisition of right to use assets		-		36,101
Total non-cash investing, capital, and financing activities	$	1,482,000	$	989,594

The accompanying notes are an integral part of the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Diablo Water District (the "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 11,981 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 (GASB) Statement No. 61, *The Financial Reporting Entity*. 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 June 30, 2023 and 2022.

B. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

C. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position displays information about the reporting district as a whole. It includes the activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. The District's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. Business-type activities are generally financed in whole or in part by fees charged to external parties for goods or services.

The District consists of one proprietary fund. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses.

D. Measurement of Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, are presented using the economic resources measurement focus as defined below.

All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset used. The District has elected to recognize water sales based on an accepted industry practice which uses billing cycles rather than actual usage dates to determine timing of revenue recognition. Management has determined this method approximates the full accrual method and any differences are not material to the financial statements on a year-to-year basis. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal operations. The principal operating revenue of the District's fund are water charges to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

E. 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.

F. 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.

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 Statement of Net Position, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. Receivables

Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts, if applicable. Customer accounts receivable consist of amounts owed by private individuals and organizations for services rendered in the regular course of business operations. The District reports water charges as their major receivables.

The District utilizes the allowance method with respect to its accounts receivable. As of June 30, 2023 and 2022, there was no allowance for uncollectible accounts.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

J. Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is 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
Building and structures	50 years
Transmission and distribution system	5 to 50 years
General plant	5 to 50 years
Office equipment	3 to 5 years
Intangible right-to-use software agreements	3 to 5 years

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

K. Compensated Absence

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).

L. Deferred Inflows/Outflows of Resources

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pensions

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

CalPERS	June 30, 2023	June 30, 2022
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Measurement period	June 30, 2021 to June 30, 2022	June 30, 2020 to June 30, 2021

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.

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles required that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	June 30, 2023	June 30, 2022
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022	July 1, 2020 to June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Net Position

Net position represents the difference between all other elements in the statement of net position and is 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.

P. Contributed Capital

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

Q. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted by the Board of Directors for the general budget, which includes operations, maintenance and administration, and construction.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2022, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 94

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. There was no significant financial impact to the District as a result of implementation.

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The District has implemented this statement. See Notes 3, 7, and 18 for the impact on the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2023 or later and may be applicable for the District. However, the District has not determined what impact, if any, these pronouncements will have on the financial statements.

Governmental Accounting Standards Board Statement No. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for guarantees. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to leases, PPPs and SBITAs are effective for the District's fiscal year ending June 30, 2023 and the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the District's fiscal year ending June 30, 2024.

Governmental Accounting Standards Board Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for the District's fiscal year ending June 30, 2025.

T. Leases

Lessor

The District is a lessor for a noncancellable lease of land. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease terms, and (3) lease receipts.

- The District uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

The District uses various SBITA assets that it contracts through cloud computing arrangements, such as software as a service and platform as a service. The related obligations are presented in amounts equal to the present value of subscription payments, payable during the remaining SBITA term. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

V. Reclassification

Certain reclassifications may have been made to prior year amounts in order to be consistent with current year's presentation.

NOTE 2: CASH AND INVESTMENTS

Cash and investments are reported in the accompanying financial statements as of June 30, 2023 and 2022 as follows:

Description	2023	2022
Cash and cash equivalents	$ 2,039,632	$ 3,919,685
Investments	11,837,886	9,559,753
Restricted - investments	8,740,823	10,934,928
Total	$ 22,618,341	$ 24,414,366

Cash and investments were carried at fair value as of June 30, 2023 and 2022 and consisted of the following:

Description	2023	2022
Petty cash	$ 2,675	$ 2,675
Deposits held with financial institutions	2,036,957	3,917,010
Investments	20,578,709	20,494,681
Total cash and investments	$ 22,618,341	$ 24,414,366

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

A. Demand Deposits

At June 30, 2023 and 2022, the carrying amounts of the District's demand deposits were $2,036,957 and $3,917,010, respectively, and the financial institution balances were $3,915,932 and $4,624,906, respectively. The $1,878,975 and $707,896 respective net difference as of June 30, 2023 and 2022 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.

B. 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.

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, 2023 and 2022, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District's investments as of June 30, 2023 were as follows:

Investment Type	Measurement Focus*	Credit Rating	June 30, 2023 Fair Value	Remaining Maturity 1 year or less	Remaining Maturity 1-5 years
Non-negotiable certificates of deposit	Level 2	N/A	$ 2,957,249	$ 211,455	$ 2,745,794
Government sponsored agency securities	Level 2	AAA	3,035,377	-	3,035,377
Local agency investment fund (LAIF)	Uncategorized	N/A	12,965,301	12,965,301	-
Held by bank or trustee:					
Investment contracts	Uncategorized	N/A	1,612,238	-	1,612,238
Money market mutual funds	Level 2	N/A	8,544	8,544	-
Total			$ 20,578,709	$ 13,185,300	$ 7,393,409

The District's investments as of June 30, 2022 were as follows:

