

**DUBLIN SAN RAMON SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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**DUBLIN SAN RAMON SERVICES DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

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BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Dublin San Ramon Services District
Dublin, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Dublin San Ramon Services District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and each major fund of the District as of June 30, 2014, and the respective changes in the financial positions and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement 65 – *Items Previously Reported as Assets and Liabilities*, which became effective during the year ended June 30, 2014. See note 1K to the financial statements for relevant disclosures.

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District’s basic financial statements as a whole. The Supplementary Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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



Pleasant Hill, California
October 13, 2014

DUBLIN SAN RAMON SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF BASIC FINANCIAL STATEMENTS Fiscal Years Ended June 30, 2014 and 2013

Financial Highlights for Fiscal Year 2014

- ✓ Total assets increased by \$4.1 million or 0.9%
- ✓ Total liabilities decreased by \$6.3 million or 5.9%
- ✓ The District's net position increased \$10.4 million or 3.0%.
- ✓ Total revenues increased \$1.2 million or 1.7%
- ✓ Total expenses increased \$4.5 million or 7.8%

Overview of the Financial Statements

The following overview of the financial activities of Dublin San Ramon Services District summarizes changes in the District's Basic Financial Statements which consist of the Statement of Net Position, Statement of Revenues and Expenses and Changes in Fund Net Position, Statement of Cash Flows, and Notes to Financial Statements. The main purpose of these statements is to provide the reader with sufficient information to assess whether or not the District's overall financial position has improved or deteriorated. Increases or decreases in net position over time are an indicator of the District's overall financial health and should be considered together with management's short and long-term plans for prospectively financing operations and programs.

The Statement of Net Position includes all District assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). This statement provides data for calculating analytical review measures such as rate of return, capital structure, and liquidity. Revenues and expenses are accounted for in the Statement of Revenues and Expenses and Changes in Fund Net Position. This statement measures the success of District operations for the year and determines cost recovery through user fees and other charges, profitability, and credit worthiness. The Statement of Cash Flows provides information about District cash receipts and disbursements and net changes in cash that result from operating activities, non-capital financing activities, capital financing activities and investing activities. Thus, the Statement of Cash Flows shows sources and uses of cash.

The format of the District's financial statements is in accordance with business-type activities known as enterprise funds. Enterprise funds are self-supporting funds that charge fees to users to cover the costs of operation, maintenance, and recurring capital replacement (OM&R), and are similar to the accounting methods used by private sector companies. Enterprise funds report on the accrual basis of accounting recognizing all assets, liabilities, revenues and expenses applicable as of the financial statement date.

The District is governed by a Board of Directors, which sets policy, adopts budgets and appoints a General Manager to direct operations. There are five Directors elected at-large to overlapping four-year terms.

Changes in Net Position

The following condensed statements, Statement of Net Position (Table 1) and Statement of Revenues and Expenses and Changes in Fund Net Position (Table 2), are presented in a comparative format together with dollar and percentage of change from the previous year, to help the reader analyze financial activity.

DUBLIN SAN RAMON SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2014 and 2013

TABLE 1
Condensed Statements of Net Position

	Fiscal Year Ended 2014	Fiscal Year Ended 2013	Increase (Decrease)	% Change	Fiscal Year Ended 2012	% Change
Current and restricted assets	\$ 132,813,452	\$ 125,399,268	\$ 7,414,184	5.9%	\$ 114,814,273	9.2%
Capital assets	318,764,933	321,292,876	(2,527,943)	-0.8%	322,653,837	-0.4%
Other assets	13,063,587	13,848,924	(785,337)	-5.7%	12,491,402	10.9%
Total assets	<u>464,641,972</u>	<u>460,541,068</u>	<u>4,100,904</u>	0.9%	<u>449,959,512</u>	2.4%
Current and restricted liabilities	12,148,687	13,546,277	(1,397,590)	-10.3%	12,805,610	5.8%
Long-term liabilities	88,891,024	93,813,534	(4,922,510)	-5.2%	97,708,098	-4.0%
Total liabilities	<u>101,039,711</u>	<u>107,359,811</u>	<u>(6,320,100)</u>	-5.9%	<u>110,513,708</u>	-2.9%
Net position						
Net investment in capital assets	234,213,401	233,439,184	774,217	0.3%	231,488,157	0.8%
Restricted for expansion	48,406,861	47,665,749	741,112	1.6%	43,200,700	10.3%
Restricted for assessment district	893,405	718,648	174,757	24.3%	789,272	-8.9%
Unrestricted	80,088,594	71,357,676	8,730,918	12.2%	63,967,675	11.6%
Total net position	<u>\$ 363,602,261</u>	<u>\$ 353,181,257</u>	<u>\$ 10,421,004</u>	3.0%	<u>\$ 339,445,804</u>	4.0%

During the fiscal year ended June 30, 2014 (FYE 2014) total assets increased a 0.9% or \$4.1 million. This increase was primarily in cash and investments offset by a decrease in capital assets due to annual recording of depreciation and amortization. For a more detailed looked at the increase in cash, see Statement of Cash Flows on page 11.

Total liabilities decreased \$6.3 million or 5.9% during the fiscal year. This is primarily due to paying down \$3.3 million of long-term debt (see Financial Statement Note 7 – Long-term Debt); plus a decrease in unearned revenue of \$1.2 million in the Water enterprise, as developers used capacity reserve fees paid in prior years to cover current fees on development.

Overall the District's total net position increased \$10.4 million or 3.0% during FYE 2014; the increase is principally in unrestricted net position. Unrestricted net position increased \$8.7 million due to a combination of increased rates and customer growth.

DUBLIN SAN RAMON SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2014 and 2013

TABLE 2

Condensed Statements of Revenues and Expenses and Changes in Fund Net Position

	Fiscal Year Ended 2014	Fiscal Year Ended 2013	Increase (Decrease)	% Change	Fiscal Year Ended 2012	% Change
Operating revenues - sewer	\$20,772,099	\$20,112,373	\$ 659,726	3.3%	\$18,969,087	6.0%
Operating revenues - water	24,992,374	23,255,332	1,737,042	7.5%	21,640,712	7.5%
Other revenues	7,715,632	7,888,376	(172,744)	-2.2%	6,702,916	17.7%
Investment income	1,376,221	149,815	1,226,406	818.6%	625,049	-76.0%
Capacity reserve fees	13,093,842	18,786,036	(5,692,194)	-30.3%	18,752,586	0.2%
Contributions	4,735,340	1,294,145	3,441,195	265.9%	2,261,767	-42.8%
Total revenues	<u>72,685,508</u>	<u>71,486,077</u>	<u>1,199,431</u>	<u>1.7%</u>	<u>\$68,952,117</u>	<u>3.7%</u>
Operating expenses - sewer	22,146,801	21,714,869	431,932	2.0%	23,868,357	-9.0%
Operating expenses - water	26,747,142	22,720,553	4,026,589	17.7%	22,823,640	-0.5%
Depreciation	10,900,456	10,760,074	140,382	1.3%	9,944,178	8.2%
Non-operating expenses	<u>2,470,105</u>	<u>2,555,128</u>	<u>(85,023)</u>	<u>-3.3%</u>	<u>2,637,397</u>	<u>-3.1%</u>
Total expenses	<u>62,264,504</u>	<u>57,750,624</u>	<u>4,513,880</u>	<u>7.8%</u>	<u>59,273,572</u>	<u>-2.6%</u>
Increase in fund net position	<u>\$ 10,421,004</u>	<u>\$ 13,735,453</u>	<u>\$ (3,314,449)</u>	<u>-24.1%</u>	<u>\$ 9,678,545</u>	<u>41.9%</u>

In FYE 2014, the District had an increase in total revenues of \$1.2 million compared to FYE 2013. The District saw a \$2.3 million increase in operating revenues, which was primarily in the Water enterprise, due to customer growth and rate increases. There was also a \$1.2 million increase in investment income, due to an unrealized gain in the market value of investments held. The revenues from contributions of sub-surface lines by developers to the District increased by \$3.4 million over FYE 2013 as developers completed larger developments. These increases were offset by a \$5.7 million decrease in capacity reserve fees; this decrease was primarily in the Sewer enterprise, due to a change in procedure as to when these fees are collected from developers. The developer now pays the capacity reserve fee as building permits are approved by the city rather paying in advance for the entire development when plans are submitted for review.

Total expenses increased \$4.5 million during FYE 2014. The increase was primarily in the Water enterprise due to the cost of installing advanced metering infrastructure, which integrated meters, communications networks and data management systems.

DUBLIN SAN RAMON SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2014 and 2013

Capital Assets and Debt

During FYE 2014, the District purchased, had contributed, or transferred from construction in progress the following assets:

Contributed sub-surface lines	\$4,735,340
Constructed sub-surface lines	4,399,425
Building construction and improvements	1,239,824
Wastewater treatment plant equipment	1,199,640
Computer network equipment	137,436
Vehicles	18,396
	<u>\$11,730,061</u>

In FYE 2014 the District had the following additions to construction in progress:

Wastewater treatment plant improvements	\$2,267,719
Network and communication improvements	466,104
Potable water system improvements	350,960
Local sewer system improvements	69,765
Improvement to emergency power system	46,875
	<u>\$3,201,423</u>

There were many improvement projects at the wastewater treatment plant in FYE 2014. The largest projects, totaling almost \$1.8 million, included improving fencing and security, rehabilitating a secondary clarifier, replacing an underground fuel tank and improving the cogeneration system. Several small projects, all under \$75,000, totaled \$0.5 million

For additional information on capital assets see Financial Statement Note 4 – Capital Assets

The changes in long-term debt are as follows:

Debt Payable	Balance at 6/30/2013	Additions	Principal Payments	Balance at 6/30/2014
Bank Note - Sewer	\$12,890,289		\$1,754,699	\$11,135,590
Water Revenue Refunding Bonds	35,620,000		260,000	35,360,000
LAVWMA Obligation	39,343,403		1,287,461	38,055,942
	<u>\$87,853,692</u>	<u>\$ -0-</u>	<u>\$3,302,160</u>	<u>\$84,551,532</u>

In FYE 2014, there were no additions to debt and total principal repaid was \$3.3 million. For additional information on the District's debt obligations, see Financial Statement Note 7 – Long-term debt.

