

**DELTA DIABLO SANITATION DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**PREPARED BY THE**  
**FINANCE DEPARTMENT**

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**DELTA DIABLO SANITATION DISTRICT  
BASIC FINANCIAL STATEMENTS  
For the Years Ended June 30, 2012 and 2011**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delta Diablo Sanitation District  
Antioch, California

We have audited the accompanying basic financial statements of the Delta Diablo Sanitation District (District) as of and for the years ended June 30, 2012 and 2011. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Delta Diablo Sanitation District at June 30, 2012 and 2011 and the changes in financial position and cash flows, thereof for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Maze & Associates*

September 27, 2012

DELTA DIABLO SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2012 and 2011

The intent of the management's discussion and analysis (MD&A) is to provide a narrative overview and analysis of the financial activities of Delta Diablo Sanitation District for the fiscal year ended June 30, 2012.

The information provided in this MD&A is reported in condensed format and is presented under the following headings:

- Overview of the Financial Statements
- Financial Highlights
- Financial Analysis
- Capital Assets and Debt
- Economic Factors and Next Year's Budgets and Rates
- Requests for Information

### OVERVIEW OF THE FINANCIAL STATEMENTS

This section is intended to serve as an introduction to be read in conjunction with Delta Diablo Sanitation District's basic financial statements. The district-wide financial statements are shown on pages 4-34. The District's basic financial statements are comprised of two components: 1) Fund Financial Statements and 2) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As a special purpose government, the District reports its financial statements in accordance with business-type activities known as enterprise funds. Enterprise funds are self-supporting funds that charge fees to users to cover the cost of operations, maintenance, capital asset improvements and replacements. Enterprise funds are reported on "accrual basis" of accounting similar to private sector companies. Accrual basis is the basis of accounting under which revenues and gains are recorded when earned, and all expenses and losses are recorded when incurred.

The fund financial statements consist of the *Statement of Nets Assets*, *Statement of Revenues and Expenses and Changes in Net Assets* and *Statement of Cash Flows*.

The *Statement of Nets Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *Net Assets*. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of Delta Diablo Sanitation District is improving or deteriorating.

The *Statement of Revenues and Expenses and Changes in Net Assets* presents information showing how the government's net assets changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. This statement measures the success of District operations (profitability) for the fiscal year and shows cost recovery from fees and other charges.

The *Statement of Cash Flows* reflects changes in cash and cash equivalents resulting from operational, capital, noncapital, and investing activities. This statement summarizes the inflows (cash receipts) and outflows (cash disbursements) of cash, without consideration of the timing of the event giving rise to the obligation or receipt and excludes noncash transactions like depreciation and amortization of assets.

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

DELTA DIABLO SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2012 and 2011

**FINANCIAL HIGHLIGHTS**

- The District's combined net assets totaled \$154.6 million.
- During the fiscal year, total net assets increased by \$0.5 million.
- Total assets increased by \$1.0 million or 1%
- Total liabilities increased by \$0.5 million or 1%
- Total revenues were \$30.0 million, a decrease of \$1.0 million or 3%.
- Total expenses were \$29.5 million, an increase of \$1.7 million or 6%.
- Capital contributions were \$1.9 million, a decrease of \$2.4 million or 57%

**FINANCIAL ANALYSIS**

**Statement of Net Assets.** As noted earlier, the changes in net assets serve as a useful indicator of Delta Diablo Sanitation District's financial position. During the last three fiscal years, the District's net assets have steadily grown by \$0.5 million or less than 1%, \$3.2 million or 2%, and by \$6.0 million or 4%, respectively.

The current fiscal year's increase is a net result of capital contributions (\$1.9 million) minus a loss before contributions (\$1.4 million). Overall, the District's total assets exceeded total liabilities by \$154.6 million. This positive result is indicative of the District's strong financial position. The largest portion of Delta Diablo Sanitation District's net assets (82%) is invested in capital assets (land, treatment and collection facilities, machinery and equipment) net of related debt. These capital assets are necessary to provide services to District rate payers, so these assets are not available for future spending. For the current fiscal year, these assets increased primarily due additional investments made in total capital assets. An additional portion of the District's net assets (1.5 %) represents resources that are subject to external restrictions on how they may be used. The net increase in restricted net assets of \$0.3 million for this fiscal year is primarily due to increase in restricted investments that were used for acquisition, construction of capital assets for the current fiscal year. The remaining balance of the District's net assets (15%) represents the unrestricted portion of the net assets. Unrestricted net assets decreased by \$5.0 million for the current year at \$23.2 million to-date. The decrease in unrestricted net assets is primarily correlated to the corresponding increase in invested in capital assets for the same amount. Unrestricted net assets is a direct result of the District's cumulative operating and non-operating activities, thereby providing additional resources available for the District's use in future periods.

**Assets and Liabilities.** Total assets increased by \$1.0 million or 1%, and total liabilities increased by \$0.5 million or 1%; resulting in a net increase of total net assets for the current fiscal year by \$0.5 million.

