DIABLO WATER DISTRICT

DIABLO WATER DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2021 AND 2020

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

DIABLO WATER DISTRICT

For the Year Ended June 30, 2021

BOARD OF DIRECTORS

Paul Seger	**President**
Scott Pastor	**Vice President**
Kenneth L. Crockett	**Director**
Marilyn Tiernan	**Director**
Joe Kovalick	**Director**
Dan Muelrath	**General Manager & Secretary**
Wesley A. Miliband	**General Counsel**

DIABLO WATER DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

TABLE OF CONTENTS

DIABLO WATER DISTRICT
Acronyms and Abbreviations Used in the Annual Financial Report
For the Years Ended June 30, 2021 and 2020

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
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

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Diablo Water District, as of June 30, 2021 and 2020, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 40 to 43 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 Schedule of Cash and Investments Available for Operations and Schedule of Debt Service Net Revenues Coverage on pages 45 and 46, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Cash and Investments Available for Operations and Schedule 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 Schedule of Cash and Investments Available for Operations and Schedule 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 November 30, 2021, 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 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.

Mann Urrutia Nelson CPAs

Sacramento, California
November 30, 2021

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, 2021 and 2020. 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 2021

- In 2021, the District's net position increased 11.18% or $6,856,719 from the prior year's net position of $61,312,572 to $68,169,291 as a result of this year's operations.

- In 2021, operating revenues increased by 13.86% or $1,567,556 from $11,313,854 to $12,881,410, from the prior year, primarily due to an increase in residential and business water sales of $1,237,295. This is due to an increase in water sales due to a record low rainfall season.

- In 2021, operating expenses before depreciation expense increased by 22.05% or $2,303,141 from $10,443,932 to $12,747,073, from the prior year, due to an increase in water purchases of $1,057,213, water treatment plant expenses of $446,109 and administrative expenses of $215,065. Water purchases were higher than expected due to well pump and water quality issues that didn't allow the District to use their wells for groundwater production.

Required Financial Statements

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

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

Financial Analysis of the District

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

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

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

Notes to the Basic Financial Statements

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

Condensed Balance Sheets

	June 30, 2021	June 30, 2020	Change	June 30, 2019	Change
Assets:					
Current assets	$ 8,255,318	$ 6,757,750	$ 1,497,568	$ 6,260,559	$ 497,191
Non-current assets	10,718,413	7,231,480	3,486,933	3,728,715	3,502,765
Capital assets, net	67,732,971	66,025,325	1,707,646	63,268,408	2,756,917
Total assets	86,706,702	80,014,555	6,692,147	73,257,682	6,756,873
Deferred outflows of resources	1,396,727	1,513,146	(116,419)	887,393	625,753
Total assets and deferred outflows of resources	$ 88,103,429	$ 81,527,701	$ 6,575,728	$ 74,145,075	$ 7,382,626
Liabilities:					
Current liabilities	$ 3,326,428	$ 2,941,997	$ 384,431	$ 3,740,153	$ (798,156)
Non-current liabilities	16,541,889	17,120,886	(578,997)	13,158,941	3,961,945
Total liabilities	19,868,317	20,062,883	(194,566)	16,899,094	3,163,789
Deferred inflows of resources	65,821	152,246	(86,425)	132,026	20,220
Net position:					
Net investment in capital assets	54,817,845	51,800,293	3,017,552	51,404,394	395,899
Restricted	10,718,413	7,231,480	3,486,933	3,728,715	3,502,765
Unrestricted	2,633,033	2,280,799	352,234	1,980,846	299,953
Total net position	68,169,291	61,312,572	6,856,719	57,113,955	4,198,617
Total liabilities, deferred outflow of resources and net position	$ 88,103,429	$ 81,527,701	$ 6,575,728	$ 74,145,075	$ 7,382,626

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 $68,169,291 and $61,312,572 as of June 30, 2021 and 2020, respectively.

By far the largest portion of the District's net position (101% as of June 30, 2021 and 93% as of June 30, 2020) 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 2021 and 2020, the District showed a positive balance in its unrestricted net position of $2,633,033 and $2,280,799, respectively, which may be utilized in future years.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2021	June 30, 2020	Change	June 30, 2019	Change
Operating revenues	$ 12,881,410	$ 11,313,854	$ 1,567,556	$ 10,091,089	$ 1,222,765
Operating expenses	(12,747,073)	(10,443,932)	(2,303,141)	(9,565,745)	(878,187)
Operating income before depreciation	134,337	869,922	(735,585)	525,344	344,578
Depreciation expense	(2,135,376)	(2,015,546)	(119,830)	(1,940,744)	(74,802)
Operating income (loss)	(2,001,039)	(1,145,624)	(855,415)	(1,415,400)	269,776
Non-operating revenues (expenses)	487,158	(297,153)	784,311	180,248	(477,401)
Net loss before capital contributions	(1,513,881)	(1,442,777)	(71,104)	(1,235,152)	(207,625)
Capital contributions	8,370,600	5,641,394	2,729,206	7,688,902	(2,047,508)
Change in net position	6,856,719	4,198,617	2,658,102	6,453,750	(2,255,133)
Net position:					
Beginning of year (includes adjustment)	61,312,572	57,113,955	4,198,617	50,660,205	6,453,750
End of year	$ 68,169,291	$ 61,312,572	$ 6,856,719	$ 57,113,955	$ 4,198,617

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 $6,856,719 and increased by $4,198,617 for the fiscal years ended June 30, 2021 and 2020, respectively.