DUBLIN SAN RAMON SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
BASIC FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2014 and 2013

Rates and Other Economic Factors

The District is not subject to variations in general economic conditions, such as increases or declines in property tax values or sales taxes. Accordingly, the District sets its rates to cover the costs of operations, maintenance, replacement (OM&R), and debt-financed capital improvements.

Contacting the District

This financial report is designed to provide our customers, investors and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the Financial Services Department at 7051 Dublin Blvd., Dublin, California 94568; 925-828-0515.

DUBLIN SAN RAMON SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2013

	2014			2013
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Pooled cash	\$10,825,813	\$5,693,854	\$16,519,667	\$6,653,737
Pooled investments	69,897,399	36,806,391	106,703,790	108,919,178
Restricted investments				327,352
Accounts receivable	3,589,189	5,250,151	8,839,340	8,783,664
Receivable from Water Fund	213,515		213,515	207,834
Interest receivable	110,049	57,587	167,636	166,427
Employee notes receivable	6,292		6,292	7,293
Deferred capacity reserve fees receivable	347,638		347,638	331,443
Prepaid expenses	12,170	3,404	15,574	2,340
Total current assets	<u>85,002,065</u>	<u>47,811,387</u>	<u>132,813,452</u>	<u>125,399,268</u>
Non-current assets:				
Capital assets:				
Property, plant and equipment	232,796,870	177,790,797	410,587,667	398,870,656
Less accumulated depreciation	<u>75,135,084</u>	<u>42,470,201</u>	<u>117,605,285</u>	<u>106,717,878</u>
Net property, plant and equipment	157,661,786	135,320,596	292,982,382	292,152,778
Land and construction in progress	<u>15,113,401</u>	<u>10,669,150</u>	<u>25,782,551</u>	<u>29,140,098</u>
Total capital assets	<u>172,775,187</u>	<u>145,989,746</u>	<u>318,764,933</u>	<u>321,292,876</u>
Other assets:				
Receivable from Water Fund	217,785		217,785	428,220
Net OPEB asset	8,315,655	3,818,797	12,134,452	12,052,156
Deferred charges				575,118
Deferred capacity reserve fees receivable - long term	<u>711,350</u>		<u>711,350</u>	<u>793,430</u>
Total other assets	<u>9,244,790</u>	<u>3,818,797</u>	<u>13,063,587</u>	<u>13,848,924</u>
Total non-current assets	<u>182,019,977</u>	<u>149,808,543</u>	<u>331,828,520</u>	<u>335,141,800</u>
Total assets	<u>267,022,042</u>	<u>197,619,930</u>	<u>464,641,972</u>	<u>460,541,068</u>

(Continued)

DUBLIN SAN RAMON SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2013

	2014			2013
	Sewer	Water	Totals	
LIABILITIES				
Current liabilities:				
Accounts payable	\$1,014,865	\$3,084,335	\$4,099,200	\$4,999,258
Contractor bonds and deposits	401,520	424,042	825,562	815,721
Accrued expenses	580,629		580,629	1,180,064
Accrued compensated absences	790,244	453,404	1,243,648	1,272,451
Interest payable	162,580	812,195	974,775	1,004,727
Payable to Sewer Fund		213,515	213,515	207,834
Current portion of long-term debt	3,187,926	270,000	3,457,926	3,302,160
Unearned revenue and other liabilities	753,432		753,432	764,062
Total current liabilities	<u>6,891,196</u>	<u>5,257,491</u>	<u>12,148,687</u>	<u>13,546,277</u>
Long-term liabilities:				
Long-term debt				
less current portion	46,003,606	35,090,000	81,093,606	84,551,532
Payable to Sewer Fund		217,785	217,785	428,220
DLD remediation reserve	690,000		690,000	663,000
Unearned revenue	711,350	6,178,283	6,889,633	8,170,782
Total long term liabilities	<u>47,404,956</u>	<u>41,486,068</u>	<u>88,891,024</u>	<u>93,813,534</u>
Total liabilities	<u>54,296,152</u>	<u>46,743,559</u>	<u>101,039,711</u>	<u>107,359,811</u>
NET POSITION				
Net investment in capital assets	123,583,655	110,629,746	234,213,401	233,439,184
Restricted for:				
Expansion	41,438,750	6,968,111	48,406,861	47,665,749
Assessment district		893,405	893,405	718,648
Unrestricted	47,703,485	32,385,109	80,088,594	71,357,676
Total net position	<u>\$212,725,890</u>	<u>\$150,876,371</u>	<u>\$363,602,261</u>	<u>\$353,181,257</u>

See accompanying notes to basic financial statements

DUBLIN SAN RAMON SERVICES DISTRICT
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Sewer	Water	Total	
OPERATING REVENUES				
Wastewater service charges	\$20,772,099		\$20,772,099	\$20,112,373
Water sales		\$24,992,374	24,992,374	23,255,332
Other revenues	2,132,199	5,583,433	7,715,632	7,888,376
Total operating revenues	22,904,298	30,575,807	53,480,105	51,256,081
OPERATING EXPENSES				
Personnel	10,592,780	6,337,006	16,929,786	16,751,956
Materials	2,407,784	11,124,624	13,532,408	13,249,757
Contractual services	8,941,705	9,041,875	17,983,580	14,132,427
Other	204,532	243,637	448,169	301,282
Depreciation	6,653,263	4,247,193	10,900,456	10,760,074
Total operating expenses	28,800,064	30,994,335	59,794,399	55,195,496
OPERATING LOSS	(5,895,766)	(418,528)	(6,314,294)	(3,939,415)
NONOPERATING REVENUES (EXPENSE)				
Investment income	897,313	478,908	1,376,221	149,815
Interest expense	(519,970)	(1,950,135)	(2,470,105)	(2,555,128)
Total non-operating revenues (expense), net	377,343	(1,471,227)	(1,093,884)	(2,405,313)
LOSS BEFORE CONTRIBUTIONS	(5,518,423)	(1,889,755)	(7,408,178)	(6,344,728)
Non-cash contributions	1,397,100	3,338,240	4,735,340	1,294,145
Capital contributions - capacity reserve fees	7,879,118	5,214,724	13,093,842	18,786,036
Changes in net position	3,757,795	6,663,209	10,421,004	13,735,453
TOTAL NET POSITION, BEGINNING OF YEAR	208,968,095	144,213,162	353,181,257	339,445,804
TOTAL NET POSITION, END OF YEAR	\$212,725,890	\$150,876,371	\$363,602,261	\$353,181,257

See accompanying notes to basic financial statements

DUBLIN SAN RAMON SERVICES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers, users and joint powers authorities	\$23,011,840	\$30,399,355	\$53,411,195	\$50,375,345
Payments for services and supplies	(12,362,712)	(21,064,097)	(33,426,809)	(27,012,871)
Payments to or on behalf of employees	(10,693,016)	(6,346,868)	(17,039,884)	(18,536,930)
Net Cash Provided (Used) by Operating Activities	(43,888)	2,988,390	2,944,502	4,825,544
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to other funds		(204,754)	(204,754)	(203,760)
Due from other funds	204,754		204,754	203,760
Net Cash Provided by Noncapital Financing Activities	204,754	(204,754)		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on long-term debt	(3,042,160)	(260,000)	(3,302,160)	(3,311,988)
Interest paid on long-term debt	(467,585)	(1,457,354)	(1,924,939)	(2,548,639)
Acquisition and construction of capital assets	(3,046,874)	(590,299)	(3,637,173)	(8,104,968)
Capacity reserve fees collected	7,852,293	4,015,655	11,867,948	18,680,876
Net Cash Provided (Used) by Financing Activities	1,295,674	1,708,002	3,003,676	4,715,281
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	899,595	475,417	1,375,012	116,799
Purchase of investment securities	(11,466,000)	(6,034,000)	(17,500,000)	(47,130,000)
Redemptions of investment securities	9,266,350	1,534,866	10,801,216	23,444,884
Proceeds (purchase) of other investments	327,352	19	327,371	(9,632)
Proceeds of LAIF investments	5,840,553	3,073,600	8,914,153	8,842,707
Net Cash Provided (Used) by Investing Activities	4,867,850	(950,098)	3,917,752	(14,735,242)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,324,390	3,541,540	9,865,930	(5,194,417)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,501,423	2,152,314	6,653,737	11,848,154
CASH AND CASH EQUIVALENTS, END OF YEAR	\$10,825,813	\$5,693,854	\$16,519,667	\$6,653,737
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating (loss)	(\$5,895,766)	(\$418,528)	(\$6,314,294)	(\$3,939,415)
Adjustments to reconcile operating (loss) to net cash provided by (used) operating activities:				
Depreciation	6,653,263	4,247,193	10,900,456	10,760,074
Decrease (increase) in accounts receivable	118,266	(173,942)	(55,676)	(895,349)
Decrease (increase) in employees notes receivable	1,001		1,001	(7,293)
(Increase) decrease in prepaid expenses	(10,724)	(2,510)	(13,234)	14,613
(Increase) decrease in net OPEB asset	(87,366)	5,070	(82,296)	(1,901,482)
(Decrease) increase in accounts payable	(223,035)	(677,023)	(900,058)	456,383
(Decrease) increase in contractor bonds and deposits payable	(13,221)	23,062	9,841	53,467
(Decrease) increase in accrued expenses	(599,435)		(599,435)	150,745
(Decrease) increase in compensated absences	(13,871)	(14,932)	(28,803)	123,801
Increase in DLD remediation reserve	27,000		27,000	10,000
Total adjustments	5,851,878	3,406,918	9,258,796	8,764,959
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(\$43,888)	\$2,988,390	\$2,944,502	\$4,825,544
NON CASH TRANSACTIONS:				
Fair market value adjustment increase	\$294,030	\$154,734	\$448,764	\$194,682
Contributed assets	1,397,100	3,338,240	4,735,340	1,294,145

See accompanying notes to basic financial statements

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DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

Dublin San Ramon Services District (the District) is organized under the Community Services District Act provisions of the general laws of the State of California and is governed by a five-member Board of Directors. The District, which was established in 1953 and became active in 1960, provides water, recycled water and wastewater collection and treatment services. The District's jurisdiction is approximately 26 square miles in the counties of Alameda and Contra Costa, California.