Investment Type	Measurement Focus*	Credit Rating	June 30, 2022 Fair Value	Remaining Maturity 1 year or less	Remaining Maturity 1-5 years
Non-negotiable certificates of deposit	Level 2	N/A	$ 2,774,640	$ 911,151	$ 1,863,489
Government sponsored agency securities	Level 2	AAA	550,478	-	550,478
Local agency investment fund (LAIF)	Uncategorized	N/A	13,751,733	13,751,733	-
Held by bank or trustee:					
Non-negotiable certificates of deposit	Level 2	N/A	-	-	-
Investment contracts	Uncategorized	N/A	3,393,791	-	3,393,791
Money market mutual funds	Level 2	N/A	24,039	24,039	-
Total			$ 20,494,681	$ 14,686,923	$ 5,807,758

*Refer to page 14 for framework for measuring fair value and fair value hierarchy.

D. 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 had $12,965,301 and $13,751,733 invested in LAIF as of June 30, 2023 and June 30, 2022, respectively. The LAIF fair value factor of 0.984828499 and 0.987125414 was used to calculate the fair value of the investments in LAIF as of June 30, 2023 and 2022, respectively.

E. 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.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2023 and 2022, the District's investment in the LAIF was not rated as noted in the table above.

G. 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 California Government 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.

H. 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.

I. 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, 2023 and 2022 the District had $1,620,782 and $3,417,830 respectively, invested with its bond trustee.

J. 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 and 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	180 days	40%	30%
Prime commercial paper	270 days or less	40%	10%
Non-negotiable certificates of deposit	5-years	None	None
Medium-term notes	5-years or less	30%	None
Mortgage pass-through securities	5-years or less	20%	None
Mutual funds	None	20%	10%
Money market mutual funds	None	20%	20%
Collateralized bank deposits	5-years	None	None
County pooled investment funds	None	None	None
California Local Agency Investment Fund (LAIF)	None	None	None

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	July 1, 2022 Restated	Additions	Retirements/ Transfers	June 30, 2023
Capital assets not being depreciated				
Land	$ 2,999,569	$ -	$ -	$ 2,999,569
Work in progress	1,494,867	3,272,627	(135,380)	4,632,114
Total capital assets not being depreciated	4,494,436	3,272,627	(135,380)	7,631,683
Capital assets being depreciated/amortized				
Randall-Bold water treatment plant	25,091,545	411,774	-	25,503,319
Infrastructure	64,930,550	1,481,999	135,380	66,547,929
Buildings and structures	2,694,192	-	-	2,694,192
Transmission and distribution system	6,010,176	35,351	-	6,045,527
General plant	3,141,636	270,572	-	3,412,208
Office equipment	138,465	-	-	138,465
Intangible right-to-use software agreements	388,640	-	-	388,640
Total capital assets being depreciated/amortized	102,395,204	2,199,696	135,380	104,730,280
Less: accumulated depreciation/amortization				
Randall-Bold water treatment plant	(13,785,125)	(593,648)	-	(14,378,773)
Infrastructure	(17,943,486)	(993,210)	-	(18,936,696)
Buildings and structures	(646,550)	(333,341)	-	(979,891)
Transmission and distribution system	(3,281,036)	(211,394)	-	(3,492,430)
General plant	(1,329,746)	(141,419)	-	(1,471,165)
Office equipment	(42,618)	(30,693)	-	(73,311)
Intangible right-to-use software agreements	(124,010)	(138,763)	-	(262,773)
Total accumulated depreciation/amortization	(37,152,571)	(2,442,468)	-	(39,595,039)
Capital assets, net of accumulated depreciation/amortization	$ 69,737,069	$ 3,029,855	$ -	$ 72,766,924

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2022 was as follows:

	July 1, 2021	Additions	Retirements/ Transfers	June 30, 2022 Restated
Capital assets not being depreciated				
Land	$ 2,999,569	$ -	$ -	$ 2,999,569
Work in progress	170,740	1,324,127	-	1,494,867
Total capital assets not being depreciated	3,170,309	1,324,127	-	4,494,436
Capital assets being depreciated/amortized				
Randall-Bold water treatment plant	25,034,729	480,129	(423,313)	25,091,545
Infrastructure	64,011,777	918,773	-	64,930,550
Buildings and structures	2,394,420	299,772	-	2,694,192
Transmission and distribution system	6,009,336	149,086	(148,246)	6,010,176
General plant	3,105,459	329,581	(293,404)	3,141,636
Office equipment	138,465	-	-	138,465
Intangible right-to-use software agreements	352,539	36,101	-	388,640
Total capital assets being depreciated/amortized	101,046,725	2,213,442	(864,963)	102,395,204
Less: accumulated depreciation/amortization				
Randall-Bold water treatment plant	(13,631,344)	(577,094)	423,313	(13,785,125)
Infrastructure	(17,471,065)	(472,421)	-	(17,943,486)
Buildings and structures	(291,148)	(355,402)	-	(646,550)
Transmission and distribution system	(3,237,819)	(191,463)	148,246	(3,281,036)
General plant	(1,486,498)	(136,652)	293,404	(1,329,746)
Office Equipment	(13,650)	(28,968)	-	(42,618)
Intangible right-to-use software agreements	-	(124,010)	-	(124,010)
Total accumulated depreciation/amortization	(36,131,524)	(1,886,010)	864,963	(37,152,571)
Capital assets, net of accumulated depreciation/amortization	$ 68,085,510	$ 1,651,559	$ -	$ 69,737,069

Depreciation/amortization expense for the years ended June 30, 2023 and 2022 totaled $2,442,468 and $1,886,010, respectively.