Total Revenues

	June 30, 2021	June 30, 2020	Change	June 30, 2019	Change
Operating Revenues:					
Water sales - residential and business	$ 11,896,683	$ 10,659,388	$ 1,237,295	$ 9,332,347	$ 1,327,041
Water sales - other	490,219	307,718	182,501	385,124	(77,406)
Other charges for services	494,508	346,748	147,760	373,618	(26,870)
Total operating revenues	$ 12,881,410	$ 11,313,854	$ 1,567,556	$ 10,091,089	$ 1,222,765
Non-operating:					
Investment earnings	45,871	247,017	(201,146)	235,712	11,305
Rental revenue	143,996	143,022	974	132,006	11,016
Other non-operating revenues	732,852	201,206	531,646	236,608	(35,402)
Total non-operating revenues	922,719	591,245	331,474	604,326	(13,081)
Total revenues	$ 13,804,129	$ 11,905,099	$ 1,899,030	$ 10,695,415	$ 1,209,684

In 2021, operating revenues increased by 13.86% or $1,567,556 from $11,313,854 to $12,881,410, from the prior year, primarily due to an increase in residential and business water sales of $1,237,295. This is due to an increase in water sales due to a historically dry rainfall season. In 2020, operating revenues increased by 12.12% or $1,222,765 from $10,091,089 to $11,313,854, from the prior year, primarily due to an increase in residential and business water sales of $1,327,041.

Total Expenses

	June 30, 2021	June 30, 2020	Increase (Decrease)	June 30, 2019	Increase (Decrease)
Operating expenses:					
Source of supply - water purchases	$ 5,330,564	$ 4,273,351	$ 1,057,213	$ 3,729,316	$ 544,035
Water treatment - Randall-Bold water treatment	1,805,073	1,358,964	446,109	1,298,630	60,334
Well expenses	175,925	53,380	122,545	99,548	(46,168)
Maintenance	562,117	350,116	212,001	305,681	44,435
Transmission and distribution	1,899,217	1,847,794	51,423	1,805,199	42,595
Customer service	1,022,460	823,675	198,785	874,288	(50,613)
Administrative and general	1,951,717	1,736,652	215,065	1,453,083	283,569
Operating expenses before depreciation	12,747,073	10,443,932	2,303,141	9,565,745	878,187
Depreciation expense	2,135,376	2,015,546	119,830	1,940,744	74,802
Total operating expenses	14,882,449	12,459,478	2,422,971	11,506,489	952,989
Non-operating expenses:					
Interest and amortization expense	435,561	888,398	(452,837)	424,078	464,320
Total non-operating	435,561	888,398	(452,837)	424,078	464,320
Total expenses	$ 15,318,010	$ 13,347,876	$ 1,970,134	$ 11,930,567	$ 1,417,309

In 2021, operating expenses before depreciation expense increased by 22.05% or $2,303,141 from $10,443,932 to $12,747,073, from the prior year, primarily due to increases in source of supply – water purchases of $1,057,213 and water treatment plant expenses of $446,109 and administrative expenses of $215,065. Water purchases were higher than expected due to well pump and water quality issues that didn't allow the District to use their wells for groundwater production.

In 2020, operating expenses before depreciation expense increased by 9.18% or $878,187 from $9,565,745 to $10,443,932, from the prior year, primarily due to increases in source of supply – water purchases of $544,035, and water treatment plant expenses of $60,334 and administrative expenses of 283,569. The other primary reasons for the increase is due to an increase in capital expenses, deployment of a new financial management software system, and the GASB 68 and 75 reporting requirements.

Capital Asset Administration

	Balance June 30, 2021	Balance June 30, 2020	Balance June 30, 2019
Capital assets:			
Non-depreciable assets	$ 3,170,309	$ 2,974,681	$ 2,900,069
Depreciable assets	100,694,186	97,046,792	92,527,304
Accumulated depreciation	(36,131,524)	(33,996,148)	(32,158,965)
Total capital assets, net	$ 67,732,971	$ 66,025,325	$ 63,268,408

At the end of fiscal year 2021 and 2020, the District's investment in capital assets amounted to $67,732,971 and $66,025,325 (net of accumulated depreciation), respectively. Major capital asset additions during the year amounted to $3,843,022 and $74,612 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, 2021	Balance June 30, 2020	Balance June 30, 2019
Long-term debt:			
Certificates-of-participation	$ 12,994,720	$ 13,844,367	$ 8,000,000
Loans payable	-	-	2,221,991
Revenue bonds payable	-	469,623	1,740,345
Total	$ 12,994,720	$ 14,313,990	$ 11,962,336

Structured long-term debt items decreased by $(1,319,270) and increased by $2,351,654 for the fiscal years ended June 30, 2021 and 2020, due to regular principal payments on the District's structured long-term debt items. See Note 6 for further information.

Notes to the Basic Financial Statements

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

Economic Conditions

The economic condition of the District appears to be stable but challenged by the COVID-19 pandemic and potential start of a drought. COVID-19 stay at home orders did increase residential consumption as people worked and children learned from home. The pandemic has significantly increased the District's customers past due balances compared to normal years and the Governor's Order to prevent water shut-offs due to non-payment is exacerbating the issue. The other area of uncertainty is the possible start of a drought that will be dependent on rainfall during the upcoming water year. In Fiscal year 2020, the District paid off and refinanced significant debt obligations that will help in the short term, however future rate increases will be required for bond covenant requirements and capital investments in the water system. The District is currently working on restructuring 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. These rates are proposed to become effective February 2022.