For fiscal year end (FYE) 2012, current and other assets decreased by \$4.1 million (9%) from the prior fiscal year primarily due to decreases in unrestricted investments, materials and supplies, and prepaid expenses, partially offset by increases in cash, accounts receivable, restricted and designated investments. The decreases in unrestricted investments (21%) are due to the increase in the number of large capital expenditures this year compared to the prior year. The bulk of the large capital investments incurred in this fiscal year were for the photovoltaic (solar) energy generation, aerations systems improvement construction, digester no. 1 rehabilitation and the Pittsburg interceptor projects. Decreases in materials and supplies (12%) are primarily due to the write-off of obsolete/non-operational items, shrinkage and slightly reduced purchases for inventory compared to the prior fiscal year. The decreases in prepaid expense amounts are due timing of when invoices are received and paid by the district in the current fiscal year compared to the prior fiscal year. The increase in restricted investments (14%) is primarily due to a California State Revolving Fund Loan requirement of investment in reserves equivalent to one-year debt service payment related to the aeration systems project. The net increase in the designated investments is primarily due to funds set aside by the District board for an advanced treatment plant in anticipation of more stringent regulatory requirements in the future. Capital assets (net) increased by 4% compared to prior year as there were a number of large projects completed in the current year, which will be discussed further in the capital assets section of this analysis.



DELTA DIABLO SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2012 and 2011

The net increase in total liabilities of \$0.5 million was minimal and is attributable to a \$3.7 million increase in current and other liabilities, offset by the decrease in long-term debt (net) of \$3.2 million. For current and other liabilities, the net increase is largely due to additional deposits payable (149%) compared to the prior year for accounts held in escrow/retention. The increase to deposits payable are directly related to large projects and by additional increases in unearned revenue (13%) primarily for project reimbursements received in advance from partner agencies. These increases were partially offset by moderate decreases in accounts payable and accrued payroll and payments made to the Other Post Employment Benefits (OPEB) trust decreasing the net OPEB obligation. The increase in net long-term debt was due to a new low-interest loan secured from the State of California State Revolving Fund (SRF) to fund the aerations systems improvement project, partially offset by scheduled principal and interest payments towards the debt obligations for the year. Additional information on long-term debt is discussed in the debt section of this analysis.

The following tables are shown in comparative format for fiscal year ended June 30, 2012, 2011 and 2010 with variances shown as percentages for analysis.

*Condensed Statement of Net Assets*

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Current and other assets	\$40,508,133	\$44,671,864	\$41,889,595	(9)%	7%
Capital assets <i>(net)</i>	146,216,647	141,066,027	141,011,068	4%	0%
Total assets	<u>\$186,724,780</u>	<u>\$185,737,891</u>	<u>\$182,900,663</u>	1%	2%
Current and other liabilities	\$8,881,464	\$5,165,979	\$6,646,008	72%	(22)%
Long-term debt <i>(net)</i>	23,198,604	26,442,120	25,300,157	(12)%	5%
Total liabilities	<u>\$32,080,068</u>	<u>\$31,608,099</u>	<u>\$31,946,165</u>	1%	(1)%
Net assets					
Invested in capital assets <i>(net of debt)</i>	\$127,097,619	\$124,147,282	\$115,710,911	2%	7%
Restricted net assets	2,307,478	1,796,301	6,589,435	28%	(73)%
Unrestricted net assets	25,239,615	28,186,209	28,654,152	(18)%	(2)%
Total net assets	<u><u>\$154,644,712</u></u>	<u><u>\$154,129,792</u></u>	<u><u>\$150,954,498</u></u>	0%	2%

**Statement of Revenue and Expenses and Changes in Net Assets.** This statement measures the success of the District's over-all operations for the fiscal year and shows cost recovery from user fees and other charges. For three consecutive fiscal years, FYE 2012, FYE 2011, and FYE 2010, the District's revenues exceeded its expenses by \$0.5 million, \$3.2 million and \$6.0 million, respectively. This positive outcome for three consecutive years was due to: the District's efforts in aggressively securing additional funding through grants and subgrants; maintaining a stable revenue base with moderate rate increases and adding new revenue streams despite economic challenges faced by most municipalities and special districts since 2008; and containing expenditures to ensure service charge rate increases are kept as low as possible without sacrificing the level of service provided to the public.

*Revenue.* Total revenue excluding capital contributions for the current fiscal year was \$28.1 million, an increase of \$1.5 million, or 6.0%, over the prior year results. Total revenue for FYE 2011 and FYE 2010 were \$26.7 million and \$30.0 million, respectively.

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The increase in total revenue, excluding capital contributions, was a net result of increases in service charges of \$2.1 million, partially offset by decrease in other operating revenue of \$0.4 million, moderate decreases in property taxes and interest income of \$0.1 million each for this fiscal year compared to the prior fiscal year. The net decreases in other operating revenue were primarily due to reduced work for others revenue (28%) and discharge permits (22%), partially offset by increases in miscellaneous revenue (56%) this year. Work for others revenue typically vary from year-to-year depending on the operating activities related to large multi-agency collaborative and/or multi-year projects; the decrease in discharge permits is due to a major power plant closing in Antioch and lower number of commercial discharge permits issued for the year. The increases in miscellaneous revenue were due to higher one-time fees assessed and collected for the year compared to the prior year. In FYE 2011, other operating revenue was \$3.0 million, a decrease of \$3.8 million over FYE 2010. The sharp increase in other operating revenue in FYE 2010 was due to higher work for others earned from large collaborative multi-agency projects including the bay area Biosolids-to-Energy and recycled water projects, for which the District serves as lead agency.

Property taxes and assessments decreased by 4% for FYE 2012 at \$1.6 million, compared with the prior year's results of \$1.7 million. The decrease experienced was due to a slight decline in property values and slower growth. For FYE 2011 and FYE 2010, property taxes were at \$1.7 million and \$1.6 million, respectively. However, based on almost flat year-over-year results for the last three years, this downward trend appears to have subsided. Interest income in the current fiscal year was \$0.2 million, decreasing by \$0.1 million or 45% compared to prior year, due to historically low interest rates. This is consistent with the continuing downward trend in the short-term interest rate market and over-all declines in the economy since 2008. For FYE 2011 compared to FYE 2010, interest income was \$0.3 million and \$0.6 million, respectively.