NOTE 4: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Receivables as of June 30 consisted of the following:

	2023	2022
Customer receivables	$ 583,277	$ 618,935
Other receivables	1,535	1,325
Due from governmental agencies	3,510	543,242
Total receivables	$ 588,322	$ 1,163,502

NOTE 5: LEASES RECEIVABLE

The District is reporting leases receivable of $1,585,317 and $1,516,992 at June 30, 2023 and 2022, respectively. For 2023, the District reported lease revenue of $169,435 and interest revenue of $49,488 related to lease payments received. For 2022, the District reported lease revenue of $125,568 and interest revenue of $72,346 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Office Space- MDRR	$ 276,527	$ 55,711	$ 9,114
Cellular Site- Crown Castle	1,216,088	69,164	36,859
Cellular Site- New Cingular Wireless PCS	23,783	18,191	1,021
Cellular Site- T-Mobile	68,919	26,369	2,494
Total	$ 1,585,317	$ 169,435	$ 49,488

Office Space- MDRR - On December 1, 2015, the District entered into a twelve-year lease agreement with Mt. Diablo Resource Recovery (formerly Oakley Disposal Service, Inc.) for the lease of approximately 1,295 square feet of office space at the District's main office. Based on this agreement, the District is receiving monthly payments through 2027. There are two six-year renewal options included in this lease agreement. District management has determined it is reasonably certain the lessee will exercise the first option which is through November 30, 2033. Therefore the lease receivable amount includes payments for the first six-year option.

Cellular Site- Crown Castle - On November 1, 2013, the District entered into a twenty-five-year lease agreement with Crown Castle for the lease of a parcel of land to be used for construction and operation of a cellular antenna. Based on this agreement, the District is receiving monthly payments through October 31, 2038. There are no renewal options included in this lease agreement.

Cellular Site- New Cingular Wireless PCS, LLC - On September 30, 1999, the District entered into a twenty-five-year lease agreement with Crown Castle for the lease of a parcel of land to be used for construction and operation of a cellular antenna. Based on this agreement, the District is receiving monthly payments through August 31, 2024. There are no renewal options included in this lease agreement.

Cellular Site- T-Mobile - On November 1, 2000, the District entered into a twenty-five-year lease agreement with Vertical Bridge Towers III LLC/T-Mobile for the lease of a parcel of land to be used for construction and operation of a cellular antenna. Based on this agreement, the District is receiving monthly payments through October 31, 2035. There are no renewal options included in this lease agreement.

The District has deferred inflows of resources associated with these leases that will be recognized over the lease terms. As of June 30, 2023 and 2022, the balance of deferred inflows was $1,389,317 and $1,376,571.

NOTE 6: COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2023, were as follows:

	Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023	Current Portion	Noncurrent Portion
Compensated Absences	$ 92,572	$ 293,699	$ (171,361)	$ 214,910	$ 120,096	$ 94,814

Summary changes to compensated absences balances for the year ended June 30, 2022, were as follows:

	Balance at June 30, 2021	Additions	Reductions	Balance at June 30, 2022	Current Portion	Noncurrent Portion
Compensated Absences	$ 122,757	$ 147,494	$ (177,679)	$ 92,572	$ 53,868	$ 38,704

NOTE 7: LONG-TERM LIABILITIES

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

Summary changes to long-term liabilities balances for the year ended June 30, 2023, were as follows:

Long-Term Liabilities	Balance at July 1, 2022 Restated	Additions/ Adjustments	Payments/ Reductions	Balance at June 30, 2023	Current Portion
Certificates-of-participation – 2019	$ 7,655,000	$ -	$ (400,000)	$ 7,255,000	$ 425,000
Loan payable – 2022A	3,151,000	-	(392,000)	2,759,000	360,000
Loan payable – 2022B	7,655,000	-	(105,000)	7,550,000	198,000
Subscription (SBITA) Liability	235,609	-	(129,463)	106,146	106,146
Add: Unamortized premiums - COPS	971,229	-	(32,374)	938,855	-
Total long-term liabilities	$ 19,667,838	$ -	$ (1,058,837)	$ 18,609,001	$ 1,089,146

Summary changes to long-term liabilities balances for the year ended June 30, 2022, were as follows:

	Balance at July 1, 2021	Additions/ Adjustments	Reductions	Balance at June 30, 2022 Restated	Current Portion
Certificates-of-participation – 2013	$ 3,945,000	$ -	$ (3,945,000)	$ -	$ -
Certificates-of-participation – 2019	8,045,000	-	(390,000)	7,655,000	400,000
Loan payable – 2022A	-	3,151,000	-	3,151,000	497,000
Loan payable – 2022BA	-	7,655,000	-	7,655,000	-
Subscription (SBITA) Liability	333,539	28,901	(126,831)	235,609	129,463
Add: Unamortized premiums - COPS	1,004,720	-	(33,491)	971,229	-
Total long-term liabilities	$ 13,328,259	$ 10,834,901	$ (4,495,322)	$ 19,667,838	$ 1,026,463

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

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. During fiscal year 2022, the 2013 COPs were refunded as part of the 2022 Water Revenue loan issuance. No additional payments are due as of June 30, 2022.