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, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 3,435,542	$ 3,146,351
Investments (Note 2)	3,239,947	2,632,910
Accrued interest receivable	12,351	16,485
Accounts receivable - customers	925,413	775,066
Due from governmental agencies (Note 5)	433,057	-
Other receivables	15,932	5,762
Prepaid expenses and other assets	193,076	181,176
Total current assets	8,255,318	6,757,750
Non-current assets		
Restricted - investments (Note 2)	10,718,413	7,231,480
Capital assets - not being depreciated (Note 3)	3,170,309	2,974,681
Capital assets - being depreciated (net of accumulated depreciation) (Note 3)	64,562,662	63,050,644
Total non-current assets	78,451,384	73,256,805
TOTAL ASSETS	86,706,702	80,014,555
DEFERRED OUTFLOW OF RESOURCES		
Deferred loss on refunding of certificates of participation, net (Note 6)	79,594	88,958
Deferred amounts related to CCCERA termination liability	470,543	506,739
Deferred amounts related to net OPEB liability (Note 9)	134,308	192,909
Deferred amounts related to net pension liability (Note 8)	712,282	724,540
Total deferred outflow of resources	1,396,727	1,513,146
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 88,103,429	$ 81,527,701

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

DIABLO WATER DISTRICT
STATEMENTS OF NET POSITION (continued)
JUNE 30, 2021 AND 2020

LIABILITIES	2021	2020
Current liabilities		
Accounts payable and accrued expenses	$ 824,882	$ 652,424
Main extension reimbursement payable (Note 14)	382,212	134,951
Deposits and unearned revenue	1,219,960	743,474
Accrued interest payable	-	19,235
Current portion of long-term liabilities		
Compensated absences (Note 4)	69,104	57,020
Certificates-of-participation (Note 6)	780,000	815,000
Revenue bonds payable (Note 6)	-	469,623
County pension plan termination liability (Note 7)	50,270	50,270
Total current liabilities	3,326,428	2,941,997
Noncurrent liabilities		
Long-term liabilities - due in more than one year		
Compensated absences (Note 4)	53,653	37,199
Certificates-of-participation (Note 6)	12,214,720	13,029,367
County pension plan termination liability (Note 7)	962,202	1,009,183
Net pension liability (Note 8)	2,617,587	2,413,360
Net OPEB liability (Note 9)	693,727	631,777
Total noncurrent liabilities	16,541,889	17,120,886
TOTAL LIABILITIES	19,868,317	20,062,883
DEFERRED INFLOW OF RESOURCES		
Deferred amounts related to net OPEB liability (Note 9)	28,510	48,872
Deferred amounts related to net pension liability (Note 8)	37,311	103,374
Total deferred inflow of resources	65,821	152,246
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	19,934,138	20,215,129
NET POSITION		
Net investment in capital assets (Note 10)	54,817,845	51,800,293
Restricted (Note 11)	10,718,413	7,231,480
Unrestricted	2,633,033	2,280,799
Total net position	68,169,291	61,312,572
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 88,103,429	$ 81,527,701

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, 2021 AND 2020

	2021	2020
OPERATING REVENUE		
Water sales - residential and business	$ 11,896,683	$ 10,659,388
Water sales - other	490,219	307,718
Other charges for services and miscellaneous operating revenues	494,508	346,748
Total operating revenue	12,881,410	11,313,854
OPERATING EXPENSES		
Source of supply - water purchases	5,330,564	4,273,351
Water treatment - Randall-Bold water treatment plant	1,805,073	1,358,964
Well expenses	175,925	53,380
Maintenance	562,117	350,116
Transmission and distribution	1,899,217	1,847,794
Customer service	1,022,460	823,675
Administrative, capital, and general	1,951,717	1,736,652
Total operating expenses	12,747,073	10,443,932
Operating income before depreciation expense	134,337	869,922
Depreciation expense	(2,135,376)	(2,015,546)
OPERATING LOSS	(2,001,039)	(1,145,624)
NON-OPERATING REVENUES (EXPENSES)		
Investment earnings	45,871	247,017
Rental income	143,996	143,022
Aid from governmental agencies	586,001	-
Interest expense	(426,197)	(879,034)
Gain on sale of capital assets	-	4,500
Other non-operating revenues	146,851	196,706
Amortization expense	(9,364)	(9,364)
Total non-operating revenues (expenses)	487,158	(297,153)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,513,881)	(1,442,777)
CAPITAL CONTRIBUTIONS		
Developer and connection fees	5,411,820	1,726,394
Developer capital contributions	2,958,780	3,915,000
TOTAL CAPITAL CONTRIBUTIONS	8,370,600	5,641,394
CHANGE IN NET POSITION	6,856,719	4,198,617
TOTAL NET POSITION, BEGINNING OF YEAR	61,312,572	57,113,955
TOTAL NET POSITION, END OF YEAR	$ 68,169,291	$ 61,312,572

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

DIABLO WATER DISTRICT
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 13,055,169	$ 11,363,155
Payments to employees for salaries and wages	(2,967,654)	(2,627,433)
Payments to suppliers for goods and services	(9,103,236)	(7,100,793)
NET CASH PROVIDED BY OPERATING ACTIVITIES	984,279	1,634,929
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from developer and connection fees	5,411,820	1,726,394
Acquisition and construction of capital assets	(884,242)	(857,463)
Proceeds on disposal of assets	-	4,500
Grant revenue for capital purposes	586,001	-
Proceeds from debt issuance	-	9,433,745
Principal paid on long-term debt	(1,319,270)	(7,082,091)
Interest paid on long-term debt	(445,432)	(879,034)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	3,348,877	2,346,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	50,005	259,232
Purchase of investments	(8,337,679)	(3,115,576)
Sale of investments	4,243,709	708,721
NET CASH USED FOR INVESTING ACTIVITIES	(4,043,965)	(2,147,623)
NET INCREASE IN CASH AND CASH EQUIVALENTS	289,191	1,833,357
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,146,351	1,312,994
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,435,542	$ 3,146,351