FYE 2012 service charges remained strong at \$23.7 million, or 10% higher than FYE 2011 at \$21.7 million, which was 4% higher than FYE 2010. The current year increase in services charges is primarily due to a total of 7.5% increase in wastewater sewer service charges approved by the Board. 2.7% of the 7.5% rate increase is in preparation for the new advance treatment plant that is anticipated to be built due to more stringent regulatory guidelines. The additional increase in service charges was due to increases in recycled water service charges. Sewer service charges fund wastewater operations and maintenance, capital asset and capital asset replacement projects. Likewise, recycled water service charges fund recycled water operations, capital asset and capital asset replacements projects. The moderate increase in wastewater sewer service rates is consistent with the rate adjustment approved by the District Board in June 2011. Total recycled water service charges increased primarily due to a newly established monthly revenue stability surcharge on January 2012 with Calpine, the District's sole recycled water significant industrial user and increased recycled water consumption this year compared to the prior year for irrigation recycled water from the City of Antioch and Pittsburg.

Total capital contributions are comprised of capital facilities capacity charges (CFCC)/connections fees and other capital contributions received from intergovernmental funding sources. Compared to the prior fiscal year, total capital contributions decreased by \$2.4 million, or 57%. This decrease is primarily due to \$2.0 million less grant revenue and decrease in CFCC/connection fees of \$0.4 million compared to the prior year. Grant revenue can fluctuate from year-to-year depending on project activities and availability of funds primarily from Federal and State agencies. For FYE 2012, the District received other capital contributions in the amount of \$0.2 million from State and subgrants; there were no Federal grants received for the year. Other capital contributions for FYE 2011 and 2010 were \$2.2 million and \$4.8 million, respectively.

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CFCC revenues are one-time charges assessed to connect to the District's waste water system. These revenues are used to construct expansion projects to serve growth in the District's service area and to pay annual debt service associated with previous expansion projects. CFCC totaled \$1.7 million for FYE 2012, a decrease of 22% or \$0.5 million from the prior year largely due to lower commercial and industrial connections, partially offset by a substantial increase (46%) in residential connections compared to the prior year. This year's total equivalent residential unit (ERU) additions were 392 compared to 457 new ERU last fiscal year. Prior FYE 2011 had higher industrial connections due to 150 ERU's from a new energy plant. CFCC revenues are consistent with the decline experienced in the building industry but are consistent with the current budget assumption of 400 ERUs. For FYE 2011 and FYE 2010, CFCC revenue was \$2.2 million and \$1.4 million, respectively.

*Expenses.* Combined expenses for FYE 2012 totaled \$29.5 million, an increase of \$1.7 million, or 6%, from prior year. Total expenses for FYE 2011 and FYE 2010 were \$27.8 million and \$30.2 million, respectively. For the current fiscal year, the increase in combined expenses compared to the prior year was a result of moderate increases in all major expense categories except for interest expense compared to the prior fiscal year.

Salaries and benefits totaled \$13.8 million, an increase of \$0.8 million or 6% compared to the prior fiscal year. This was primarily due to a combination of the following factors: five promotions, salary adjustments, merit and cost-of-living adjustments (3.5%), Other Post Employment Benefit (OPEB) costs, retirement costs (4%) and health benefit cost (14%) increases, partially offset by modest cost savings in worker's compensation, life insurance, and long-term disability costs. Total salaries and benefits combined for FYE 2011 and FYE 2010 were \$13.0 million and \$12.8 million, respectively.

On December 2011, District board approved salary adjustments to four position classifications based on a total compensation survey. As of June 30, 2012, the District was fully staffed based on Board approved positions. In July 2010, the Board approved the District Retiree Health Funding Plan, whereby employees pay a share of the annual OPEB obligation (1% of salaries per fiscal year up to a 3% maximum) with the District matching the employee's contribution. For FYE 2012, employees started contributing 2% towards OPEB costs that was consequently matched by the District. The net OPEB cost increase was due to the FY2011/2012 scheduled District matching contribution. For additional information on OPEB, see accompanying notes to the financial statements No.9 – OPEB. The increases in retirement costs are primarily due to a moderate 2% increase in the employer's contribution rates and related incremental increase following any increases in pay. Health benefit increases are due to higher medical and dental costs for the year compared to prior year. Worker's compensation savings is attributable to the District's good loss experience record.

For FYE 2012, all major expense categories (chemicals and utilities, depreciation expense, other operating expenses) increased except for interest expense, which decreased. The majority of these increases are due higher costs incurred this year compared to the prior fiscal year.

DELTA DIABLO SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2012 and 2011

Chemicals and utilities increased by \$0.2 million to a total of \$2.8 million primarily due to higher chemical procurement costs and slightly higher utility consumption than prior year. Some chemical costs increased by as much as 15% for the first time in two years including Ferrous Chloride and Sodium Bisulfite used to treat water in both the wastewater and recycled water treatment plant. Liquid Aluminum Sulfate used for coagulation of solids in the District's Recycled Water Facility increased by 5% over the prior year. The increase in procurement costs of these chemicals are still below the Producers Price Index, which shows between 16-17% increases in these categories of chemicals. Higher costs were primarily due to higher production and freight costs. A major factor on the higher freight costs is the cost of gasoline and oil that has been steadily increasing over the years due to market supply and demand. Total chemicals and utilities combined for FYE 2011 and FYE 2010 were \$2.6 million and \$2.7 million, respectively.