Certificates-of-Participation – 2019

During fiscal year 2019, the District issued $8,380,000 of Series 2019 Water Revenue Certificates-of-Participation (2019 COPs) (i) to finance the acquisition, construction, and improvement of the Corporation Yard facilities of the District; (ii) refinance the District's remaining installment payment obligation under an Installment Sale Agreement dates as of May 1, 2010, between the District and the Corporation, and cause the refunding of all the District's outstanding 2010 Water Revenue Certificates of Participation; (iii) refinance the District's remaining installment payment obligation under an Installment Purchase Agreement dated June 30, 2014, between the District and the Holman Capital Finance Corporation. Interest is payable semiannually on January 1 and July 1 and principal payments are due annually on January 1 through 2050. A premium on the Certificates-of-Participation has been recorded in the amount of $938,855. The balance is amortized using the straight line method over the Certificates-of-Participation term. Net accretion for the year ended June 30, 2023 totaled $32,374. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 425,000	$ 290,200	$ 715,200
2025	435,000	273,200	708,200
2026	450,000	255,800	705,800
2027	470,000	237,800	707,800
2028	490,000	219,000	709,000
2029-2033	1,935,000	817,800	2,752,800
2034-2038	1,045,000	502,000	1,547,000
2039-2043	725,000	345,000	1,070,000
2044-2048	880,000	188,600	1,068,600
2049-2050	400,000	24,200	424,200
Total	$ 7,255,000	$ 3,153,600	$ 10,408,600

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

Loans Payable – 2022

During fiscal year 2022, the District entered into loan agreements with Capital One Public Funding, LLC to finance the acquisition, construction, and improvements to the Water System. The loans bear an interest rate of 3.81% and 3.05% per annum. Principal and interest payments on the loans are due semiannually on each July 1 and January 1 commencing on January 1, 2023 through 2047. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 558,000	$ 362,543	$ 920,543
2025	574,000	343,749	917,749
2026	595,000	324,333	919,333
2027	615,000	304,232	919,232
2028	637,000	283,425	920,425
2029-2033	2,135,000	1,141,951	3,276,951
2034-2038	1,553,000	846,105	2,399,105
2039-2043	1,872,000	520,829	2,392,829
2044-2047	1,770,000	138,037	1,908,037
Total	$ 10,309,000	$ 4,265,204	$ 14,574,204

Deferred Loss on Refunding of Revenue Bonds

For the year ended June 30, 2023, there were no deferred losses on refunding of revenue bonds.

Changes in deferred loss on refunding of revenue bonds, net for the year ended June 30, 2022 was as follows:

Balance at July 1, 2021	Additions	Reductions	Balance at June 30, 2022
$ 79,594	$ -	$ (79,594)	$ -

Subscriptions (SBITAs)

The District has entered into subscription-based information technology arrangements (SBITAs) involving:

- Visual communications design software
- Geographic information software
- Document storage and management software
- Cloud-based maintenance management software
- Financial management, personnel management and billing software

As of June 30, 2023 and 2022, the total costs of the District's subscription assets (net of accumulated amortization) are recorded as $125,867 and 264,630, respectively.

The future subscription payments under SBITA agreements are as follows:

	Principal	Interest	Total
Years ending June 30,			
2024	$ 106,146	$ 606	$ 106,752
Total	106,146	606	106,752

NOTE 8: 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 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 December 31, 2018 (reported for June 30, 2019) indicated a remaining net termination liability of $1,103,361 as of that date. As of June 30, 2023 and 2022, the remaining obligation net termination liability totaled $859,084 and $962,202, respectively. The obligation is being amortized over approximately 7 years with annual installment payments. The final settlement date for the obligation will occur when 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
2024	$ 38,776
2025	41,393
2026	44,187
2027	47,170
2028	50,354
Thereafter	637,204
Total	859,084
Less: current portion	(38,776)
Non-Current	$ 820,308

NOTE 9: PENSION PLAN

General Information about the Plan

All qualified permanent full and part-time District employees working at least 1,000 hours per year are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two rate plans (both miscellaneous). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Active members belonging to the Classic Plan are required to contribute 8.0% of their annual covered salary. Active members belonging to the PEPRA plan are required to contribute 7.25% of their annual covered salary. The District makes the contributions required of the Classic and PEPRA employees on their behalf and for their account.