B. Basis of Accounting

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that costs and expenses, including depreciation, and providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

A Major Fund is a fund whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all funds.

The District reports the following major Proprietary Funds:

Water Enterprise – This enterprise accounts for the operation, maintenance and capital improvement projects of the water system, which is funded by user charges and other fees.

Sewer Enterprise – This enterprise accounts for the operation, maintenance and capital improvement projects of the sewer system, which are funded by user charges and other fees.

C. Measurement Focus

Enterprise funds are accounted for on a cost of services or *economic resources* measurement focus, which means that all assets and all liabilities associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria prescribed by Generally Accepted Accounting Principals (GAAP). As required by GAAP, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Financial accountability is interpreted to mean appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that there is a financial benefit or burden on the primary government.

In evaluating the financial reporting entity for purpose of preparing the basic financial statements, the District has determined it is financially accountable for the DSRSD Financing Corporation. The Corporation is a separate government entity whose purpose is to assist with the financing of certain public capital facilities for the District through the issuance of bonds or other forms of debt. The Corporation is controlled by the District and has the same governing body as the District, which also performs all accounting and administrative functions for the Corporation. The Corporation is included as a blended component unit in these basic financial statements.

E. Capital Assets

Capital assets, which include property, plant, and equipment are recorded at historical costs or estimated historical cost, if actual cost is not available. Contributed assets are recorded at estimated fair value on the date of contribution.

The District defines capital assets as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year.

Depreciation is computed by the straight-line method based on the estimated useful lives of related asset classifications. The District has assigned the useful lives listed below to capital assets:

Land Improvements	15-25 years
Buildings	10-50 years
Equipment	5-25 years
Sub-surface lines	25-50 years
Intangibles - Reclaimed Water Rights	41 years
Intangibles – Sewer Capacity Rights	20 years

F. Cash Flows Defined

For purpose of the statements of cash flows the District defines cash and cash equivalents to include all cash in deposit accounts and cash on hand but does not include cash held in escrow for restricted purposes.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accounts Receivable

The District bills its water consumption and sewer usage on a cycle billing method. Cycle billing results in an amount of services rendered but not yet billed at year-end. The District has recorded this revenue by estimating the unbilled amount. The estimate was calculated by using the billing subsequent to the balance sheet date (June 30) and calculating the amount of service provided prior to June 30. This calculated amount is included in accounts receivable.

H. Accrued Compensated Absences

The liability for vested vacation pay is calculated and accrued on an annual basis. The amount is computed using current employee accumulated leave hours (excluding sick leave which does not vest) at current pay rates.

	Business Type Activities		Total
	Sewer	Water	
Summary of activity:			
Beginning balance	\$804,115	\$468,336	\$1,272,451
Additions	826,103	479,521	1,305,624
Payments	<u>(839,974)</u>	<u>(494,453)</u>	<u>(1,334,427)</u>
Ending balance - due within one year	<u>\$790,244</u>	<u>\$453,404</u>	<u>\$1,243,648</u>

I. Use of Estimates

The District's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

J. Deferred Outflows/Inflows of Resources

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

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Implementation of Governmental Accounting Standards Board Statement (GASB)

The District has implemented the requirements of the following GASB Pronouncement:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. This Statement required the District to remove its remaining unamortized bond issuance costs of \$497,115 for Water and \$78,003 for Sewer, previously reported as a non-current asset on the Statement of Net Position as of June 30, 2013. As the balance did not materially impact the District's net position, the balance was expensed in the current fiscal year ended June 30, 2014.

NOTE #2 - CASH AND INVESTMENTS

A. Policies

California Law generally requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution. As of June 30, 2014, the District's cash in bank was insured or collateralized as discussed above.

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

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

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or Agency agreements.

Cash and cash equivalents	\$16,519,667
Investments	106,703,790
Total cash and investments	<u>\$123,223,457</u>

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #2 – CASH AND INVESTMENTS (Continued)

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

The District's Investment Policy and the California Government Code allow the District to invest in the following investment types provided the credit ratings of the issuers are acceptable to the District; and approved percentages and maturities are not exceeded.

The table below identifies those investments authorized by the Board of Directors in the District's investment policy, which was last adopted May 1, 2012. With the exception of Negotiable CDs, there are no restrictions on the maximum amount invested in each security type or issuer. Maturities on investments are limited to five years except that up to 10% of the portfolio is deemed the "long-term" portfolio and may be invested up to ten years.

Authorized Investment Type

Bonds issued by the District

United States Treasury notes, bonds, bills, or certificates of indebtedness

Registered state warrants or treasury notes or bonds of this state

Registered treasury notes or bonds of any of the other 49 United States

Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state

Federal agency or United States government-sponsored enterprise obligations

Negotiable certificates of deposit issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or by a state-licensed branch of a foreign bank (limited to 30% of the portfolio).

Medium-term notes, defined as all corporate and depository institution debt securities (limited to 30% of surplus money).

Deposits with bank and savings and loan associations, including certificates of deposit, where the deposits are insured by FDIC

The Local Agency Investment Fund (LAIF)

Shares in California Asset Management Program (CAMP)

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #2 – CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>Total</u>
U.S. Agency Securities:				
Callable	\$35,344,244	\$2,985,177		\$38,329,421
Non-callable	3,008,889		\$11,249,413	14,258,302
California Local Agency Investment Fund	31,514,001			31,514,001
Negotiable certificates of deposit	1,751,110	1,496,850	996,460	4,244,420
Medium term notes	5,036,727	4,046,632	9,268,470	18,351,829
California Asset Management Program	5,817			5,817
<i>Total Unrestricted Investments</i>	<u>\$76,660,788</u>	<u>\$8,528,659</u>	<u>\$21,514,343</u>	<u>\$106,703,790</u>

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014, these investments matured in an average of 232 days.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #2 – CASH AND INVESTMENTS (Continued)

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the “Act”) for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool’s investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2014, the fair value approximated is the District’s cost. At June 30, 2014, these investments have an average maturity of 37 days.

E. 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. Presented below is the actual rating as of June 30, 2014 for each investment type as provided by Standard and Poor’s.

Investment Type	AAA	AA+	AA	AA-	A	Total
U.S. Agency Securities:						
Callable		\$38,329,421				\$38,329,421
Non-callable		14,258,302				14,258,302
California Asset Management Program	\$5,817					5,817
Medium term notes		7,934,889	\$2,030,930	\$5,036,727	\$3,349,283	18,351,829
<i>Not rated:</i>						
California Local Agency Investment Fund						31,514,001
Negotiable certificates of deposit						4,244,420
Total Unrestricted Investments	\$5,817	\$60,522,612	\$2,030,930	\$5,036,727	\$3,349,283	\$106,703,790

DUBLIN SAN RAMON SERVICES DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE #2 - CASH AND INVESTMENTS (Continued)

F. Concentration Risk

Significant District investments in the securities of any individual issuers, other than U.S. Treasury securities, LAIF, and mutual funds, are set forth below:

<u>Reporting Unit</u>	<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
District-Wide	Federal National Mortgage Association	Federal Agency Securities	\$14,953,905
	Federal Home Loan Bank	Federal Agency Securities	14,385,938
	Federal Home Loan Mortgage Association	Federal Agency Securities	16,905,506
	Federal Farm Credit Bank	Federal Agency Securities	6,345,373
	General Electric Corporation	Corporate Bonds	7,934,889

NOTE #3 – RESTRICTED ASSETS AND RESTRICTED NET POSITION

The District has restricted its net position for capital expansion, asset replacement and other purposes in the amounts set forth below:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>Capital expansion</u>		
Local sewer expansion	\$4,969,689	\$4,609,369
Regional sewer expansion	36,469,061	36,454,843
Water expansion	6,968,111	6,601,537
	<u>48,406,861</u>	<u>47,665,749</u>
<u>Assessment District</u>		
Dougherty Valley Assessment District	893,405	718,648
	<u>893,405</u>	<u>718,648</u>
Total restrictions on net position	<u>\$49,300,266</u>	<u>\$48,384,397</u>

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #4 – CAPITAL ASSETS

Changes in capital assets accounts are summarized below:

	Balance at June 30, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
Capital assets being depreciated:					
Improvements	\$8,526,469				\$8,526,469
Buildings	129,795,324	\$53,942		\$1,185,882	131,035,148
Equipment	67,587,124	381,808	(\$13,049)	973,663	68,929,546
Sub-surface lines	127,985,859	4,735,340		4,399,425	137,120,624
Intangibles	64,975,880				64,975,880
Total capital assets being depreciated:	<u>398,870,656</u>	<u>5,171,090</u>	<u>(13,049)</u>	<u>6,558,970</u>	<u>410,587,667</u>
Less accumulated depreciation for:					
Improvements	(3,957,092)	(392,289)			(4,349,381)
Buildings	(31,018,011)	(2,814,870)			(33,832,881)
Equipment	(31,714,710)	(2,258,319)	13,049		(33,959,980)
Sub-surface lines	(35,491,470)	(2,800,838)			(38,292,308)
Intangibles	(4,536,595)	(2,634,140)			(7,170,735)
Total accumulated depreciation	<u>(106,717,878)</u>	<u>(10,900,456)</u>	<u>13,049</u>		<u>(117,605,285)</u>
Net capital assets being depreciated	292,152,778	(5,729,366)		6,558,970	292,982,382
Capital assets not being depreciated:					
Land	7,712,945				7,712,945
Construction in progress	21,427,153	3,201,423		(6,558,970)	18,069,606
Total capital assets not being depreciated	<u>29,140,098</u>	<u>3,201,423</u>		<u>(6,558,970)</u>	<u>25,782,551</u>
Total capital assets, net	<u>\$321,292,876</u>	<u>(\$2,527,943)</u>			<u>\$318,764,933</u>

As a result of the District's pledge of its regional service charges, the District is considered to be obligated in some manner for its portion of the 2011 LAVWMA Bonds and accordingly has recorded its share of those bonds as the LAVWMA Pledge Obligation. Concurrently, the District has also recorded its transmission rights provided to it under the terms of the Amended and Restated Sewer Service Contract (see Note 7) as an intangible asset in the above table.