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, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$ (2,001,039)	$ (1,145,624)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,135,376	2,015,546
Rental income	143,996	143,022
Other non-operating revenue	146,851	196,705
(Increase) decrease in assets:		
Accounts receivable - customers	(150,347)	(121,140)
Grants receivables	(433,057)	-
Other receivables	(10,170)	15,881
Prepaid expenses	(11,900)	108,105
Other assets	-	225,196
(Increase) decrease in deferred outflows of resources:		
Deferred amounts related to OPEB liability	58,601	(131,120)
Deferred amounts related to net pension liability	12,258	2,742
Deferred amounts related to CCCERA termination liability	36,196	(506,739)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	172,458	180,103
Main extension reimbursement payable	247,261	(55,549)
Deposits and unearned revenue	476,486	(185,168)
Compensated absences	28,538	42,212
County pension plan termination liability	(46,981)	499,027
Net OPEB liability	61,950	128,001
Net pension liability	204,227	203,509
Increase (decrease) in deferred inflows of resources:		
Deferred amounts related to net pension liability	(66,063)	1,268
Deferred amounts related to net OPEB liability	(20,362)	18,952
TOTAL ADJUSTMENTS	2,985,318	2,780,553
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 984,279	$ 1,634,929
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Developer capital contributions	$ 2,958,780	$ 3,915,000
Amortization of deferred loss on refunding of certificates-of-participation	9,364	9,364
Total non-cash investing, capital, and financing activities	$ 2,968,144	$ 3,924,364

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Diablo Water District (District) was formed and exists under, and by virtue of, the County Water District Law of the State of California, Division 12 of the Water Code (§§30000-33901). The District is governed by a Board of Directors consisting of five members, one of whom is annually elected President. The General Manager – Secretary is appointed by the Board pursuant to §30540 of the Water Code. Diablo Water District changed its name from Oakley Water District on May 1, 1993. The District's revenue is generated by direct collection of water usage charges from approximately 11,981 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, 2021 and 2020.

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. 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020, 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

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

K. Compensated Absences

The District's personnel policies provide for accumulation of vacation leave and compensatory time off. Liabilities for vacation leave and compensatory time off are recorded when benefits are earned. Full cash payment for all unused vacation leave is available to employees upon retirement or termination. Although accrued and unused sick leave may be carried over to, and used during, subsequent years, as discussed above, sick pay does not vest which means no payment shall be made for unused sick leave on termination of employment. However, upon retirement, employees may convert unused sick leave to credited service time in accordance with the provisions of the District's retirement plan with the California Public Employee Retirement System (CalPERS).

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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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, 2021	June 30, 2020
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	July 1, 2019
Measurement period	July 1, 2019 to June 30, 2020	July 1, 2018 to July 1, 2019

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, 2021	June 30, 2020
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	July 1, 2019
Measurement Period	July 1, 2019 to June 30, 2020	July 1, 2018 to July 1, 2019

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

R. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2020, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Additionally, this Statement describes four fiduciary funds that should be reported, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. There was no significant financial impact to the District as a result of implementation.

Governmental Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interest reported as an investment and majority equity interest reported as a component unit of the governmental entity. There was no significant financial impact to the District as a result of implementation.

S. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2021 or later and may be applicable for the District. However, the District has not determined the effects, if any, on the financial statements.

Governmental Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligation*s. The purpose of this statement is 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. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan, (3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits*, (4) the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangement, (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, and other changes to references and terminology. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The District has not determined what impact, if any, this pronouncement will have on the financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for the District's fiscal year ending June 30, 2022. All other requirments of this statement are effective for the District's fiscal year ending June 30, 2022.

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 nonfinanciala asset for a period of time in an exchange or exchange-like transaction. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, *Subsription-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 not disclosures regarding a SBITA. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 97

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans and Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and camparability related to the reporting of fiduciary component units in circumstances in which a partial component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to the accountina and financial reporting for Section 457 plans are effective for the District's fiscal year ending June 30, 2022.

NOTE 2: CASH AND INVESTMENTS

Cash and investments are reported in the accompanying financial statements as of June 30, 2021 and 2020 as follows:

Description	2021	2020
Cash and cash equivalents	$ 3,435,542	$ 3,146,351
Investments	3,239,947	2,632,910
Restricted - investments	10,718,413	7,231,480
Total	$ 17,393,902	$ 13,010,741

Cash and investments were carried at fair value as of June 30, 2021 and 2020 and consisted of the following:

Description	2021	2020
Petty Cash	$ 2,675	$ 2,675
Deposits held with financial institutions	3,432,867	3,143,676
Investments	13,958,360	9,864,390
Total cash and investments	$ 17,393,902	$ 13,010,741

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

A. Demand Deposits

At June 30, 2021 and 2020, the carrying amount of the District's demand deposits was $3,432,867 and $3,143,676, respectively, and the financial institution balance was $3,612,845 and $2,988,270, respectively. The $179,978 and $155,406 respective net difference as of June 30, 2021 and 2020 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, 2021 and 2020, none of the District’s deposits and investments was exposed to disclosable custodial credit risk.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District's investments as of June 30, 2021 were as follows:

Investment Type	Measurement Focus*	Credit Rating	June 30, 2021 Fair Value	Remaining Maturity 1 year or less	1-5 years
Non-negotiable certificates of deposit	Level 2	N/A	$ 2,941,508	$ 706,240	$ 2,235,268
Government sponsored agency securities	Level 2	AAA	598,302	-	598,302
Local agency investment fund (LAIF)	Uncategorized	N/A	5,914,534	5,914,534	-
Held by bank or trustee:					
Non-negotiable certificates of deposit	Level 2	N/A	515,278	-	515,278
Investment contracts	Uncategorized	N/A	3,970,010	-	3,970,010
Money market mutual funds	Level 2	N/A	18,728	18,728	-
Total			$ 13,958,360	$ 6,639,502	$ 7,318,858

The District's investments as of June 30, 2020 were as follows:

Investment Type	Measurement Focus*	Credit Rating	June 30, 2020 Fair Value	Remaining Maturity 1 year or less	1-5 years
Non-negotiable certificates of deposit	Level 2	N/A	$ 2,928,249	$ 445,961	$ 2,482,288
Government sponsored agency securities	Level 2	AA+	154,989	-	154,989
Local agency investment fund (LAIF)	Uncategorized	N/A	2,202,140	2,202,140	-
Held by bank or trustee:					
Non-negotiable certificates of deposit	Level 2	N/A	524,376	-	524,376
Investment contracts	Uncategorized	N/A	4,026,928	-	4,026,928
Money market mutual funds	Level 2	AAA	27,708	27,708	-
Total			$ 9,864,390	$ 2,675,809	$ 7,188,581