NOTE 9: PENSION PLAN (CONTINUED)

The Plan's provisions and benefits in effect during the year ended June 30, 2023 are summarized as follows:

	Classic	PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.7% at 55	2.0% at 62
Social Security Coverage	Yes	Yes
Full/Modified	Full	Full
Benefit Vesting Schedule	Five Years Schedule	Five Years Schedule
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55	62
Monthly Benefits, as a % of Eligible Compensation	2.0% to 2.7%	1.0% to 2.5%
Required Employee Contribution Rates	8.0%	7.25%

	Classic		PEPRA	
	2023	2022	2023	2022
Required Employer Contribution Rate	15.03 %	15.02 %	7.65 %	7.70 %
Required UAL Contribution	$ 230,513	$ 200,337	$ 2,404	$ 1,867

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the Plan for the years ended June 30, 2023 and 2022 were $547,381 and $470,540, respectively.

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

As of June 30, 2023 and 2022, the District reported a net pension liability of $3,152,424 and $1,367,588 for its proportionate share of the net pension liability of the Plan, respectively.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of 2022 and 2021 measurement dates was as follows:

For the year end June 30, 2023 reporting	
Proportion - June 30, 2021	0.025290 %
Proportion - June 30, 2022	0.027290 %
Change - Increase	0.002000 %

NOTE 9: PENSION PLAN (CONTINUED)

For the years ended June 30, 2023 and 2022, the District recognized pension expense of $221,288 and $298,960, respectively. At June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 547,381	$ -	$ 470,540	$ -
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	-	31,874	4,108	10,685
Changes in assumptions	323,032	-	-	-
Differences between expected and actual experience	63,307	42,400	153,360	-
Adjustment due to differences in proportions	88,113	-	83,673	-
Net differences between projected and actual earnings on plan investments	577,440	-	-	1,193,832
Total	$ 1,599,273	$ 74,274	$ 711,681	$ 1,204,517

$547,381 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2024	$ (272,669)
2025	(228,886)
2026	(122,880)
2027	(353,183)
Total	$ (977,618)

NOTE 9: PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	7.15%
Inflation	2.30%	2.50%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	6.90%% net of pension plan investment expenses; includes inflation	7.15% net of pension plan investment expenses; includes inflation
Mortality (1)	Derived using CalPERS membership data for all funds	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until purchasing power protection allowance floor on purchasing power applies.	Contract COLA up to 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries 80 percent of scale MP 2020. For more details on this table, please refer to the 2021 experience study report (based on CalPERS demographic data from 2000 to 2019) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the fiscal years 2000 to 2019, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

NOTE 9: PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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.

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

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management Study.

NOTE 9: PENSION PLAN (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Period	
	2022	2021
1% Decrease	5.90 %	6.15 %
Net Pension Liability	$ 4,915,893	$ 2,937,556
Current Discount Rate	6.90 %	7.15 %
Net Pension Liability	$ 3,152,424	$ 1,367,588
1% Increase	7.90 %	8.15 %
Net Pension Liability	$ 1,701,526	$ 69,718

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports on the CalPERS website.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District provides postemployment healthcare benefits for retired employees in accordance with their published employee handbook.

Description of the Plan

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.

Employees Covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Covered Participants
Inactives currently receiving benefits	6
Active employees	22
Total	28

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Contributions

The contribution requirements of plan members and the District are based on current year retiree premiums because the plan was overfunded based on the actuarial valuation dated June 30, 2021. For the years ended June 30, 2023 and 2022, the District paid on behalf of its retirees $19,282 and $13,224, respectively.

Net OPEB Liability

The District's net OPEB liability ("NOL") was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

Actuarial Valuation Date	June 30, 2021
Discount Rate	3.85% at June 30, 2022 2.65% at June 30, 2021
Expected Long-Term Rate of Return on Investments	6.25%
General Inflation	2.50% per annum
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 and later years
Healthcare Participation	100%

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

	Target Allocation * CERBT - Strategy 1	Expected Real Rate of Return
Asset Class Component		
Global Equity	49%	4.56
Fixed Income	23%	1.56%
TIPS	5%	(0.08)%
Commodities	3%	1.22%
REITs	20%	4.06%
General Inflation		2.50% per annum
Expected Long-term Net Rate of Return, Rounded		6.25%
Discount Rate		
June 30, 2022		3.85%
June 30, 2021		2.65%

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The long-term expected real rates of return are presented as geometric means.

*CalPERS approved new CERBT asset allocations in March 2022. This is not expected to impact the expected long-term rate of return assumption for CERBT Strategy 1.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.85%. The projection of cash flows used to determine the discount rate assumed that the District will continue to pay retiree benefit payments outside of the trust (no additional contributions).