The District had outstanding construction commitments on capital projects totaling \$1,924,160 at June 30, 2014.

NOTE #5 – DEFERRED CAPACITY RESERVE FEES RECEIVABLE

In fiscal year ended June 30, 1997, the District implemented a deferred payment program for regional sewer capacity reserve fees as a means to attract new business to the area. The program was modified in subsequent years and is now designed for commercial and affordable housing with regional sewer capacity reserve fees owed between \$25,000 and \$100,000. Loans bear an interest rate of 5%.

Customers make a 20% down payment of regional sewer capacity reserve fees owed and enter into an agreement with the District to pay the balance over a maximum of ten years. The capacity reserve fee revenue is recognized as it is received. The portions outstanding are recorded as deferred capacity reserve fees receivable, which amounted to \$1,058,988 at June 30, 2014, of which \$347,638 is the current portion.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #6 – JOINT POWERS AUTHORITIES

A. LAVWMA

The District is one of three participants in the Livermore Amador Valley Water Management Agency (LAVWMA), a joint powers authority formed in 1974, which constructed and operates an export pumping facility through which all wastewater in the area is discharged. The other two participants are the Cities of Livermore and Pleasanton, each also having a one-third representation in LAVWMA's Board of Directors, composed of two representatives from each participating agency. The LAVWMA's Board of Directors approves LAVWMA's annual budget, which is prepared by LAVWMA's general manager. The Agency charges its members for project costs in proportion to their rights to the Agency's capacity.

The District contracts with the City of Pleasanton ("City") to provide wastewater treatment. The District establishes user charges for these wastewater services. The City then establishes those same charges in its service area and remits the charges they collect to the District on a monthly basis. A portion of the user charge is for the services provided by LAVWMA. LAVWMA bills the District for both the District's and Pleasanton's share of these costs (which includes both operations and debt service). Financial statements for LAVWMA may be obtained from DSRSD, 7051 Dublin Boulevard, Dublin, California 94568.

During the year ended June 30, 2012, LAVWMA issued \$105,345,000 principal amount of 2011 Sewer Revenue Refunding Bonds on September 28, 2011. Proceeds of the issuance were used to refund and retire the Series A Sewer Revenue Bonds and to pay costs of issuance. Under the Amended And Restated Sewer Service Contract dated October 1, 2011, between LAVWMA and Members, the Members pledged and created, in favor of LAVWMA and the Trustee for the 2011 Bonds, a lien on the Net Revenues of their respective wastewater systems (the "Sewer Systems"), to pay to LAVWMA the amounts owed in order for LAVWMA to pay debt service on the 2011 Bonds. (See Note 7.)

Effective July 1, 2011, the LAVWMA Board entered into an agreement to retain the District's Finance Manager as LAVWMA's Treasurer.

B. DERWA

The District is also a participant (along with East Bay Municipal Utility District) in the DSRSD/EBMUD Recycled Water Authority (DERWA), a joint powers authority formed in 1995 to plan, design, construct, own and operate various facilities which together will maximize the volume of recycled water deliveries while recovering its costs. Each member provides two representatives to DERWA's Board of Directors which approves the annual budget prepared by DERWA's Treasurer. The Authority began its operations on June 28, 1995.

DERWA constructed a water recycling system, including treatment, conveyance, pumping and storage facilities which became operational on February 1, 2006. Operation and maintenance expenses are allocated based on each member's actual usage. Capital costs, including debt service, are allocated based on each member's proportional share of capital assets.

Financial statements may be obtained from DERWA, P.O. Box 24055 Oakland, California 94623.

DERWA has outstanding state loans totaling \$16,138,037 The District's share of the total debt is 52.4% or \$8,294,951.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #7 – LONG-TERM DEBT

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Amount due within one year
2009 Refunding Note					
4.38%, due 09/01/2019	\$18,486,000	\$12,890,289	\$1,754,699	\$11,135,590	\$1,832,397
2011 LAVWMA Obligation					
2% - 5%, due 8/1/2031	40,975,094	39,343,403	1,287,461	38,055,942	1,355,529
2011 Water Revenue Refunding Bonds					
4%-6%, due 8/1/2041	35,620,000	<u>35,620,000</u>	<u>260,000</u>	<u>35,360,000</u>	<u>270,000</u>
Total long-term debt		<u>\$87,853,692</u>	<u>\$3,302,160</u>	<u>\$84,551,532</u>	<u>\$3,457,926</u>

A. 2009 Refunding Note

The District entered into a Refunding Note with Bank of America, N.A., on September 1, 2009, for the purpose of refinancing and retiring the District's 2000 Series COPs/Bank Certificates. The Note amount totals \$18,486,000 with a stated interest rate of 4.38% per annum. Principal payments are due semi-annually beginning in March 1, 2010 through September 1, 2019.

Debt service on the Note plus the District's contribution toward debt service due on debt issued by LAVWMA (see Note 6) are payable from draws from a Rate Stabilization Fund (Regional Expansion Fund). At the end of each fiscal year, if the balance in the District's Regional Expansion Fund is in excess of two times maximum annual debt service on the 2009 Refunding Note and the District's contribution toward LAVWMA's debt, then the total amount paid from that fund towards debt service is considered a draw from reserves. Debt service not covered from the draw is included in Rate Covenant Debt Service subject to a coverage requirement of 1.1 times debt service. This coverage calculation is shown below.

DUBLIN SAN RAMON SERVICES DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE #7 – LONG-TERM DEBT (Continued)

Rate Stabilization Fund/Regional Expansion Fund

Maximum annual debt payments payable from the Rate Stabilization Fund:

2009 Refunding Loan	\$ 2,300,289
2011 LAVWMA Bonds	4,332,552
	<u>\$ 6,632,841</u>

Target level of Rate Stabilization Fund (2X)	<u>\$ 13,265,682</u>
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Working capital at June 30, 2014	<u>\$ 33,398,465</u>
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Actual debt paid from the Rate Stabilization Fund:

2009 Refunding Loan	\$ 2,300,289
LAVWMA 2011 Bonds	4,310,488
	<u>\$ 6,610,777</u>

If the working capital balance exceeds the target level, all debt paid from the Rate Stabilization Fund is considered a draw and is excluded from the coverage requirement shown below.

Coverage calculation (total Sewer):

Sewer operating revenues	\$ 22,904,298
Sewer non-operating revenues	897,313
Capacity Reserve Fees	7,879,118
Less Regional Expansion Capacity Reserve Fees	<u>(6,339,445)</u>
Total available revenues	<u>25,341,284</u>

Sewer operating expenses	28,800,064
Less Regional Expansion costs for:	
Debt payments to LAVWMA	(4,310,488)
Other operating costs	(3,392,993)
Less depreciation	<u>(6,653,263)</u>
Operations & maintenance costs	<u>14,443,320</u>

Net available revenue	<u>\$ 10,897,964</u>
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Rate covenant debt service:

LAVWMA 2011 Bonds (repair portion)	\$ 1,463,340
	<u>\$ 1,463,340</u>

Coverage on rate covenant debt service	<u>7.4</u>
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DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #7 – LONG-TERM DEBT (Continued)

B. 2011 Water Revenue Refunding Bonds

The District issued \$35,620,000 of 2011 Water Revenue Refunding Bonds on January 6, 2011. Proceeds of the issuance were used to fund a contribution to DERWA which it used to retire its commercial paper obligations (Note 6), to refund and retire the WaterReuse Finance Authority Obligation, and to pay costs of issuance. Interest rates range from 4% to 6%. Principal payments are due annually beginning August 1, 2013 through August 1, 2041.

The issuance is payable from a pledge of fees, charges and other amounts received from the available Net Revenue of the water enterprise. The pledge of future Water Fund Revenues ends upon repayment of the \$74,479,602 in remaining debt service on the bonds that is scheduled to occur in 2041. Pursuant to the official statement, the District is required to set rates to achieve coverage of 1.2 times debt service. The computation of the Net Revenue and coverage amount is presented below.

Water revenues:	
Water sales	\$ 24,992,374
Other revenues (1)	5,583,433
Interest income	478,908
Capacity Reserve Fees	5,214,724
Less Assessment District (2)	<u>(1,514,376)</u>
Total Water revenues	<u>34,755,063</u>
Water Operations & Maintenance Costs	
Operating expense	30,994,335
Less DERWA debt (3)	(845,794)
Less depreciation	(4,247,193)
Less Assessment District (2)	<u>(1,339,619)</u>
 Total Water operations & maintenance costs	 <u>24,561,729</u>
 NET WATER REVENUES	 <u>\$ 10,193,334</u>
Debt Service:	
DERWA debt	\$ 845,794
2011 Water Bonds	<u>2,213,869</u>
Total debt service	<u>\$ 3,059,663</u>
 DEBT SERVICE COVERAGE	 <u>3.33</u>

(1) Includes Tax Revenues

(2) Assessments levied in the Dougherty Valley Standby Assessment District can be used only to pay for costs related to the Assessment District and are not available to pay debt service on the Bonds.