*Refer to page 13 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 $5,914,534 and $2,202,140 invested in LAIF as of June 30, 2021 and June 30, 2020, respectively. The LAIF fair value factor of 1.00008297 and 1.004912795 was used to calculate the fair value of the investments in LAIF as of June 30, 2021 and 2020, respectively.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

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, 2021 and 2020, 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, 2021 and 2020 the District had $4,504,016 and $4,579,012 respectively, invested with its bond trustee.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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	25%	10%
Non-negotiable certificates of deposit	5-years	30%	None
Medium-term notes	5-years	30%	None
Mortgage pass-through securities	5-years	20%	None
Mutual funds	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, 2021 was as follows:

	June 30, 2020	Additions	Retirements/ Transfers	June 30, 2021
Capital assets not being depreciated				
Land	$ 2,900,069	$ -	$ 99,500	$ 2,999,569
Work in progress	74,612	246,464	(150,336)	170,740
Total capital assets not being depreciated	2,974,681	246,464	(50,836)	3,170,309
Capital assets being depreciated				
Randall-Bold water treatment plant	24,704,093	330,636	-	25,034,729
Infrastructure	61,052,998	2,958,779	-	64,011,777
Buildings and structures	2,394,420	-	-	2,394,420
Transmission and distribution system	5,888,217	121,119	-	6,009,336
General plant	2,998,439	107,020	-	3,105,459
Office equipment	8,625	79,004	50,836	138,465
Total capital assets being depreciated	97,046,792	3,596,558	50,836	100,694,186
Less: accumulated depreciation				
Randall-Bold water treatment plant	(13,073,991)	(557,353)	-	(13,631,344)
Infrastructure	(16,257,881)	(1,213,184)	-	(17,471,065)
Buildings and structures	(243,346)	(47,802)	-	(291,148)
Transmission and distribution system	(3,050,317)	(187,502)	-	(3,237,819)
General plant	(1,370,613)	(115,885)	-	(1,486,498)
Office equipment	-	(13,650)	-	(13,650)
Total accumulated depreciation	(33,996,148)	(2,135,376)	-	(36,131,524)
Capital assets, net of accumulated depreciation	$ 66,025,325	$ 1,707,646	$ -	$ 67,732,971

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2020 was as follows:

	July 1, 2019 (Restated)	Additions	Retirements/ Transfers	June 30, 2020
Capital assets not being depreciated				
Land	$ 2,900,069	$ -	$ -	$ 2,900,069
Work in progress	-	74,612	-	74,612
Total capital assets not being depreciated	2,900,069	74,612	-	2,974,681
Capital assets being depreciated				
Randall-Bold water treatment plant	24,269,558	434,535	-	24,704,093
Infrastructure	57,127,528	3,925,470	-	61,052,998
Buildings and structures	2,394,420	-	-	2,394,420
Transmission and distribution system	5,836,114	52,103	-	5,888,217
General plant	2,899,684	277,118	(178,363)	2,998,439
Office equipment	-	8,625	-	8,625
Total capital assets being depreciated	92,527,304	4,697,851	(178,363)	97,046,792
Less: accumulated depreciation				
Randall-Bold water treatment plant	(12,530,177)	(543,814)	-	(13,073,991)
Infrastructure	(15,130,637)	(1,127,244)	-	(16,257,881)
Buildings and structures	(195,544)	(47,802)	-	(243,346)
Transmission and distribution system	(2,869,862)	(180,455)	-	(3,050,317)
General plant	(1,432,745)	(116,231)	178,363	(1,370,613)
Total accumulated depreciation	(32,158,965)	(2,015,546)	178,363	(33,996,148)
Capital assets, net of accumulated depreciation	$ 63,268,408	$ 2,756,917	$ -	$ 66,025,325

Depreciation expense for the years ended June 30, 2021 and 2020 totaled $2,135,376 and $2,015,546, respectively.

NOTE 4: COMPENSATED ABSENCES

Summary changes to compensated absences balances for the year ended June 30, 2021, were as follows:

	Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021	Current Portion	Noncurrent Portion
Compensated Absences	$ 94,219	$ 123,553	$ (95,015)	$ 122,757	$ 69,104	$ 53,653

Summary changes to compensated absences balances for the year ended June 30, 2020, were as follows:

	Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020	Current Portion	Noncurrent Portion
Compensated Absences	$ 52,007	$ 126,896	$ (84,684)	$ 94,219	$ 57,020	$ 37,199

NOTE 5: ACCOUNTS RECEIVABLE AND AMOUNTS DUE FROM GOVERNMENTAL AGENCIES

Receivables as of June 30 consisted of the following:

	2021	2020
Customer receivables	$ 925,413	$ 775,066
Other Receivables	15,932	5,762
Due from governmental agencies	433,057	-
Total receivables	$ 1,374,402	$ 780,828

NOTE 6: 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, 2021, were as follows:

Long-Term Liabilities	Balance at July 1, 2020	Additions/ Adjustments	Payments/ Reductions	Balance at June 30, 2021	Current Portion
Certificates-of-participation – 2013	$ 4,425,000	$ -	$ (480,000)	$ 3,945,000	$ 390,000
Certificates-of-participation – 2019	8,380,000	-	(335,000)	8,045,000	390,000
Revenue bonds payable – 2012 series A	469,623	(11,268)	(458,355)	-	-
Add: Unamortized premiums	1,039,367	-	(34,647)	1,004,720	-
Total long-term liabilities	$ 14,313,990	$ (11,268)	$ (1,308,002)	$ 12,994,720	$ 780,000

Summary changes to long-term liabilities balances for the year ended June 30, 2020, were as follows:

	Balance at July 1, 2019	Additions/ Adjustments	Reductions	Balance at June 30, 2020	Current Portion
Certificates-of-participation – 2010	$ 3,110,000	$ -	$ (3,110,000)	$ -	$ -
Certificates-of-participation – 2013	4,890,000	-	(465,000)	4,425,000	480,000
Certificates-of-participation – 2019	-	8,380,000	-	8,380,000	335,000
Loans payable – 2014	2,221,991	-	(2,221,991)	-	-
Revenue bonds payable – 2012 series A	1,740,345	14,378	(1,285,100)	469,623	469,623
Add: Unamortized premiums	-	1,039,367	-	1,039,367	-
Total long-term liabilities	$ 11,962,336	$ 9,433,745	$ (7,082,091)	$ 14,313,990	$ 1,284,623

Certificates-of-Participation – 2013

During fiscal year 2005, the District issued $7,500,000 of Series 2005 Water Revenue Certificates-of-Participation (2005 COPs) to finance improvements to the District's water system, including the Glen Park well system and blending facility. In April 2013, the 2005 COPs were refunded from proceeds of the issuance of the 2013 Water Revenue Certificates-of-Participation (2013 COPs), which included costs associated with the relocation of a 24-inch water line as a result of BNSF Railway installing a second track that would be located over the water line. Interest is payable semiannually on January 1 and July 1 and principal payments are due annually on January 1 through 2030. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 390,000	$ 125,803	$ 515,803
2023	400,000	116,054	516,054
2024	410,000	105,054	515,054
2025	420,000	92,754	512,754
2026	435,000	80,154	515,154
2027-2030	1,890,000	170,838	2,060,838
Total	$ 3,945,000	$ 690,657	$ 4,635,657

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

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. Annual remaining debt service repayments are as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 390,000	$ 321,800	$ 711,800
2023	400,000	306,200	706,200
2024	425,000	290,200	715,200
2025	435,000	273,200	708,200
2026	450,000	255,800	705,800
2027-2031	2,280,000	993,400	3,273,400
2032-2036	1,405,000	607,400	2,012,400
2037-2041	675,000	400,000	1,075,000
2042-2046	810,000	254,800	1,064,800
2047-2050	775,000	78,800	853,800
Total	$ 8,045,000	$ 3,781,600	$ 11,826,600

Revenue Bonds Payable – 2012 Series A

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

Interest was payable semiannually on April 1 and October 1 and principal payments were due annually on October 1 through 2020. A portion of the repayment of the liability came from the District’s developer impact fees revenues/reserves and the remaining balance came from operating funds.

The District's original total debt service liability of $8,143,700 was partially offset by the application of a reserve account held by the CCWA which was applied to the last payment which was paid in fiscal year 2021. There are no further debt service payments related to the Water Treatment Revenue Refunding Bonds, 2012 Series A.

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

Deferred Loss on Refunding of Revenue Bonds

Changes in deferred loss on refunding of revenue bonds, net for the year ended June 30, 2021 was as follows:

Balance at July 1, 2020	Additions	Reductions	Balance at June 30, 2021
$ 88,958	$ -	$ (9,364)	$ 79,594

Changes in deferred loss on refunding of revenue bonds, net for the year ended June 30, 2020 was as follows:

Balance at July 1, 2019	Additions	Reductions	Balance at June 30, 2020
$ 98,322	$ -	$ (9,364)	$ 88,958

NOTE 7: COUNTY PENSION PLAN TERMINATION LIABILITY

The District terminated its participation in the Contra Costa County Employees Retirement Association (CCCERA) effective September 30, 2005. Pursuant to its funding obligation upon termination, the District entered into a termination agreement with CCCERA under which the District agreed to pay the costs associated with its share of any unfunded actuarial liability that is attributable to the officers and employees of the District that either were retired or will retire under 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, 2021, the remaining obligation net termination liability is $1,012,472. 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
2022	$ 50,270
2023	53,789
2024	57,554
2025	61,583
2026	65,894
Thereafter	723,382
Total	1,012,472
Less: current portion	(50,270)
Non-Current	$ 962,202

NOTE 8: 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.

The Plan's provisions and benefits in effect during the year ended June 30, 2021 are summarized as follows:

Hire Date	Classic Prior to January 1, 2013	PEPRA 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%
*Required Employer Contribution Rates	29.400%	8.162%

*Employer Contribution rates include the employer normal cost rate and the unfunded accrued liability contribution.

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, 2021 and 2020 were $412,782 and $359,113, respectively.

NOTE 8: PENSION PLAN (CONTINUED)

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

As of June 30, 2021 and 2020, the District reported a net pension liability of $2,617,587 and $2,413,360 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, 2020, 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, 2019 rolled forward to June 30, 2020 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 2020 and 2019 measurement dates was as follows:

For the year end June 30, 2021 reporting	
Proportion - June 30, 2019	0.023550 %
Proportion - June 30, 2020	0.024060 %
Change - Increase (Decrease)	0.000510 %

For the years ended June 30, 2021 and 2020, the District recognized pension expense of $479,139 and $477,144, respectively. At June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 412,782	$ -	$ 359,113	$ -
Difference between actual contributions made by the employer and the employer's proportionate share of the risk pool's total contribution	12,593	15,353	23,371	-
Changes in assumptions	-	18,670	115,080	40,795
Differences between expected and actual experience	134,892	-	167,618	12,987
Adjustment due to differences in proportions	74,255	3,288	59,358	7,399
Net differences between projected and actual earnings on plan investments	77,760	-	-	42,193
Total	$ 712,282	$ 37,311	$ 724,540	$ 103,374

NOTE 8: PENSION PLAN (CONTINUED)

$412,782 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, 2022. 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,		
2022	$	61,260
2023		97,868
2024		65,765
2025		37,296
Total	$	262,189

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	July 1, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	7.15%% 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 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter	Contract COLA up to 2.75% 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 90 percent scale MP 2016. For more details on this table, please refer to the 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

NOTE 8: PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	-%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	-%	-0.92%

(a) An expected inflation of 2.00% used for this period.
(b) An expected inflation of 2.92% used for this period.