Depreciation totaled \$6.3 million, increasing by \$0.3 million, or 5%, due to larger investments in capital assets this fiscal year compared to prior year. Total depreciation for FYE 2011 and FYE 2010 were \$6.0 million and \$6.4 million, respectively. Other operating expenses totaled \$5.5 million, an increase of \$0.5 million from last year primarily due to higher outside services and maintenance costs this year. Other operating expenses for FYE 2011 and FYE 2010 were \$5.0 million and \$5.3 million, respectively. Over the three-year period, the costs of operating expenses are kept in check largely due to the District staff's continued cost containment efforts and/or operational efficiencies. Interest expense decreased directly due to the downward trend in market rates and payment of principal owed on debt. Other non-operating expense for the current year was zero same as last year, compared to the prior year of \$1.6 million. This was due to a recognition of loss on disposition of fixed assets in FYE 2010.

*Condensed Statement of Revenues, Expenses and Changes in Net Assets*

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Service charges	\$23,741,202	\$21,650,025	\$20,867,811	10%	4%
Other operating revenues	2,615,692	3,029,475	6,858,859	(14)%	(56)%
Property Taxes	1,591,167	1,662,436	1,636,278	(4)%	2%
Interest income	151,223	275,653	568,784	(45)%	(52)%
Other non-operating revenues	41,244	35,773	35,773	15%	0%
Total revenues	<u>\$28,140,528</u>	<u>\$26,653,362</u>	<u>\$29,967,505</u>	6%	(11)%
Salaries and benefits	\$13,892,968	\$13,089,446	\$12,806,405	6%	2%
Chemicals and utilities	2,815,572	2,586,077	2,713,909	9%	(5)%
Depreciation and amortization	6,279,367	5,990,441	6,411,047	5%	(7)%
Other operating expenses	5,483,266	4,954,305	5,318,723	11%	(7)%
Interest expense	1,025,593	1,174,581	1,301,793	(13)%	(10)%
Other non-operating expenses	0	0	1,644,748	0%	0%
Total expenses	<u>\$29,496,766</u>	<u>\$27,794,850</u>	<u>\$30,196,625</u>	6%	(8)%
Income (loss) before capital contributions	(\$1,356,238)	(\$1,141,488)	(\$229,120)	19%	398%
Add: Capacity charges - connection fees	1,687,667	2,160,678	1,393,342	(22)%	55%
Add: Other capital contributions	183,491	2,156,104	4,816,033	(91)%	(55)%
Changes in net assets	<u>\$514,920</u>	<u>\$3,175,294</u>	<u>\$5,980,255</u>	(84)%	(47)%
Net assets - beginning of year	\$154,129,792	\$150,954,498	\$144,974,243	2%	4%
Net assets - end of year	<u><u>\$154,644,712</u></u>	<u><u>\$154,129,792</u></u>	<u><u>\$150,954,498</u></u>	0%	2%

DELTA DIABLO SANITATION DISTRICT  
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**CAPITAL ASSETS AND DEBT**

**Capital Assets.** Capital assets (net of depreciation) for FYE 2012, FYE 2011, and FYE 2010 totaled \$146.2 million, \$141.1 million and \$141.0 million, respectively. In the current year, the total increase in capital assets (net of depreciation) was 4% compared to the prior year. Construction in progress had a net decrease of \$5.5 million; this is primarily due to projects completed that are now classified as capital asset additions. Net capital assets additions of \$10.7 million for this fiscal year were primarily due to capital investments (net of disposals of \$0.1 million) in the treatment and collection systems of \$16.8 million, and machinery and equipment of less than \$0.1 million, partially offset by accumulated depreciation of \$6.1 million. Construction in progress totaled \$11.1 million for the fiscal year consistent with the District's implementation of its Capital Improvement Program (CIP). The CIP document identifies the District's capital needs with its corresponding sources of revenue over a five-year horizon and is updated annually.

Each year, the District continues to expand and improve its wastewater treatment, conveyance and collection systems to comply with stricter environmental regulations as well as to minimize sewer overflow and/or any disruptions of service. Major treatment and collection systems purchased and/or constructed by the District (98% of \$16.9 million) for the fiscal year include:

Project Description	Acquisition Costs
Antioch Recycled Water	\$12,865,643
Pittsburg Interceptor Repair	2,172,903
Digester No. 1 Rehabilitation (New)	<u>1,420,739</u>
<b>Total</b>	<b>\$16,459,286</b>

This year's major construction in progress projects (85% of \$11.1 million) include:

Project Description	Acquisition Costs
Aeration Systems Improvements-Construction	\$4,649,673
Photovoltaic (Solar) Energy Generating Project	2,868,421
Bay Area Biosolids To Energy Project Planning	970,226
Pittsburg & Antioch Pump Station Vfd Rplmt	381,659
Conveyance & Treatment System Reliability Improvements	287,874
Recycled Water Master Plan	<u>250,334</u>
<b>Total</b>	<b>\$9,408,186</b>

For additional information, see accompanying notes to the financial statements No.5 – Capital Assets.

**Debt.** Total net debt obligations for FYE 2012, FYE 2011, and FYE 2010 totaled \$27.2 million, \$26.4 million and \$25.3 million, respectively. Outstanding debt increased by \$0.7 million or 3% this year compared to the prior year. This net increase was due to funds drawn from a new 2011 SRF loan of \$3.7 million *minus* total principal payments on outstanding debt of \$3.0 million. The net increase \$1.1 million in the prior FYE 2011 vs. FYE 2010 was due to a new 2011 installment note payable *minus* scheduled principal payments made for the year. The 2011 installment note payable was obligated to fund the solar energy project in the amount of \$2.3 million with an interest rate of 4.9% and a 20 years payment term.