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the health care plan at June 30, 2023 are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022 (Valuation date of June 30, 2021)	$ 2,435,537	$ 1,273,246	$ 1,162,291
Changes recognized for the measurement period:			
Service cost	149,215	-	149,215
Interest	67,493	-	67,493
Assumption changes	(371,433)	-	(371,433)
Contributions - employer	-	13,224	(13,224)
Net investment income	-	(169,455)	169,455
Benefit payments	(75,725)	(75,725)	-
Administrative expenses	-	(324)	324
Net changes	(230,450)	(232,280)	1,830
Balance at June 30, 2023 (Measurement date of June 30, 2022)	$ 2,205,087	$ 1,040,966	$ 1,164,121

The changes in the net OPEB liability for the health care plan at June 30, 2022 are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021 (Valuation date of June 30, 2021)	$ 1,742,829	$ 1,049,102	$ 693,727
Changes recognized for the measurement period:			
Service cost	60,987	-	60,987
Interest	119,174	-	119,174
Actual vs. expected experience	(253,452)	-	(253,452)
Assumption changes	842,554	-	842,554
Contributions - employer	-	12,826	(12,826)
Net investment income	-	288,270	(288,270)
Benefit payments	(76,555)	(76,555)	-
Administrative expenses	-	(397)	397
Net changes	692,708	224,144	468,564
Balance at June 30, 2022 (Measurement date of June 30, 2021)	$ 2,435,537	$ 1,273,246	$ 1,162,291

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	Discount Rate -1% (2.85%)	Current Discount Rate (3.85%)	Discount Rate +1% (4.85%)
Net OPEB Liability	$ 1,467,834	$ 1,164,121	$ 909,426

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

	Discount Rate -1% (1.65%)	Current Discount Rate (2.65%)	Discount Rate +1% (3.65%)
Net OPEB Liability	$ 1,522,516	$ 1,162,291	$ 864,367

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 819,764	$ 1,164,121	$ 1,602,197

The following table presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2021:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 776,065	$ 1,164,121	$ 1,659,770

OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from the California Public Employees' Retirement System at 400 Q Street, Sacramento, CA 95811.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in the total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023 and 2022, the District recognized OPEB expense of $182,908 and $132,624, respectively. As of fiscal year ended June 30, 2023 and 2022, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 19,282	$ -	$ 13,224	$ -
Difference between expected and actual experience	-	224,602	-	253,282
Changes in assumptions	752,949	337,357	849,550	-
Net differences between projected and actual earnings on plan investments	82,894	-	-	154,530
Total	$ 855,125	$ 561,959	$ 862,774	$ 407,812

$19,282 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30,	
2024	$ 47,789
2025	46,680
2026	40,157
2027	83,648
2028	33,843
Thereafter	21,767
Total	$ 273,884

NOTE 11: NET INVESTMENT IN CAPITAL ASSETS

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

Description	June 30, 2023	June 30, 2022 (Restated)
Net investment in capital assets:		
Capital assets - not being depreciated	$ 7,631,683	$ 4,494,436
Capital assets, net - being depreciated	65,135,241	65,242,633
Certificates-of-participation - current	(425,000)	(400,000)
Loans payable - current	(558,000)	(497,000)
Subscription (SBITA) liability	(106,146)	(129,463)
Certificates-of-participation - non-current	(7,768,855)	(8,226,229)
Loans payable - non-current	(9,751,000)	(10,309,000)
Unspent proceeds from loans payable	7,500,000	7,500,000
Total net investment in capital assets	$ 61,657,923	$ 57,675,377

NOTE 12: RESTRICTED NET POSITION

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

Description	June 30, 2023	June 30, 2022
Restricted net position		
Restricted for debt service	$ 1,620,782	$ 3,404,578
Restricted for AB-1600 requirements - developer fees	7,120,041	7,530,350
Total restricted net position	$ 8,740,823	$ 10,934,928

NOTE 13: 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.

NOTE 14: 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. Previously, the District purchased liability and property insurance coverage for risks through East County Insurance, the District's selected insurance broker/consultant. In an effort to reduce costs, the District combined its liability, property and workers' compensation insurance policies into a risk pool with the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), in which the District is a member. This went into effect on December 1, 2019. 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 insurance.

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)	per occurrence	$ 5,000,000
Excess liability**	with various sublimits starting at	$ 2,000,000
Property ($1,000 - $5,000 - varies based on property type)	Replacement cost up to an aggregate of	$ 32,881,811
Auto liability ($500)	Each accident	$ 5,000,000
Crime coverage ($1,000)		$ 100,000
Cyber liability (varies based on annual revenue)		Total Annual Revenue
Workers' compensation ($2,500)		Statutory Limit
Workers' compensation - employer's liability		$ 2,000,000

** The liability insurance program is comprised of a pool layer and reinsurance/excess coverage for a total limit of $55,000,000.

NOTE 14: RISK MANAGEMENT (CONTINUED)

Settled claims have not exceeded any of the coverage amounts in any of the last four fiscal years. 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, 2023 and 2022.

NOTE 15: 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. The balance due at June 30, 2023 and 2022 was $541,706 and $474,165, respectively.

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 $192,458 as of June 30, 2023 and 2022 and included in deposits and unearned revenue on the statement of net position.

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 16: 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.

NOTE 17: SUBSEQUENT EVENT

Management has reviewed events subsequent to June 30, 2023 through December 4, 2023, which is the date the financial statements were issued.

NOTE 18: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

The District has subscription-based information technology arrangements which began in October 2019, May 2022, and August 2022. The implementation of GASB No. 96 requires retroactive application which resulted in the following restatement to June 30, 2022 balances. In addition, the District made corrections to leases receivable which required adjusting prior net position.