(3) The DERWA Payments are payable as Operation and Maintenance Costs prior to payment of debt service on the Bonds pursuant to the Indenture and the Recycled Water Sales Agreement. For purposes of the rate covenant established by the Indenture, the DERWA Payments will be excluded from Operation and Maintenance Costs, but included as Debt Service on Parity Debt.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #7 – LONG-TERM DEBT (Continued)

C. Segment Reporting

The Regional Sewer Expansion Fund and Water Fund represent segments reported within the Sewer Enterprise Fund and Water Enterprise Fund, respectively, which had debt outstanding, with the revenue pledge streams discussed above. In addition, the Regional Sewer Expansion Fund's and Water Enterprise Fund's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. Condensed financial information for each segment is presented below:

	Regional Sewer Expansion	Water
Condensed Statement of Net Position		
Assets:		
Current	\$36,865,584	\$46,705,578
Capital	32,397,174	145,989,746
Other non current	807,147	
Total assets	<u>70,069,905</u>	<u>192,695,324</u>
Liabilities:		
Current liabilities	3,467,119	5,078,837
Long term liabilities	39,972,281	41,532,421
Total liabilities	<u>43,439,400</u>	<u>46,611,258</u>
Net position:		
Net investment in capital assets	(9,838,556)	110,629,746
Restricted	36,469,061	6,968,111
Unrestricted		28,486,209
Total net position	<u>\$26,630,505</u>	<u>\$146,084,066</u>
Condensed Statement of Revenues, Expenses and Changes in Net Position		
Operating revenue	\$50,726	\$28,458,482
Operating expenses	(5,067,235)	(29,072,801)
Operating loss (gain)	<u>(5,016,509)</u>	<u>(614,319)</u>
Nonoperating revenues (expenses):		
Interest income	405,060	468,548
Interest expense	(519,970)	(1,950,135)
Non-cash contributions		3,338,240
Capital contributions - capacity reserve fees	6,339,445	5,214,724
Transfers in		5,477,685
Transfers out		(5,477,685)
Change in net position	<u>1,208,026</u>	<u>6,457,058</u>
Beginning net position	<u>25,422,479</u>	<u>139,627,008</u>
Ending net position	<u>\$26,630,505</u>	<u>\$146,084,066</u>
Condensed Statement of Cash Flows		
Net cash provided (used) by:		
Operating activities	(\$4,974,676)	(\$2,560,064)
Noncapital financing activities	(61,211)	(253,881)
Capital financing activities	4,864,629	7,154,264
Investing activities	2,899,915	(924,909)
Net cash flows	<u>2,728,657</u>	<u>3,415,410</u>
Beginning cash and cash equivalents	<u>2,098,157</u>	<u>2,166,359</u>
Ending cash and cash equivalents	<u>\$4,826,814</u>	<u>\$5,581,769</u>

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #7 – LONG-TERM DEBT (Continued)

D. LAVWMA Pledge Obligation

As discussed in Note 6, the District is a member of LAVWMA and during the year ended June 30, 2012, LAVWMA issued \$105,345,000 of 2011 Sewer Revenue Refunding Bonds (2011 LAVWMA Bonds) on September 28, 2011. Proceeds of the issuance were used to refund and retire the Series A Sewer Revenue Bonds and to pay costs of issuance. Principal payments are due annually beginning August 1, 2012 through August 1, 2031.

Debt service on the 2011 LAVWMA Bonds is payable from Agency Net Revenues which are defined as Gross Revenues less Maintenance and Operations costs, excluding in all cases depreciation, replacement and obsolescence charges or reserves thereon, debt service, amortization of intangibles or other book-keeping entries of a similar nature, and costs paid out of the Sole-Use, Dual-Use and Joint-Use Replacement Funds.

Member Liens for Repayment of 2011 Bonds: Under an amended and restated Amended And Restated Sewer Service Contract dated October 1, 2011, between the Agency and Members, the Members pledged and created, in favor of LAVWMA and the Trustee for the 2011 LAVWMA Bonds, a lien on the Net Revenues of their respective wastewater systems (the “Sewer Systems”), to pay to LAVWMA the amounts owed in order for LAVWMA to pay debt service on the 2011 LAVWMA Bonds. There are three important limitations with respect to this pledge of Net Revenues. First, this lien is subordinate to the Members’ existing obligations payable from their Net Revenues, as well as obligations payable from their Net Revenues to be issued in the future by the Members to finance or refinance improvements to their respective Sewer System. Second, for DSRSD and Pleasanton, “Net Revenues” are not defined in the Sewer Service Contract to include all of the fees, rates and charges collected by DSRSD and Pleasanton in connection with their Sewer System; DSRSD and Pleasanton have only pledged regional service charges as security for their obligation to make the Payments. Third, Pleasanton, in its capacity as the largest customer of DSRSD’s Sewer System, is only obligated to levy regional charges and fees established by DSRSD and to transfer the amount collected to DSRSD.

As a result of the District’s pledge of its regional service charges, the District is considered to be obligated in some manner for its portion of the 2011 LAVWMA Bonds and accordingly has recorded its share of those bonds as the LAVWMA Pledge Obligation. Concurrently, the District has also recorded its transmission rights provided to it under the terms of the Amended and Restated Sewer Service Contract (See Note 4).

Pursuant to the official statement, each member agency is required to set rates to achieve coverage of 1.1 times debt service.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #7 – LONG-TERM DEBT (Continued)

E. Repayment Schedule

Shown below are maturities for the District's debt issues:

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$3,457,926	\$4,170,000	\$7,627,926
2016	3,617,132	4,008,385	7,625,517
2017	3,785,765	3,839,227	7,624,992
2018	3,967,040	3,662,023	7,629,063
2019	4,149,178	3,476,465	7,625,643
2020-2024	12,562,003	15,220,203	27,782,206
2025-2029	16,751,417	12,029,758	28,781,175
2030-2034	17,126,071	7,375,813	24,501,884
2035-2039	10,920,000	4,126,676	15,046,676
2040-2042	8,215,000	758,550	8,973,550
Total payments due	<u>\$84,551,532</u>	<u>\$58,667,100</u>	<u>\$143,218,632</u>

NOTE #8 – INTERFUND TRANSACTIONS

Prior to June 2005, the District allocated a fixed portion of capacity reserve fees collected toward general administrative costs. In June 2005, the District adopted the practice of transferring a certain percentage of budgeted capacity reserve fees toward general administrative costs as part of its plan to phase out this practice over six years while minimizing the impacts to its rates and fees. Transferring the budgeted rather than actual amounts resulted in some funds paying too much and others paying too little toward administrative costs. Therefore, the District has recorded an interfund payable/receivable between the various funds to repay the amounts over the next two years.

NOTE #9 – UNEARNED REVENUE AND OTHER LIABILITIES

Unearned revenue and other liabilities for the year ended June 30, 2014 totaled \$7,643,065.

As of June 30, 2014, the Sewer Fund recorded \$405,794 from developers for future capacity reserve fee credits. When utilized in the future, 100% of the cost of the current capacity reserve fee will be paid for with the credit and the revenue will be recorded at that time.

Sewer Fund deferred revenue for the Deferred Capacity Reserve Fee Program was also recorded in the amount of \$1,058,988 (see Note 5). The current portion of this balance at June 30, 2014 is \$347,638.

As of June 30, 2014, the Water Fund recorded \$6,178,283 from developers for future capacity reserve fee credits. When utilized in the future, 50% of the cost of the current capacity reserve fee will be paid for with the credit and the revenue will be recorded at that time.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #10 – PENSION PLAN

A. Plan Description

The District's defined benefit pension plan, (Miscellaneous Plan), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. Funding Policy

Active plan members in the Miscellaneous Plan (Tier 1 for members hired before January 1, 2013 and Tier 2 for members hired on or after January 1, 2013) are required to contribute 8% and 6.25%, respectively, of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

For Tier 1 members, on November 16, 2004, the Board of Directors approved a resolution authorizing an amendment to the contract between CalPERS and the Dublin San Ramon Services District. Prior to the amendment, the Retirement Plan formula was 2.0% at 55. The new formula of 2.7% at 55 formula provides local miscellaneous members 2.7% of pay at age 55 for each year of service credited with the employer. If retirement is earlier than 55, the percentage of final compensation decreases for each quarter of age to 2% at age 50. Former DSRSD employees' service credit will not be affected by this change and the change became effective in November 2004.

The District has agreed to cost sharing with employees to implement the new retirement formula. The increased cost on an annual basis to implement the program is approximately 7% and is spread over the next 10 years, which is the period over which CalPERS allows an agency to satisfy the increased liability. The cost sharing was negotiated with all employee bargaining groups and continues the employer-employee partnership of jointly funding retirement benefits.

For Tier 2 members, the benefit formula is 2% at age 62, based on the member's final three years' compensation. The District's contribution rate is 6.25% of reportable compensation, which is effective until June 30, 2015.

DUBLIN SAN RAMON SERVICES DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE #10 – PENSION PLAN (Continued)

C. Annual Pension Cost

For fiscal year 2014, the District’s annual pension cost was \$1,559,584 and was equal to the District’s required and actual contributions. The required contribution for fiscal year 2013-2014 was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members; (c) 2.75% inflation rate; and (d) 3.00% cost-of-living adjustment. The actuarial value of Miscellaneous Plan’s assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Miscellaneous Plan’s unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

Annual Pension Costs for the last three years are presented below:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$1,559,584	100%	-
6/30/2013	1,445,286	100%	-
6/30/2012	1,612,230	100%	-

D. Funded Status of Plan

Audited annual financial statements are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

E. Three Year Trend Information for Miscellaneous Plan Cost Sharing Pool

CalPERS’ latest available actuarial value (which differs from market value) and funding progress for all members of the cost sharing pool are set forth below at their actuarial valuation date of June 30, 2012.

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

According to the June 30, 2012 CALPERS actuarial report, the District’s annual covered payroll amounted to \$11,815,935 which represented 2.77% of the total pooled annual covered payroll.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #11 – POST EMPLOYMENT HEALTH CARE BENEFITS

The District provides medical and dental benefits for employees that retire from the District and their families under third-party insurance plans. While the District participates in the CalPERS medical plan, it is required to pay the same amounts for retiree medical insurance as it does for active employees. The Board sets the benefit amounts by resolution each year for each bargaining group and in accordance with current employee contracts.

Prior to 2004, the District paid these benefits regardless of the employee's length of service. Currently, all new employees are automatically enrolled in a medical vesting program where they are eligible for benefits based upon amounts set by CalPERS and length of service. Employees under the vesting program are not eligible to receive any medical benefits without accumulating at least ten years of CalPERS service with at least five of those years as a DSRSD employee.

As of June 30, 2014, 67 retirees are receiving medical benefits, and 70 are receiving dental benefits, and there are 107 active participants eligible for future benefits.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.61% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3.00% inflation rate, and (d) 4.64% - 8.50% health inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year closed amortization period.