NOTE 8: 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 2020	Measurement Period 2019
1% Decrease	6.15 %	6.15 %
Net Pension Liability	$ 4,097,579	$ 3,694,666
Current Discount Rate	7.15 %	7.15 %
Net Pension Liability	$ 2,617,587	$ 2,413,360
1% Increase	8.15 %	8.15 %
Net Pension Liability	$ 1,394,717	$ 1,355,732

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 9: 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, 2019 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	7
Active employees	16
Total	23

NOTE 9: 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, 2019. For the year ended June 30, 2021 the District paid $12,826 on behalf of its retirees.

Net OPEB Liability

The District's net OPEB liability ("NOL") was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Actuarial Valuation Date	June 30, 2019
Discount Rate	6.75% at June 30, 2020 6.75% at June 30, 2019
Expected Long-Term Rate of Return on Investments	6.75%
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2019
Salary Increases	Aggregate - 3.00% Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% 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	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
General Inflation		2.75% per annum
Expected Long-term Net Rate of Return, Rounded		6.75%
Discount Rate		
June 30, 2020		6.75%
June 30, 2019		6.75%

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

*Policy target effective on the October 1, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. 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 are as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020 (Valuation Date of June 30, 2019)	$ 1,645,572	$ 1,013,795	$ 631,777
Changes recognized for the measurement period:			
Service cost	59,211	-	59,211
Interest	112,558	-	112,558
Contributions - employer	-	74,512	(74,512)
Net investment income	-	35,802	(35,802)
Benefit payments	(74,512)	(74,512)	-
Administrative expenses	-	(495)	495
Net changes	97,257	35,307	61,950
Balance at June 30, 2021 (Measurement Date of June 30, 2020)	$ 1,742,829	$ 1,049,102	$ 693,727

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, 2020:

	Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
Net OPEB Liability	$ 927,665	$ 693,727	$ 498,846

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

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 450,679	$ 693,727	$ 997,922

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.

NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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, 2021 and 2020, the District recognized OPEB expense of $113,015 and $92,924, respectively. As of fiscal year ended June 30, 2021 and 2020, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	$ 12,826	$ -	$ 74,512	$ -
Difference between expected and actual experience	-	28,510	-	32,583
Changes in assumptions	103,597	-	118,397	-
Net differences between projected and actual earnings on plan investments	17,885	-	-	16,289
Total	$ 134,308	$ 28,510	$ 192,909	$ 48,872

$12,826 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, 2022. 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,	
2022	$ 9,167
2023	16,015
2024	18,360
2025	17,251
2026	10,727
Thereafter	21,452
Total	$ 92,972

NOTE 10: NET INVESTMENT IN CAPITAL ASSETS

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

Description	June 30, 2021	June 30, 2020
Net investment in capital assets:		
Capital assets - not being depreciated	$ 3,170,309	$ 2,974,681
Capital assets, net - being depreciated	64,562,662	63,050,644
Deferred loss of refunding of revenue bonds, net	79,594	88,958
Certificates-of-participation - current	(780,000)	(815,000)
Revenue bonds payable - current	-	(469,623)
Certificates-of-participation - non-current	(12,214,720)	(13,029,367)
Total net investment in capital assets	$ 54,817,845	$ 51,800,293

NOTE 11: RESTRICTED NET POSITION

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

Description	June 30, 2021	June 30, 2020
Restricted net position		
Restricted for debt service	$ 4,504,020	$ 4,579,010
Restricted for AB-1600 requirements - developer fees	6,214,393	2,652,470
Total restricted net position	$ 10,718,413	$ 7,231,480

NOTE 12: DEFERRED COMPENSATION SAVINGS PLAN

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

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

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

NOTE 13: 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.

NOTE 13: RISK MANAGEMENT (CONTINUED)

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 occurence	$	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	$	28,539,161
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.

Settled claims have not exceeded any of the coverage amounts in any of the last three 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, 2021 and 2020.

NOTE 14: 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.

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, 2021.

NOTE 14: COMMITMENTS (CONTINUED)

Brentwood Pump Station

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

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

Under the terms of the original agreement, the District is not obligated to transport water after November 30, 2003. Commencing the same date, the District was obligated to pay 90% of Brentwood's constructions costs up to a maximum of $585,000 in ten equal annual installments without interest. The agreement was amended on October 25, 2000. The service areas located south of Neroly Road and Delta Road (overlap areas) will be serviced by the City. The ten annual installments were reduced to six with payments starting in 2008 through 2013, and the District made the final payment in fiscal year 2013. For connections in the overlap areas, the City pays a connection fee subject to annual increases per the Construction Cost Index.

NOTE 15: 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.

Public Health Emergency

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as investments, accounts receivable, accounts payable, and accrued expenses to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2021. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to the financial condition of the District.

NOTE 16: SUBSEQUENT EVENT

Management has reviewed events subsequent to June 30, 2021 through November 30, 2021, which is the date the financial statements were issued.

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, 2021
LAST 10 YEARS*

	Measurement Period						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.02406 %	0.02355 %	0.02293 %	0.02270 %	0.02247 %	0.02223 %	0.01886 %
Proportionate share of the net pension liability	$ 2,617,587	$ 2,413,360	$ 2,209,851	$ 2,251,040	$ 1,944,341	$ 1,526,137	$ 1,173,398
Covered payroll	$ 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	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	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 seven years are shown.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS TO THE COST SHARING DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, 2021
LAST 10 YEARS*

	Fiscal Year-End						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 412,782	$ 359,113	$ 314,239	$ 267,797	$ 237,345	$ 211,486	$ 192,153
Contributions in relation to the actuarially determined contributions	(412,782)	(359,113)	(314,239)	(267,797)	(237,345)	(211,486)	(192,153)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$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	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 seven years are shown.