	Business-Type Activities
Net Position July 1, 2021	$ 68,528,153
Adjustments:	
Net SBITA Asset Adjustment	29,021
Lease Receivable Adjustment	(264,416)
Restated Net Position July 1, 2021	$ 68,292,758

REQUIRED SUPPLEMENTARY INFORMATION

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
LAST 10 YEARS*

	Measurement Period								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.02729 %	0.02529 %	0.02406 %	0.02355 %	0.02293 %	0.02270 %	0.02247 %	0.02223 %	0.01886 %
Proportionate share of the net pension liability	$ 3,152,424	$ 1,367,588	$ 2,617,587	$ 2,413,360	$ 2,209,851	$ 2,251,040	$ 1,944,341	$ 1,526,137	$ 1,173,398
Covered payroll	$ 2,196,390	$ 1,924,833	$ 1,761,762	$ 1,643,754	$ 1,493,450	$ 1,341,221	$ 1,251,800	$ 1,044,488	$ 1,014,066
Proportionate share of the net pension liability as a percentage of covered payroll	143.53 %	71.05 %	148.58 %	146.82 %	147.97 %	167.84 %	155.32 %	146.11 %	115.71 %
Plan fiduciary net position as a percentage of the total pension liability	76.68 %	88.29 %	75.10 %	75.26 %	75.30 %	73.31 %	74.06 %	78.40 %	79.82 %

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

Changes in assumptions: In 2022, the demographic assumptions. discount rate and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2021. In 2021, 2020 and 2019, there were no changes. In 2018, the demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS*

	Fiscal Year-End								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 547,381	$ 470,540	$ 412,782	$ 359,113	$ 314,239	$ 267,797	$ 237,345	$ 211,486	$ 192,153
Contributions in relation to the actuarially determined contributions	(547,381)	(470,540)	(412,782)	(359,113)	(314,239)	(267,797)	(237,345)	(211,486)	(192,153)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,683,518	$ 2,196,390	$ 1,924,833	$ 1,761,762	$ 1,643,745	$ 1,493,450	$ 1,341,221	$ 1,251,800	$ 1,044,488
Contributions as a percentage of covered payroll	20.40 %	21.42 %	21.45 %	20.38 %	19.12 %	17.93 %	17.70 %	16.89 %	18.40 %

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2023
LAST 10 YEARS *

	Measurement Period					
	2022	2021	2020	2019	2018	2017
Changes in the Total OPEB Liability						
Service cost	$ 149,215	$ 60,987	$ 59,211	$ 54,554	$ 52,965	$ 51,422
Interest	67,493	119,174	112,558	99,983	93,683	87,254
Actual vs. expected experience	(253,452)	(253,452)	-	(36,656)	-	-
Assumption changes	(371,433)	842,554	-	133,197	-	-
Benefit payments	(75,725)	(76,555)	(74,512)	(64,368)	(45,435)	(44,508)
Net Changes	(230,450)	692,708	97,257	186,710	101,213	94,168
Total OPEB Liability (beginning of year)	2,435,537	1,742,829	1,645,572	1,458,862	1,357,649	1,263,481
Total OPEB Liability (end of year)	$ 2,205,087	$ 2,435,537	$ 1,742,829	$ 1,645,572	$ 1,458,862	$ 1,357,649
Changes in Plan Fiduciary Net Position						
Contributions - employer	$ 13,224	$ 12,826	$ 74,512	$ 64,368	$ 45,435	$ 3,844
Net investment income	(169,455)	288,270	35,802	58,914	71,414	89,368
Benefit payments	(75,725)	(76,555)	(74,512)	(64,368)	(45,435)	(44,508)
Administrative expenses	(324)	(397)	(495)	(205)	(1,645)	(451)
Net Changes	(232,280)	224,144	35,307	58,709	69,769	48,253
Plan Fiduciary Net Position (beginning of year)	1,273,246	1,049,102	1,013,795	955,086	885,317	837,064
Plan Fiduciary Net Position (end of year)	$ 1,040,966	$ 1,273,246	$ 1,049,102	$ 1,013,795	$ 955,086	$ 885,317
Net OPEB Liability	$ 1,164,121	$ 1,162,291	$ 693,727	$ 631,777	$ 503,776	$ 472,332
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.2 %	52.3 %	60.2 %	61.6 %	65.5 %	65.2 %
Covered employee payroll	$ 2,683,518	$ 2,195,673	$ 1,921,871	$ 1,804,907	$ 1,591,893	$ 1,489,595
Net OPEB Liability as a Percentage of Covered-Employee Payroll	43.4 %	52.9 %	36.1 %	35.0 %	31.6 %	31.7 %

Notes to Schedule:

Changes in assumptions:

For the measurement period June 30, 2022, the discount rate and long-term return on assets was 3.85%. This rate has increased from 2.65%, (which was used throughout all past measurement periods), based on the crossover test, a change in the District's funding policy and the municipal bond rate.
Demographics assumed termination, disability and retirement rates were updated from those provided in the CalPERS 2000-2019 experience study reports to the rates in the most recent available experience study (2021) of the CalPERS program. Given the repeal of the provision related to the excise tax on high-cost plans from the Afford Care Act in December 2019, any liability related to this tax was excluded.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only six years are shown. Additional years' information will be displayed as it becomes available.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
AS OF JUNE 30, 2023
LAST 10 YEARS *