In accordance with the District's budget, the annual required contribution (ARC) is to be funded through out the year as a percentage of payroll. The District Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of the District Board. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #11 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. As a result, the District has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset and actual contributions, as presented below:

Net OPEB Asset at June 30, 2013	<u>\$12,052,156</u>
Annual required contribution (ARC)	719,186
Interest on net OPEB asset	(917,169)
Adjustment to annual required contribution	<u>834,873</u>
Annual OPEB cost	<u>636,890</u>
Contributions made:	
Retiree premiums paid by the District	668,098
Contributions to CERBT	<u>51,088</u>
Total contributions	<u>719,186</u>
Change in net OPEB Asset	<u>82,296</u>
Net OPEB Asset at June 30, 2014	<u><u>\$12,134,452</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/2012	\$824,309	\$1,132,383	137%	\$10,150,674
6/30/2013	865,137	2,766,619	320%	12,052,156
6/30/2014	636,890	719,186	113%	12,134,452

DUBLIN SAN RAMON SERVICES DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE #11 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (Asset)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
7/1/2009	\$7,247,589	\$12,177,427	\$4,929,838	59.52%	\$10,995,921	45%
7/1/2011	14,661,042	17,793,420	3,132,378	82.40%	11,146,385	28%
7/1/2013	17,609,101	17,356,805	(252,296)	101.45%	11,865,168	0%

As of June 30, 2014, the fund balance in the California Employer’s Retiree Benefit Trust Program (CERBT) was \$20,892,337.

NOTE #12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 54 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to CSRMA for its general, liability, property damage and workers compensation insurance.

CSRMA is governed by a Board comprised of one representative from each member agency. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

In addition to the primary insurance types provided for through CSRMA listed above, the District also maintains commercial fidelity bonds, public employee dishonesty and public official bonds, to protect against employee theft or defalcation. Settled claims for CSRMA or commercial fidelity bonds have not exceeded coverage in any of the past three fiscal years.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #12 - RISK MANAGEMENT (Continued)

The following is a summary of the insurance policies carried by the District as of June 30, 2014:

Company Name	Insurance Program Type of Coverage	Limits	Deductibles
Ironshore Specialty Insurance Co.	Excess liability	\$10,000,000	None
Public Entity Property Insurance Program	Special form property	147,180,766	\$25,000
Illinois Union Insurance Company	Public entity pollution liability	25,000,000	None
Lloyd's of London	Cyber liability coverage	20,000,000	None
Travelers Property and Casualty	Public official bond	100,000	None
National Union Fire Insurance Co.	Employee theft and fraud	200,000	2500
Travelers Property and Casualty	Identity theft	25,000	0
Safety National Casualty Corporation	Excess workers' compensation	Statutory	None
<u>Pooled Insurance Program</u>			
CSRMA Pooled	Bodily injury and property damage- auto, errors and omissions and employment practices	15,500,000	100,000
CSRMA Pooled Workers' Compensation	Workers' compensation	750,000	None

Prior to July 1, 1994, the District was self-insured for workers' compensation and will continue to be responsible for any claims existing as of that date.

Claims and judgments, including provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it had retained the risk for the deductible or uninsured portion of these claims.

DUBLIN SAN RAMON SERVICES DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

NOTE #12 - RISK MANAGEMENT (Continued)

The District's liability for uninsured claims is limited to workers' compensation and general liability claims, as discussed above, and was estimated by a third party claims administrator based on prior years claims experience as follows:

	<u>2014</u>	<u>2013</u>
Balance at July 1	\$529,190	\$484,882
Net change in liability for claims and claims incurred but not reported	395,203	436,971
Claims paid	<u>(671,009)</u>	<u>(392,663)</u>
Balance at June 30	<u>\$253,384</u>	<u>\$529,190</u>

The District has not exceeded its insurance coverage limits in any of the last three years. The District liability is included in accrued expenses on the financial statements.

NOTE #13 – COMMITMENTS AND CONTINGENT LIABILITIES

The District purchases water from the Alameda County Flood Control and Water Conservation District (Zone 7) under a thirty-year contract, which expires August 23, 2024. Under the terms of the contract, subject to various exceptions, the District is required to purchase all of its water from Zone 7. During fiscal year ended June 30, 2014, the District's water purchases from Zone 7 amounted to \$10,107,882.

The District is a defendant in a number of lawsuits, which have arisen in the normal course of business. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

The District operates a Dedicated Land Disposal site upon which the District processes biosolids produced by the District's wastewater treatment plant. On August 8, 2007, the San Francisco Bay Regional Water Quality Control Board issued Waste Discharge Requirements, which require the District to perform corrective actions for known and reasonably foreseeable releases from the Dedicated Land Disposal site. At this time, the Regional Board and the District expect that the most likely corrective action, if any is needed, would be related to the potential impact to groundwater quality and resulting closure and post-closure activities. The District prepared an analysis in December 2007 to determine the estimated costs of these corrective actions which comprise drilling two extraction wells and constructing a conveyance pipeline for discharge of potentially impacted ground water into the District's collection system. The Study also included estimated costs of operation, maintenance and monitoring of the above facilities for a ten year period after closure of the site which is expected to occur within thirty to fifty years. Actual closure and post-closure care costs may be higher, lower, or even not required due to inflation variances, changes in technology, or changes in State or Federal regulations.

The present value of these closure and post closure costs, discounted at 5 percent amounted to \$690,000 as of June 30, 2014. The District is required by State and federal laws and regulations to make annual funding contributions to finance closure and post-closure care. The District is in compliance with these requirements for the year ended June 30, 2014 with the establishment of the fully-funded liability for this purpose.

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SUPPLEMENTARY INFORMATION

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DUBLIN SAN RAMON SERVICES DISTRICT
SEWER OPERATIONS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Regional Sewer Total	Local Sewer Total	Allocation	Allocation OPEB Fund	Sewer Total
ASSETS					
Current assets:					
Pooled cash	\$8,552,091	\$2,259,209	(\$349)	\$14,862	\$10,825,813
Pooled investments	55,204,359	14,592,690		100,350	69,897,399
Accounts receivable	3,144,230	202,908	242,051		3,589,189
Receivable from Water Fund	127,874	8,131	77,510		213,515
Interest receivable	86,952	22,940		157	110,049
Employee notes receivable	6,292				6,292
Deferred capacity reserve fees receivable	347,638				347,638
Prepaid expense	6,364		5,806		12,170
Total current assets	67,475,800	17,085,878	325,018	115,369	85,002,065
Non-current assets:					
Capital assets:					
Property, plant and equipment	181,279,924	51,516,946			232,796,870
Less accumulated depreciation	53,866,118	21,268,966			75,135,084
Net property, plant and equipment	127,413,806	30,247,980			157,661,786
Construction in progress	13,851,350	1,262,051			15,113,401
Total capital assets	141,265,156	31,510,031			172,775,187
Other assets:					
Receivable from Water Fund	130,431	8,294	79,060		217,785
Net OPEB asset				8,315,655	8,315,655
Deferred capacity reserves receivable - long term	711,350				711,350
Total other assets	841,781	8,294	79,060	8,315,655	9,244,790
Total non-current assets	142,106,937	31,518,325	79,060	8,315,655	182,019,977
Total assets	209,582,737	48,604,203	404,078	8,431,024	267,022,042
LIABILITIES					
Current liabilities:					
Accounts payable	770,310	131,527	134,992	(21,964)	1,014,865
Contractor bonds and deposits	394,249	7,271			401,520
Accrued expenses	580,629				580,629
Accrued compensated absences	451,818	69,340	269,086		790,244
Interest payable	162,580				162,580
Current portion of long-term debt	3,187,926				3,187,926
Unearned revenue	347,638	405,794			753,432
Total current liabilities	5,895,150	613,932	404,078	(21,964)	6,891,196
Long term liabilities:					
Long-term debt					
less current portion	46,003,606				46,003,606
DLD remediation reserve	690,000				690,000
Unearned revenue	711,350				711,350
Total long term liabilities	47,404,956				47,404,956
Total liabilities	53,300,106	613,932	404,078	(21,964)	54,296,152
NET POSITION					
Net investment in capital assets	92,073,624	31,510,031			123,583,655
Restricted for:					
Expansion	36,469,061	4,969,689			41,438,750
Unrestricted	27,739,946	11,510,551		8,452,988	47,703,485
Total net position	\$156,282,631	\$47,990,271		\$8,452,988	\$212,725,890

DUBLIN SAN RAMON SERVICES DISTRICT
SEWER OPERATIONS
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Regional Sewer Total	Local Sewer Total	Allocation	Allocation OPEB Fund	Eliminations	Sewer Total
OPERATING REVENUES						
Wastewater service charges	\$18,576,353	\$2,195,746				\$20,772,099
Other revenues	676,726	410,966	\$992,529	\$51,978		2,132,199
Total operating revenues	19,253,079	2,606,712	992,529	51,978		22,904,298
OPERATING EXPENSES						
Personnel	6,442,934	1,438,041	2,711,805			10,592,780
Materials	2,267,279	54,679	85,826			2,407,784
Contractual services	7,859,033	635,819	446,853			8,941,705
Other	157,523	19,442	27,567			204,532
Overhead Charges	1,873,287	406,235	(2,279,522)			
Depreciation	5,636,978	1,016,285				6,653,263
Total operating expenses	24,237,034	3,570,501	992,529			28,800,064
OPERATING INCOME (LOSS)	(4,983,955)	(963,789)		51,978		(5,895,766)
NONOPERATING REVENUES (EXPENSE)						
Investment income	705,864	189,605		1,844		897,313
Interest (expense)	(519,970)					(519,970)
Total non-operating revenues (expense), net	185,894	189,605		1,844		377,343
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(4,798,061)	(774,184)		53,822		(5,518,423)
Non-cash contributions		1,397,100				1,397,100
Capital contributions - capacity reserve fees	7,276,961	602,157				7,879,118
Transfers in	3,712,071	287,000				3,999,071
Transfers (out)	(3,712,071)	(287,000)				(3,999,071)
Changes in net position	2,478,900	1,225,073		53,822		3,757,795
TOTAL NET POSITION, BEGINNING OF YEAR	153,803,731	46,765,198		8,399,166		208,968,095
TOTAL NET POSITION, END OF YEAR	\$156,282,631	\$47,990,271		\$8,452,988		\$212,725,890