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The 1991 certificates of participation and related interest, both the 1997 and 2010 California State Revolving Fund (SRF) loans, and the 2011 installment note payable decrease annually due to scheduled principal payments. The District did not issue any new bonded debt this fiscal year. This outstanding debt previously issued funded improvements, replacements and expansion of the wastewater, recycled water and sewage systems. The source of funds for repayment of debt issued for expansion purposes is the capital facility capacity charges/CFCC. In the current year, a new SRF loan for the aeration systems improvements project was secured for \$6.3 million (2.6%) and a 20 years payment term. As of June 30, 2012 the amount of funds drawn for this obligation is \$3.7 million.

***Long-term Debt (net of discount)***

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
1991 Certificates of participation (COP)	\$3,684,374	\$4,583,569	\$5,544,521	(20)%	(17)%
1991 COP accreted interest	10,509,432	11,934,180	13,156,240	(12)%	(9)%
1997 State revolving fund loan (SRF)	1,027,100	1,221,736	1,412,922	(16)%	(14)%
2010 SRF loan	6,011,416	6,358,425	5,186,474	(5)%	23%
2011 Installment Note Payable	2,212,746	2,344,210		(6)%	0%
2011 SRF loan	3,716,052			100%	0%
Total long-term debt ( <i>net</i> )	\$27,161,120	\$26,442,120	\$25,300,157	3%	5%

For additional information, see accompanying notes to the financial statements No.7 – Long-term Debt.

The latest debt rating review (2012) received by the District resulted in the credit rating of AA being re-affirmed by Standard & Poors (S&P). S&P views the outlook for this AA rating as stable and reflects the District's very strong financial performance. S&P pointed out the primary reason for re-affirming this strong bond rating is the District board's willingness to continue to adjust rates incrementally and the very prudent approach to start collecting and setting aside funds for the advanced treatment plant project in anticipation of nutrient removal regulations. This is evidenced by the continued strong debt service coverage and strong liquidity; competitive rates; manageable capital plan with expansion costs historically financed from connection fees; and a stable and diverse customer base largely collected through the County's Teeter Plan.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

**Economic Factors.** As noted earlier, the District operates as an enterprise fund and is therefore self-supporting. The District charges fees to users to cover the cost of operations, maintenance, capital asset improvements and replacements. Economic factors that may affect the District include:

- Continued economic downturn and/or slow economic recovery: affects the District's capacity/connection fees, which is based on construction growth and development; and over-all investment income, which is dependent on prevailing market interest rates. Also, the economy may affect the District's ability to collect some fees that are billed. Any market losses can potentially affect District investments and OPEB trust fund balances.
- Changes in the State budget and future legislation, including the recent passage of the California Pension Reform Act of 2013 and, although limited, future state borrowing from local governments. The California pension reforms will result in future savings to the District. However, with the State facing a continued budget crisis and unfavorable economic conditions, it may seek to borrow from local governments as has been done in the past.

DELTA DIABLO SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2012 and 2011

- Changes in Federal budget and legislation as well as election results this year could affect the District's ability to secure additional Federal grant funding and low interest loans.
- Decline in assessed property values affects the District's property tax revenue. Although assessed property values have declined in line with the housing market for the past three years, as the market improves, the assessed property values should follow.

**Next Year's Budget and Rates.** The District has a three-year operating budget cycle, with the latest covering FY2012/13 through FY2014/15. The District annually conducts budget reviews and updates the budget document although Board policy is that the budget appropriation must be adopted by the first meeting in July. The District Board typically adopts budget appropriations annually in June for the upcoming fiscal year starting in July. FY2012/13 is the first year of the current three-year operating budget cycle.

In July 2012, the Board adopted the FYE 2013 operating budget with a total District budget expense appropriation of \$38.1 million.

As noted earlier, the District has a five-year Capital Improvement Program which is updated annually. In May 2012 the Board adopted the FY2012/13–2016/17 CIP. The 2012 update of the capital plan includes additional projects over the next five years in support of the District's five core programs: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping and Bay Point Collection. Due to large capital projects planned for wastewater expansion funds within the next five years, additional funding may be provided to these funds through short-term inter-fund borrowing with interest from the Capital Asset Replacement Fund. As a policy, the District Board approves any inter-fund borrowing and/or external debt financing.

With the exception of funding a portion of the District's share of recycled water projects, to minimize the impact of potential property tax revenue shifts on rates, the District's budgets all property tax revenue towards the wastewater capital asset replacement fund, thereby not assuming any use of these revenues for ongoing operations.

*Wastewater Sewer Service Charges*

The District's collection of sewer service charges is primarily done through the County Property Tax Roll (Teeter Plan). Actual increases to these charges, if any, are considered by the Board annually based on updated cash flow projections. At the June 13, 2012 Board meeting, the Board approved a total of 7.6% rate increase on sewer service charges for FY 2012/13. This total increase comprises of a 4.9% rate increase needed to adequately meet projected expenditures for the year coupled with an additional increase of 2.7%, setting aside funds for a future major advanced treatment project anticipated that is required to meet new discharge regulations. This was the second year with an incremental 2.7% increase for this purpose. The additional 2.7% are deposited into a Board approved designated reserve fund for future advanced treatment costs. This early initiation of funding will avoid significant rate spikes in the future.