DIABLO WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2021
LAST 10 YEARS *

	Measurement Period			
	2020	2019	2018	2017
Changes in the Total OPEB Liability				
Service Cost	$ 59,211	$ 54,554	$ 52,965	$ 51,422
Interest	112,558	99,983	93,683	87,254
Actual vs. expected experience	-	(36,656)	-	-
Assumption Changes	-	133,197	-	-
Benefit Payments	(74,512)	(64,368)	(45,435)	(44,508)
Net Changes	97,257	186,710	101,213	94,168
Total OPEB Liability (beginning of year)	1,645,572	1,458,862	1,357,649	1,263,481
Total OPEB Liability (end of year)	$ 1,742,829	$ 1,645,572	$ 1,458,862	$ 1,357,649
Changes in Plan Fiduciary Net Position				
Contributions - employer	$ 74,512	$ 64,368	$ 45,435	$ 3,844
Net investment income	35,802	58,914	71,414	89,368
Benefit payments	(74,512)	(64,368)	(45,435)	(44,508)
Administrative expenses	(495)	(205)	(1,645)	(451)
Net Changes	35,307	58,709	69,769	48,253
Plan Fiduciary Net Position (beginning of year)	1,013,795	955,086	885,317	837,064
Plan Fiduciary Net Position (end of year)	$ 1,049,102	$ 1,013,795	$ 955,086	$ 885,317
Net OPEB Liability	$ 693,727	$ 631,777	$ 503,776	$ 472,332
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	60.2 %	61.6 %	65.5 %	65.2 %
Covered employee payroll	$ 1,921,871	$ 1,804,907	$ 1,591,893	$ 1,489,595
Net OPEB Liability as a Percentage of Covered-Employee Payroll	36.1 %	35.0 %	31.6 %	31.7 %

Notes to Schedule:

Changes in assumptions:
For the measurement period June 30, 2020, the discount rate and long-term return on assets was 6.75%. This rate has remained consistent througout all past measurement periods.
In 2019, demographics assumed termination, disability and retirement rates were updated from those provided in the CalPERS 1997-2011 experience study reports to the rates in the most recent available experience study (2017) 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 four 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, 2021
LAST 10 YEARS *

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

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only four 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, 2021 and 2020

	2021	2020
Cash Accounts:		
General checking	$ 3,432,867	$ 2,738,676
Maintenance bonds	-	405,000
Cash on hand	2,575	2,575
Payroll tax deposits	100	100
Total cash accounts	3,435,542	3,146,351
Investment Accounts		
Local agency investment fund	5,914,534	2,202,140
Government sponsored agency securities	598,302	154,989
Money market accounts - held with bond trustee	18,728	27,708
Investment contracts held by bond trustee	3,970,010	4,026,928
Non-negotiable certificates-of-deposit	2,941,508	2,928,249
Non-negotiable certificates-of-deposit - held with bond trustee	515,278	524,376
Total investment accounts	13,958,360	9,864,390
Total cash and investments	$ 17,393,902	$ 13,010,741
Restricted net position:		
Certificates-of-participation - 2013 - reserve account	$ 522,196	$ 539,859
Certificates-of-participation - 2019 - reserve account	3,981,824	4,039,151
Total restricted for debt service	4,504,020	4,579,010
Facilities reserve	6,214,393	2,652,470
Total restricted for AB-1600 requirements - developer and connection fees	6,214,393	2,652,470
Total restricted net position	10,718,413	7,231,480
Designated funds:		
Rate stabilization fund	1,000,000	1,000,000
Customer deposits/developer-admin deposits	308,379	117,174
Maintenance bonds	412,500	405,000
Main extension reimbursement payable	382,212	134,951
Substandard street deposits	192,458	216,000
South Park well system	307,263	300,189
Willow Park Marina well system	-	3,812
Rock Island well system	130,589	129,394
Beacon well system	64,520	49,865
Payroll tax deposit	100	100
Knightsen well system	19,768	18,489
Total designated funds	2,817,789	2,374,974
Total assigned cash and investments	13,536,202	9,606,454
Cash and investments available for operations	3,857,700	3,404,287
Total cash and investments	$ 17,393,902	$ 13,010,741
Reconciliation to balance sheet		
Cash and cash equivalents	$ 3,435,542	$ 3,146,351
Investments	3,239,947	2,632,910
Restricted - investments	10,718,413	7,231,480
Total cash and investments	$ 17,393,902	$ 13,010,741

DIABLO WATER DISTRICT
SCHEDULES OF DEBT SERVICE NET REVENUE COVERAGE
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
TOTAL REVENUES:		
Operating revenues	$ 12,881,410	$ 11,313,854
Non-operating revenues	922,719	591,245
Capital contributions - developer and connections fees	5,411,820	1,726,394
TOTAL REVENUES	19,215,949	13,631,493
TOTAL EXPENSES		
Operating Expenses	12,747,073	10,443,932
Non-operating expenses	435,561	888,398
LESS DEBT SERVICE ITEMS		
Interest expense - long-term debt	(426,197)	(879,034)
TOTAL EXPENSES	12,756,437	10,453,296
NET REVENUES AVAILABLE FOR DEBT SERVICE	$ 6,459,512	$ 3,178,197
DEBT SERVICE FOR THE FISCAL YEAR	$ 1,734,199	$ 2,629,134
DEBT SERVICE NET REVENUE COVERAGE RATIO	372 %	121 %
DEBT SERVICE NET REVENUE COVERAGE RATIO WITH RESERVES*	430 %	159 %

* 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.

MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

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 the Diablo Water District (the "District"), as of and for the year ended June 30, 2021, 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 November 30, 2021.

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 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.

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.

Mann Urrutia Nelson CPAs

Sacramento, California
November 30, 2021

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