DUBLIN SAN RAMON SERVICES DISTRICT
REGIONAL SEWER OPERATIONS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Regional Sewer Enterprise	Regional Sewer RSF	Regional Sewer Replacement	Regional Sewer Expansion	Total
ASSETS					
Current assets:					
Pooled cash	\$1,243,340	\$833,918	\$1,648,019	\$4,826,814	\$8,552,091
Pooled investments	7,991,959	5,387,391	10,652,757	31,172,252	55,204,359
Accounts receivable	2,743,762		53,764	346,704	3,144,230
Receivable from Water Fund				127,874	127,874
Interest receivable	12,907	8,477	16,539	49,029	86,952
Employee notes receivable	6,292				6,292
Deferred capacity reserve fees receivable			4,727	342,911	347,638
Prepaid expense	6,364				6,364
Total current assets	12,004,624	6,229,786	12,375,806	36,865,584	67,475,800
Non-current assets:					
Capital assets:					
Property, plant and equipment	147,794,190			33,485,734	181,279,924
Less accumulated depreciation	49,680,512			4,185,606	53,866,118
Net property, plant and equipment	98,113,678			29,300,128	127,413,806
Land and construction in progress	56,014		10,698,290	3,097,046	13,851,350
Total capital assets	98,169,692		10,698,290	32,397,174	141,265,156
Other assets:					
Receivable from Water Fund				130,431	130,431
Deferred capacity reserves receivable - long term			34,634	676,716	711,350
Total other assets			34,634	807,147	841,781
Total non-current assets	98,169,692		10,732,924	33,204,321	142,106,937
Total assets	110,174,316	6,229,786	23,108,730	70,069,905	209,582,737
LIABILITIES					
Current liabilities:					
Accounts payable	553,018		199,700	17,592	770,310
Contractor bonds and deposits	392,996			1,253	394,249
Accrued expenses	580,629				580,629
Accrued compensated absences	449,200			2,618	451,818
Interest Payable				162,580	162,580
Current portion of long-term debt	247,761			2,940,165	3,187,926
Unearned revenue			4,727	342,911	347,638
Total current liabilities	2,223,604		204,427	3,467,119	5,895,150
Long-term liabilities:					
Long-term debt					
less current portion	6,708,041			39,295,565	46,003,606
DLD remediation reserve	690,000				690,000
Unearned revenue			34,634	676,716	711,350
Total long term liabilities	7,398,041		34,634	39,972,281	47,404,956
Total liabilities	9,621,645		239,061	43,439,400	53,300,106
NET POSITION					
Net investment in capital assets	91,213,890		10,698,290	(9,838,556)	92,073,624
Restricted for:					
Expansion				36,469,061	36,469,061
Unrestricted	9,338,781	6,229,786	12,171,379		27,739,946
Total net position	\$100,552,671	\$6,229,786	\$22,869,669	\$26,630,505	\$156,282,631

DUBLIN SAN RAMON SERVICES DISTRICT
REGIONAL SEWER OPERATIONS
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Regional Sewer Enterprise	Regional Sewer RSF	Regional Sewer Replacement	Regional Sewer Expansion	Total
OPERATING REVENUES					
Wastewater service charges	\$18,576,353				\$18,576,353
Other revenues	626,000			\$50,726	676,726
Total operating revenues	19,202,353			50,726	19,253,079
OPERATING EXPENSES					
Personnel	6,379,196		\$24,520	39,218	6,442,934
Materials	2,266,038		441	800	2,267,279
Contractual services	4,164,563		358,119	3,336,351	7,859,033
Other	157,523				157,523
Overhead Charges	1,856,663			16,624	1,873,287
Depreciation	3,962,736			1,674,242	5,636,978
Total operating expenses	18,786,719		383,080	5,067,235	24,237,034
OPERATING INCOME (LOSS)	415,634		(383,080)	(5,016,509)	(4,983,955)
NONOPERATING REVENUES (EXPENSE)					
Investment income	94,001	\$68,296	138,507	405,060	705,864
Interest expense				(519,970)	(519,970)
Total non-operating revenues	94,001	68,296	138,507	(114,910)	185,894
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	509,635	68,296	(244,573)	(5,131,419)	(4,798,061)
Capital contributions - capacity reserve fees			937,516	6,339,445	7,276,961
Residual equity transfer	1,248,803		(1,248,803)		
Transfers in		1,195,491	2,516,580		3,712,071
Transfers (out)	(3,712,071)				(3,712,071)
Changes in net position	(1,953,633)	1,263,787	1,960,720	1,208,026	2,478,900
TOTAL NET POSITION, BEGINNING OF YEAR	102,506,304	4,965,999	20,908,949	25,422,479	153,803,731
TOTAL NET POSITION, END OF YEAR	\$100,552,671	\$6,229,786	\$22,869,669	\$26,630,505	\$156,282,631

DUBLIN SAN RAMON SERVICES DISTRICT
LOCAL SEWER OPERATIONS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Local Sewer Enterprise	Local Sewer RSF	Local Sewer Replacement	Local Sewer Expansion	Total
ASSETS					
Current assets:					
Pooled cash	\$162,030	\$77,612	\$1,301,242	\$718,325	\$2,259,209
Pooled investments	1,045,264	497,612	8,405,625	4,644,189	14,592,690
Accounts receivable	202,908				202,908
Receivable from other funds				8,131	8,131
Interest receivable	1,636	784	13,217	7,303	22,940
Total current assets	1,411,838	576,008	9,720,084	5,377,948	17,085,878
Non-current assets:					
Capital assets:					
Property, plant and equipment	51,516,946				51,516,946
Less accumulated depreciation	21,268,966				21,268,966
Net property, plant and equipment	30,247,980				30,247,980
Land and construction in progress	850,893		398,230	12,928	1,262,051
Total capital assets	31,098,873		398,230	12,928	31,510,031
Receivable from Water Fund				8,294	8,294
Total non-current assets	31,098,873		398,230	21,222	31,518,325
Total assets	32,510,711	576,008	10,118,314	5,399,170	48,604,203
LIABILITIES					
Current liabilities:					
Accounts payable	120,442		8,348	2,737	131,527
Contractor bonds and deposits	2,940		4,331		7,271
Accrued compensated absences	61,318			8,022	69,340
Unearned revenue				405,794	405,794
Total current liabilities	184,700		12,679	416,553	613,932
Total liabilities	184,700		12,679	416,553	613,932
NET POSITION					
Net investment in capital assets	31,098,873		398,230	12,928	31,510,031
Restricted for:					
Expansion				4,969,689	4,969,689
Unrestricted	1,227,138	576,008	9,707,405		11,510,551
Total net position	\$32,326,011	\$576,008	\$10,105,635	\$4,982,617	\$47,990,271

DUBLIN SAN RAMON SERVICES DISTRICT
LOCAL SEWER OPERATIONS
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Local Sewer Enterprise	Local Sewer RSF	Local Sewer Replacement	Local Sewer Expansion	Total
OPERATING REVENUES					
Wastewater service charges	\$2,195,746				\$2,195,746
Other revenues	20,890			\$390,076	410,966
Total operating revenues	<u>2,216,636</u>			<u>390,076</u>	<u>2,606,712</u>
OPERATING EXPENSES					
Personnel	1,128,622		\$184	309,235	1,438,041
Materials	47,900		5,162	1,617	54,679
Contractual services	186,887		445,776	3,156	635,819
Other	19,442				19,442
Overhead charges	340,530			65,705	406,235
Depreciation	1,016,285				1,016,285
Total operating expenses	<u>2,739,666</u>		<u>451,122</u>	<u>379,713</u>	<u>3,570,501</u>
OPERATING INCOME (LOSS)	<u>(523,030)</u>		<u>(451,122)</u>	<u>10,363</u>	<u>(963,789)</u>
NONOPERATING REVENUES					
Investment income	12,069	\$6,567	110,320	60,649	189,605
Total non-operating revenues	<u>12,069</u>	<u>6,567</u>	<u>110,320</u>	<u>60,649</u>	<u>189,605</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	(510,961)	6,567	(340,802)	71,012	(774,184)
Non-cash contributions	1,397,100				1,397,100
Capital contributions - capacity reserve fees			305,058	297,099	602,157
Residual equity transfer	22,474		(22,474)		
Transfers in			287,000		287,000
Transfers (out)	(287,000)				(287,000)
Changes in net position	<u>621,613</u>	<u>6,567</u>	<u>228,782</u>	<u>368,111</u>	<u>1,225,073</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>31,704,398</u>	<u>569,441</u>	<u>9,876,853</u>	<u>4,614,506</u>	<u>46,765,198</u>
TOTAL NET POSITION, END OF YEAR	<u>\$32,326,011</u>	<u>\$576,008</u>	<u>\$10,105,635</u>	<u>\$4,982,617</u>	<u>\$47,990,271</u>

DUBLIN SAN RAMON SERVICES DISTRICT
WATER OPERATIONS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Water Total	Dougherty Valley Asmnt Dist	Allocation	Allocation OPEB Fund	Eliminations	Total
ASSETS						
Current assets:						
Pooled cash	\$5,581,769	\$104,033	(\$205)	\$8,257		\$5,693,854
Pooled investments	36,074,596	672,852		58,943		36,806,391
Accounts receivable	4,992,776	115,462	141,913			5,250,151
Receivable from other funds			45,443		(\$45,443)	
Interest receivable	56,437	1,058		92		57,587
Prepaid expenses			3,404			3,404
Total current assets	46,705,578	893,405	190,555	67,292	(45,443)	47,811,387
Non-current assets:						
Capital assets:						
Property, plant and equipment	177,790,797					177,790,797
Less accumulated depreciation	42,470,201					42,470,201
Net property, plant and equipment	135,320,596					135,320,596
Land and construction in progress	10,669,150					10,669,150
Total capital assets	145,989,746					145,989,746
Other assets:						
Receivable from Water Fund			46,353		(46,353)	
Net OPEB asset				3,818,797		3,818,797
Total other assets			46,353	3,818,797	(46,353)	3,818,797
Total non-current assets	145,989,746		46,353	3,818,797	(46,353)	149,808,543
Total assets	192,695,324	893,405	236,908	3,886,089	(91,796)	197,619,930
LIABILITIES						
Current liabilities:						
Accounts payable	3,018,001		79,145	(12,811)		3,084,335
Contractor bonds and deposits	424,042					424,042
Accrued compensated absences	295,641		157,763			453,404
Interest payable	812,195					812,195
Bonds payable - current portion	270,000					270,000
Payable to Sewer Fund	258,958				(45,443)	213,515
Total current liabilities	5,078,837		236,908	(12,811)	(45,443)	5,257,491
Long-term liabilities:						
Bonds payable - less current portion	35,090,000					35,090,000
Payable to Sewer Fund	264,138				(46,353)	217,785
Unearned revenue	6,178,283					6,178,283
Total long term liabilities	41,532,421				(46,353)	41,486,068
Total liabilities	46,611,258		236,908	(12,811)	(91,796)	46,743,559
NET POSITION						
Net investment in capital assets	110,629,746					110,629,746
Restricted for:						
Expansion	6,968,111					6,968,111
Assessment district		893,405				893,405
Unrestricted	28,486,209			3,898,900		32,385,109
Total net position	\$146,084,066	\$893,405	\$3,898,900	\$3,898,900	\$150,876,371	