DELTA DIABLO SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2012 and 2011

Recycled Water Service Charges

On June 2012, the new recycled water rates were established for FYE 2013 and approved by the District board. The variable rate component was increased by \$2.40 per acre foot, or 0.9% with the overall increase in recycled water rates of \$6.46 per acre foot, or 2.1% compared to last year. The rates are well under the costs of treated water. The new recycled water rates also included two new components, a monthly Calpine revenue stability surcharge and a monthly Antioch recycled water project surcharge. The Calpine stability surcharge of \$30,000 per month was first established and approved by the District board in January 2012 due to an operating revenue shortfall of \$0.4 million as a result of significantly reduced consumption by the energy plants in FYE 2011. With the shortfall fully paid in FYE 2012, for FYE 2013, the monthly stability surcharge is reduced to \$20,000 per month due to the continued uncertainty about the level of future use of recycled water by the Calpine plants. This will be evaluated on an annual basis. The additional Antioch recycled water surcharge is to cover the City's share of the project costs in the amount of \$1.1 million that exceeded the \$5.0 million in principal payments for the low interest SRF loan secured by the District in 2010 on behalf of the City. The \$1.1 million owed by the City will be repaid through a monthly recycled water surcharge over a 20-year period at 4.25% interest. In FYE 2012, the City of Antioch began irrigation service for the Lone Tree Golf Course and three city parks. The expansion of the recycled water program will result in a favorable environmental and fiscal impact for the District and its rate-payers. The recycled water rate was reviewed and recommended for approval by the recycled water Advisory Committee on rates composed of Calpine, the Cities of Pittsburg and Antioch, and District staff.

Cost of Living Adjustments (COLA)

The bargaining unit MOUs provide that COLA will be effective the first full pay period after July 1 each year, from a minimum of 2% up to 5%, based on the April to April change in the Consumer Price Index (CPI), San Francisco/Bay Area, Wage Earners. The April 2012 year-over-year CPI was 2.2% or 0.8% less than previously assumed, which will be effective in FY2012/13.

OPEB and the District's Retiree Health Funding Plan

The District participates in a qualified, irrevocable trust fund that is established solely for the purpose of paying OPEB obligations. As of FYE 2012, the irrevocable trust fund has a balance of \$3.4 million. In July 2011, per the Board approved District Retiree Health Funding Plan, employees will begin contributing to the OPEB trust a total of 3% of their salaries, which is 1% higher than prior year. This is the maximum that will be contributed by employees towards OPEB. The District will be matching the employee's contribution. It is projected that the combination of employees' and the District required match contribution will fund half of the FYE 2013 annual required contribution. The Board's adopted OPEB funding policy states the Board's intent to fully fund the remaining annual obligation. For additional information on OPEB, see accompanying notes to the financial statements No.9 – OPEB.



DELTA DIABLO SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2012 and 2011

Pension Reforms

On November 9, 2011, the District's Board approved side letters to each of the three employee bargaining unit's Memorandum of Understanding (MOU) related to pension reform. This initiative will result in current employees making the full employee contribution of 8% to CalPERS over time. It also created a second tier pension plan (Tier II) for employees hired on or after July 1, 2012, which will result in substantially lower employer contributions by the District, as well as these new employees fully paying the employee contributions. In addition, there are provisions for the District matching of employee deferred compensation contributions of up to 4% over time for Tier I plan employees and up to 3.5% for Tier II employees immediately upon hire. The financial impact of these changes will begin in FY 2013/14, with the Tier I employee payments into CalPERS at 1% of salaries. Employee payments will increase to 2% in FY2014/15, the third year of the new three year budget, further reducing costs that otherwise would have been budgeted as District-paid benefits. Also, beginning in FY2014/15, the District will match up to 1% of employee contributions into a deferred compensation account. As mentioned earlier in the economic factors section, the new California Public Employees' Pension Reform Act of 2013 (AB 340 or PEPR) was approved by the Legislature and signed by the Governor (August 2012). This pension reform act will make substantial changes to pension benefits for new members of a public retirement system hired after January 1, 2013 (creating a Tier III pension plan for District employees), as well as some changes that affect current employees. For the most part, savings from PEPR will come far in the future, as the majority of the changes apply only to newly-hired employees and none of these changes affect employers' existing unfunded pension liability.

CalPERS Rate of Return Reductions and District's Side-Fund Pay-off Plan

The CalPERS Board of Directors reduced its annual rate of return assumption from 7.75% to 7.5%, which CalPERS estimated increasing employer contribution rates by up to 2% beginning in FY2013/14. CalPERS recently decided to phase the increase over two fiscal years, but have not provided specific estimates of how it would be allocated each year. Therefore, the full 2% has been added in FY2013/14 budget.

On October 10, 2012, the District board approved the pay-off of the District's side-fund balance with the California Public Employee Retirement System (CalPERS) of about \$4.0 million. This pay-off is expected to occur by November 2012. By replacing the high cost of debt (7.5% CalPERS rate of return assumption for the side-fund) with low earning (less than 0.5% interest yield) operating reserve funds and given the District's strong liquidity position, the pay-off is projected to save the District's ratepayers about 14% in projected rate increases.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide citizens, customers, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funding it receives. Questions concerning the information provided in this report or requests for additional financial information should be addressed to Delta Diablo Sanitation District - Finance Division at 2500 Pittsburg Antioch Highway, Antioch, California 94509.