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	N/A - e	N/A - d	N/A - c	$ 102,224	$ 99,259	N/A - a
Contributions in relation to the ADC	N/A - e	N/A - d	N/A - c	74,512	61,789	N/A - b
Contribution deficiency (excess)	N/A	N/A	N/A	$ 27,712	$ 37,470	N/A
Covered-Employee Payroll	N/A	N/A	N/A	$ 1,921,871	$ 1,804,907	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	3.9 %	3.4 %	N/A

a: The District did not determine an ADC for the year ended June 30, 2018.
b: The District contributed $45,435 for benefit payments during 2018. However this amount was reimbursed by the irrevocable trust; therefore contributions are considered to be $0 as defined by GASB 75.
c: No ADC was calculated by the plan's actuary for the year ended June 30, 2021.
d: No ADC was calculated by the plan's actuary for the year ended June 30, 2022.
e: No ADC was calculated by the plan's actuary for the year ended June 30, 2023.

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only six years are shown. Additional years' information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

DIABLO WATER DISTRICT
SCHEDULES OF CASH AND INVESTMENTS AVAILABLE FOR OPERATIONS
JUNE 30, 2023 AND 2022

	2023	2022
Cash Accounts:		
General checking	$ 2,036,957	$ 3,917,010
Cash on hand	2,575	2,575
Payroll tax deposits	100	100
Total cash accounts	2,039,632	3,919,685
Investment Accounts		
Local agency investment fund	12,965,301	13,751,733
Government sponsored agency securities	3,035,377	550,478
Money market accounts - held with bond trustee	8,544	24,039
Investment contracts held by bond trustee	1,612,238	3,393,791
Non-negotiable certificates-of-deposit	2,957,249	2,774,640
Total investment accounts	20,578,709	20,494,681
Total cash and investments	$ 22,618,341	$ 24,414,366
Restricted net position:		
Certificates-of-participation - 2013 - reserve account	$ -	$ 279
Certificates-of-participation - 2019 - reserve account	1,620,782	3,404,299
Total restricted for debt service	1,620,782	3,404,578
Facilities reserve	7,120,041	7,530,350
Total restricted for AB-1600 requirements - developer and connection fees	7,120,041	7,530,350
Total restricted net position	8,740,823	10,934,928
Designated funds:		
Rate stabilization fund	$ 1,000,000	$ 1,000,000
Reserve Fund	750,000	$ -
Customer deposits/developer-admin deposits	123,394	368,136
Maintenance bonds	412,500	412,500
Main extension reimbursement payable	541,706	474,165
Substandard street deposits	192,458	192,458
Willow Park Marina well system	(7,555)	-
Payroll tax deposit	100	100
Knightsen well system	38,096	26,701
Total designated funds	3,050,699	2,474,060
Total assigned cash and investments	11,791,522	13,408,988
Cash and investments available for operations	10,826,819	11,005,378
Total cash and investments	$ 22,618,341	$ 24,414,366
Reconciliation to Statement of Net Position		
Cash and cash equivalents	$ 2,039,632	$ 3,919,685
Investments	11,837,886	9,559,753
Restricted - investments	8,740,823	10,934,928
Total cash and investments	$ 22,618,341	$ 24,414,366

DIABLO WATER DISTRICT
SCHEDULES OF DEBT SERVICE NET REVENUE COVERAGE
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
TOTAL REVENUES:		
Operating revenues	$ 14,390,909	$ 12,572,567
Non-operating revenues	1,857,353	705,936
Capital contributions - developer and connections fees	2,321,748	3,422,775
TOTAL REVENUES	18,570,010	16,701,278
TOTAL EXPENSES		
Operating Expenses	14,875,541	13,153,515
Non-operating expenses	697,468	716,798
LESS DEBT SERVICE ITEMS		
Interest expense - long-term debt	(697,468)	(637,204)
TOTAL EXPENSES	14,875,541	13,233,109
NET REVENUES AVAILABLE FOR DEBT SERVICE	$ 3,694,469	$ 3,468,169
DEBT SERVICE FOR THE FISCAL YEAR	$ 1,756,305	$ 1,187,526
DEBT SERVICE NET REVENUE COVERAGE RATIO	210 %	292 %
DEBT SERVICE NET REVENUE COVERAGE RATIO WITH RESERVES*	267 %	376 %

* Ratio includes $1,000,000 in Rate Stabilization Reserve maintained by the District as part of its unrestricted fund balance which is available to be used for debt service.

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

To the Board of Directors 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 financial statements of the business-type activities of Diablo Water District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Diablo Water District's basic financial statements and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Diablo Water District's internal control over financial reporting (internal control) as a basis for designing 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 Diablo Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Diablo Water 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Diablo Water 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MUN CPAs, LLP

Sacramento, California
December 4, 2023