DUBLIN SAN RAMON SERVICES DISTRICT
WATER OPERATIONS
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Water Total	Dougherty Valley Asmnt Dist	Allocation	Allocation OPEB Fund	Eliminations	Total
OPERATING REVENUES						
Wastewater service charges						
Water sales	\$24,992,374					\$24,992,374
Other revenues	3,466,108	\$1,505,092	\$581,915	\$30,318		5,583,433
Total operating revenues	28,458,482	1,505,092	581,915	30,318		30,575,807
OPERATING EXPENSES						
Personnel	4,747,170		1,589,836			6,337,006
Materials	11,074,305		50,319			11,124,624
Contractual services	7,440,268	1,339,619	261,988			9,041,875
Other	227,474		16,163			243,637
Overhead charges	1,336,391		(1,336,391)			
Depreciation	4,247,193					4,247,193
Total operating expenses	29,072,801	1,339,619	581,915			30,994,335
OPERATING INCOME (LOSS)	(614,319)	165,473		30,318		(418,528)
NONOPERATING REVENUES (EXPENSE)						
Investment income	468,548	9,284		1,076		478,908
Interest (expense)	(1,950,135)					(1,950,135)
Total non-operating revenues (expenses), net	(1,481,587)	9,284		1,076		(1,471,227)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,095,906)	174,757		31,394		(1,889,755)
Non-cash contributions	3,338,240					3,338,240
Capital contributions - capacity reserve fees	5,214,724					5,214,724
Transfers in	5,477,685					5,477,685
Transfers (out)	(5,477,685)					(5,477,685)
Changes in net position	6,457,058	174,757		31,394		6,663,209
TOTAL NET POSITION, BEGINNING OF YEAR	139,627,008	718,648		3,867,506		144,213,162
TOTAL NET POSITION, END OF YEAR	\$146,084,066	\$893,405		\$3,898,900		\$150,876,371

DUBLIN SAN RAMON SERVICES DISTRICT
WATER FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	Water Enterprise	Water RSF	Water Replacement	Water Expansion	Total
ASSETS					
Current assets:					
Pooled cash	\$1,625,201	\$1,524,470	\$1,136,110	\$1,295,988	\$5,581,769
Pooled investments	10,502,611	5,009,910	7,336,368	13,225,707	36,074,596
Accounts receivable	4,936,098	(2,236)	56,500	2,414	4,992,776
Interest receivable	16,491	7,882	11,291	20,773	56,437
Total current assets	17,080,401	6,540,026	8,540,269	14,544,882	46,705,578
Non-current assets:					
Capital assets:					
Property, plant and equipment	153,790,011			24,000,786	177,790,797
Less accumulated depreciation	40,421,353			2,048,848	42,470,201
Net property, plant and equipment	113,368,658			21,951,938	135,320,596
Land and construction in progress	6,806,038		2,740,399	1,122,713	10,669,150
Total capital assets	120,174,696		2,740,399	23,074,651	145,989,746
Total non-current assets	120,174,696		2,740,399	23,074,651	145,989,746
Total assets	137,255,097	6,540,026	11,280,668	37,619,533	192,695,324
LIABILITIES					
Current liabilities:					
Accounts payable	2,764,444		205,627	47,930	3,018,001
Contractor bonds and deposits	424,042				424,042
Accrued compensated absences	280,374			15,267	295,641
Interest Payable				812,195	812,195
Bonds payable - current portion				270,000	270,000
Payable to Sewer Fund				258,958	258,958
Total current liabilities	3,468,860		205,627	1,404,350	5,078,837
Long-term liabilities:					
Bonds payable - less current portion				35,090,000	35,090,000
Payable to Sewer Fund				264,138	264,138
Unearned revenue				6,178,283	6,178,283
Total long term liabilities				41,532,421	41,532,421
Total liabilities	3,468,860		205,627	42,936,771	46,611,258
NET POSITION					
Net investment in capital assets	120,174,696		2,740,399	(12,285,349)	110,629,746
Restricted for:					
Expansion				6,968,111	6,968,111
Unrestricted	13,611,541	6,540,026	8,334,642		28,486,209
Total net position	\$133,786,237	\$6,540,026	\$11,075,041	(\$5,317,238)	\$146,084,066

DUBLIN SAN RAMON SERVICES DISTRICT
WATER FUNDS
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Water Enterprise	Water RSF	Water Replacement	Water Expansion	Total
OPERATING REVENUES					
Water sales	\$24,962,632			\$29,742	\$24,992,374
Other revenues	569,829	\$576,999	\$1,133,875	1,185,405	3,466,108
Total operating revenues	<u>25,532,461</u>	<u>576,999</u>	<u>1,133,875</u>	<u>1,215,147</u>	<u>28,458,482</u>
OPERATING EXPENSES					
Personnel	4,287,256		1,687	458,227	4,747,170
Materials	10,517,073		142,133	415,099	11,074,305
Contractual services	2,189,421		3,887,354	1,363,493	7,440,268
Other	210,717	16,757			227,474
Overhead Charges	1,214,041			122,350	1,336,391
Depreciation	3,661,808			585,385	4,247,193
Total operating expenses	<u>22,080,316</u>	<u>16,757</u>	<u>4,031,174</u>	<u>2,944,554</u>	<u>29,072,801</u>
OPERATING INCOME (LOSS)	<u>3,452,145</u>	<u>560,242</u>	<u>(2,897,299)</u>	<u>(1,729,407)</u>	<u>(614,319)</u>
NONOPERATING REVENUES (EXPENSE)					
Investment income	139,771	61,164	88,500	179,113	468,548
Interest expense				(1,950,135)	(1,950,135)
Total non-operating revenues (expenses)	<u>139,771</u>	<u>61,164</u>	<u>88,500</u>	<u>(1,771,022)</u>	<u>(1,481,587)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	3,591,916	621,406	(2,808,799)	(3,500,429)	(2,095,906)
Non-cash contributions	3,338,240				3,338,240
Capital contributions - capacity reserve fees			1,371,210	3,843,514	5,214,724
Residual equity transfer	5,723,443		(4,052,869)	(1,670,574)	
Transfers in		2,344,685	2,458,000	675,000	5,477,685
Transfers (out)	(4,727,685)			(750,000)	(5,477,685)
Changes in net position	7,925,914	2,966,091	(3,032,458)	(1,402,489)	6,457,058
TOTAL NET POSITION, BEGINNING OF YEAR	<u>125,860,323</u>	<u>3,573,935</u>	<u>14,107,499</u>	<u>(3,914,749)</u>	<u>139,627,008</u>
TOTAL NET POSITION, END OF YEAR	<u>\$133,786,237</u>	<u>\$6,540,026</u>	<u>\$11,075,041</u>	<u>(\$5,317,238)</u>	<u>\$146,084,066</u>

DUBLIN SAN RAMON SERVICES DISTRICT
 ALLOCATIONS
 COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2014

	Administrative Cost Center	OPEB Fund	Total
ASSETS			
Current assets:			
Pooled cash	(\$554)	\$23,119	\$22,565
Pooled investments		159,293	159,293
Accounts receivable	383,964		383,964
Receivable from Water Fund	122,953		122,953
Interest receivable		249	249
Prepaid expense	9,210		9,210
Total current assets	<u>515,573</u>	<u>182,661</u>	<u>698,234</u>
Other assets:			
Receivable from Water Fund	125,413		125,413
Net OPEB asset		12,134,452	12,134,452
Total other assets	<u>125,413</u>	<u>12,134,452</u>	<u>12,259,865</u>
Total non-current assets	<u>125,413</u>	<u>12,134,452</u>	<u>12,259,865</u>
Total assets	<u>640,986</u>	<u>12,317,113</u>	<u>12,958,099</u>
LIABILITIES			
Current liabilities:			
Accounts payable	214,137	(34,775)	179,362
Accrued compensated absences	426,849		426,849
Total current liabilities	<u>640,986</u>	<u>(34,775)</u>	<u>606,211</u>
Total liabilities	<u>640,986</u>	<u>(34,775)</u>	<u>606,211</u>
NET POSITION			
Unrestricted		<u>12,351,888</u>	<u>12,351,888</u>
Total net position		<u><u>\$12,351,888</u></u>	<u><u>\$12,351,888</u></u>

DUBLIN SAN RAMON SERVICES DISTRICT
ALLOCATIONS
COMBINING STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Administrative Cost Center	OPEB Fund	Total
OPERATING REVENUES			
Other revenues	\$1,574,444	\$82,296	\$1,656,740
Total operating revenues	1,574,444	82,296	1,656,740
OPERATING EXPENSES			
Personnel	4,301,641		4,301,641
Materials	136,145		136,145
Contractual services	708,841		708,841
Other	43,730		43,730
Overhead charges	(3,615,913)		(3,615,913)
Total operating expenses	1,574,444		1,574,444
OPERATING INCOME		82,296	82,296
NONOPERATING REVENUES			
Investment income		2,920	2,920
Total non-operating revenues		2,920	2,920
Changes in net position		85,216	85,216
TOTAL NET POSITION, BEGINNING OF YEAR		12,266,672	12,266,672
TOTAL NET POSITION, END OF YEAR		\$12,351,888	\$12,351,888