DELTA DIABLO SANITATION DISTRICT  
STATEMENTS OF NET ASSETS  
JUNE 30, 2012 AND 2011

ASSETS	2012	2011
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$3,017,682	\$1,468,637
Investments (Note 2)	24,353,441	30,800,106
Accounts receivable	1,799,380	1,435,264
Interest receivable	16,438	24,680
Notes receivable, current portion (Note 3)	287,843	5,873,159
Employee computer loans receivable, current portion (Note 4)	11,575	19,504
Materials and supplies (Note 1H)	716,220	812,930
Prepaid expenses	139,255	274,995
	<u>30,341,834</u>	<u>40,709,275</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and investments (Note 2H)	2,307,478	2,026,496
Cash and investments (Note 2I)	2,192,443	1,853,206
<b>OTHER ASSETS</b>		
Notes receivable, less current portion (Note 3)	5,643,124	76,871
Employee computer loans receivable, less current portion (Note 4)	6,216	5,799
Interest receivable	57	217
Net OPEB asset (Note 9)	16,981	
	<u>5,666,378</u>	<u>82,887</u>
<b>CAPITAL ASSETS (Note 5):</b>		
Capital assets, non-depreciable	13,794,351	19,339,160
Depreciable capital assets, net of Accumulated depreciation	<u>132,422,296</u>	<u>121,726,867</u>
Total capital assets, net	<u>146,216,647</u>	<u>141,066,027</u>
Total noncurrent assets	<u>156,382,946</u>	<u>145,028,616</u>
<b>TOTAL ASSETS</b>	<u>186,724,780</u>	<u>185,737,891</u>

(Continued)

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT  
STATEMENTS OF NET ASSETS  
JUNE 30, 2012 AND 2011

	2012	2011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$1,369,745	\$1,629,181
Accrued payroll and benefits	867,375	991,279
Deposits payable	812,971	326,381
Unearned revenue	969,125	859,644
Compensated absences - due within one year (Note 6)	639,775	595,155
Current portion of long-term debt (Note 7)	3,962,516	3,951,703
Property tax refund - due within one year		20,673
Accrued interest payable	9,259	11,014
Total current liabilities	8,630,766	8,385,030
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7)		
Certificates of participation	2,841,714	3,684,374
State revolving fund loans	10,242,220	7,069,923
Installment sale agreement	2,072,578	2,212,745
Accreted interest	8,042,092	9,523,375
Total long-term debt, net of current portion	23,198,604	22,490,417
Compensated absences -net of current portion (Note 6)	219,577	185,168
Property tax refund, net of current portion	31,121	31,121
Net OPEB obligation (Note 9)		516,363
Total long-term liabilities	23,449,302	23,223,069
TOTAL LIABILITIES	32,080,068	31,608,099
NET ASSETS (Note 11)		
Invested in capital assets, net of related debt	127,097,619	124,147,282
Restricted for debt service	2,201,966	1,766,556
Restricted for capital projects	105,512	29,745
Unrestricted	25,239,615	28,186,209
TOTAL NET ASSETS	\$154,644,712	\$154,129,792

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Service charges	\$23,741,202	\$21,650,025
Discharge permits	148,900	191,200
Household hazardous waste operating fees	471,627	464,830
Miscellaneous	547,008	351,168
Work for others	<u>1,448,157</u>	<u>2,022,277</u>
Total operating revenues	<u>26,356,894</u>	<u>24,679,500</u>
OPERATING EXPENSES		
Salaries and benefits	13,892,968	13,089,446
Chemicals	1,266,027	1,144,660
Depreciation (Note 5)	6,279,367	5,990,441
Office expense	717,931	737,847
Operating expense	707,657	633,835
Outside service and maintenance	3,833,246	3,368,044
Travel and meetings	97,319	88,514
Utilities	1,549,545	1,441,417
Other	<u>127,113</u>	<u>126,065</u>
Total operating expenses	<u>28,471,173</u>	<u>26,620,269</u>
OPERATING INCOME (LOSS)	<u>(2,114,279)</u>	<u>(1,940,769)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(1,025,593)	(1,174,581)
Interest income	151,223	275,653
Capital facilities capacity charges (Note 1.I.)	1,687,667	2,160,678
Lease revenue (Note 12)	35,949	35,773
Gain on sale of asset	5,295	
State grants	1,742	389,697
Federal grants		1,478,384
Subgrants	181,749	288,023
Property taxes	<u>1,591,167</u>	<u>1,662,436</u>
Total nonoperating revenues (expenses), net	<u>2,629,199</u>	<u>5,116,063</u>
NET INCOME	514,920	3,175,294
NET ASSETS, BEGINNING OF YEAR	<u>154,129,792</u>	<u>150,954,498</u>
NET ASSETS, END OF YEAR	<u><u>\$154,644,712</u></u>	<u><u>\$154,129,792</u></u>

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$25,992,778	\$28,772,118
Payments to employees	(14,437,225)	(13,819,244)
Payments to utilities	(1,549,545)	(1,441,417)
Payments to contractual/professional services	(3,346,656)	(4,456,873)
Payments to suppliers	(2,718,601)	(3,093,815)
Other receipts (payments)	(114,951)	434,539
	<u>3,825,800</u>	<u>6,395,308</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Taxes	1,570,494	1,651,987
State, federal and sub grants	183,491	2,156,104
Receipts on employee computer loans	7,512	7,904
	<u>1,761,497</u>	<u>3,815,995</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets net of adjustments for physical inventory	(11,438,206)	(6,045,400)
Proceeds from sale of capital assets	5,295	
Proceeds from SRF loan	3,716,052	1,171,951
Interest paid on long-term debt	(1,027,348)	(1,176,305)
Payment of long-term debt	(1,572,304)	(1,152,138)
Connection fees	1,687,667	2,160,678
	<u>(8,628,844)</u>	<u>(5,041,214)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption and acquisition of investments, net	5,826,446	(7,688,156)
Change in fair value of investments	(355,731)	(247,226)
Receipts on note	(1,075,697)	3,050
Interest received on investments	159,625	268,417
Interest received on lease	35,949	35,773
	<u>4,590,592</u>	<u>(7,628,142)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	1,549,045	(2,458,053)
Cash, beginning of year	<u>1,468,637</u>	<u>3,926,690</u>
Cash, end of year	<u>\$3,017,682</u>	<u>\$1,468,637</u>
<b>Reconciliation of operating (loss) to net cash provided by operating activities:</b>		
Operating (loss)	(\$2,114,279)	(\$1,940,769)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	6,279,367	5,990,441
Change in assets and liabilities:		
Receivables, net	(364,116)	4,092,618
Materials and supplies	96,710	(76,215)
Prepaid expenses	135,740	(202,911)
Accounts payable and accrued expenses	(259,436)	(298,347)
Accrued payroll and related expenses	(44,875)	(477,671)
Deposits payable	486,590	(1,088,829)
Unearned revenue	109,481	649,118
Net OPEB obligation and asset	(499,382)	(252,127)
	<u>\$3,825,800</u>	<u>\$6,395,308</u>
<b>SCHEDULE OF NON CASH ACTIVITY</b>		
Accreted interest on bonds	(\$1,481,283)	(\$1,278,817)
Change in fair value of investments	(355,731)	(247,226)

See accompanying notes to financial statements

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**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *General***

The District was formed in 1955 and later incorporated in October 1976 to serve the territory of the cities of Antioch and Pittsburg and the community of Bay Point. Treatment of the wastewater collected from the three communities began in 1982.

The District constructs and operates subregional sewage facilities and is responsible for maintenance of the collection system in Bay Point.

The District is divided into three separate zones and may impose different service charges for each area in accordance with the benefits received by those areas.

**B. *Reporting Entity***

As required by generally accepted accounting principles, these basic financial statements present Delta Diablo Sanitation District and its component unit. The component unit discussed in the following paragraph is included in the District's reporting entity because of the significance of its operational or financial relationships with the District.

Blended Component Unit - The Delta Diablo Integrated Financing Corporation was organized November 1, 1988, under the Non-Profit Public Benefit Corporation Law of the State of California solely for the purpose of providing financial assistance to the District by acquiring, constructing, improving and financing various facilities, land and equipment, and by leasing or selling certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District. The Corporation has no members and the Board of Directors of the Corporation consists of the same persons who are serving as the Board of Directors of the District. There are no basic financial statements prepared for the Corporation.

**C. *Basis of Accounting***

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

The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets display information about the Delta Diablo Sanitation District. Eliminations have been made to minimize the double counting of internal activities. Business-type activities are financed in whole or in part by fees charged to external parties.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Budgets and Budgetary Accounting***

Delta Diablo Sanitation District has a three-year operating budget cycle. The District annually conducts a review and updates the operating budget document, which is approved and adopted by the Board. For capital budgets, the District has a five-year Capital Improvement Program which is updated annually and adopted by the Board. Budgetary controls are used and maintained by the District to facilitate compliance with the annually appropriated budget.

***E. Use of Estimates***

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***F. Compensated Absences***

The total amount of liability for compensated absences is reflected in the basic financial statements. See Note 6 for additional information regarding compensated absences.

***G. Cash and Cash Equivalents***

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

***H. Materials and Supplies***

Inventories consist of operational materials and supplies, which are valued using the weighted average costing method.

***I. Revenues – Capital Facilities Capacity Charges***

Capital facilities capacity charges represent a one-time, non-discriminatory charge imposed at the time a structure is connected to the District's system, directly or indirectly, or an existing structure or category of use is expanded or increased. The charge is to pay for District facilities in existence at the time the charge is imposed, or to pay for new facilities to be constructed in the future, that are of benefit to the property being charged.

Revenues derived from these charges are used for the acquisition, construction and reconstruction of the wastewater collection, conveyance, treatment and disposal facilities of the District, to repay principal and interest on debt instruments, or to repay federal or State loans for the construction and reconstruction of the sewerage facilities, together with costs of administration and provisions for necessary reserves.



**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J.      *Reclassification***

For the year ended June 30, 2012, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform to the fiscal year 2011 presentation.

**K.      *Implementation of Governmental Accounting Standards Board (GASB) Statements***

**GASB Statement No. 64 - *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53.*** The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this statement are effective for financial statements with periods beginning after June 15, 2011. This statement did not have an impact on the District's financial statements.

**NOTE 2 – CASH AND INVESTMENTS**

**A.      *Policies***

The District and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *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 maximize security, the District employs the Trust Department of a bank as the custodian of all District managed investments, regardless of their form.

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

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. In the District's case, fair value equals fair market value, since all District's investments are readily marketable.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted.

	2012	2011
Cash, available for District operations	\$3,017,682	\$1,468,637
Investments, available for District operations	24,353,441	30,800,106
Restricted cash and investments	2,307,478	2,026,496
Designated cash and investments	2,192,443	1,853,206
Total Cash and Investments	\$31,871,044	\$36,148,445

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

	2012	2011
Cash on hand	\$800	\$800
Deposits with County	775,280	617,666
Deposits with financial institutions	2,192,925	836,531
Investments	28,796,527	34,433,508
Restricted cash in escrow	105,512	259,940
Total Cash and Investments	\$31,871,044	\$36,148,445

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

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

Authorized Investment Type	Maximum Maturity (Interest Rate Risk)	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer (Concentration Risk)
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker's Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium Term Corporate Notes	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
			\$40 million	
Local Agency Investment Fund	n/a		per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		15%	10%
Insured savings or money market accounts	n/a		100%	No Limit

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

***D. Investments Authorized by Debt Agreements***

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type. The table also identifies certain provisions related to maturities and credit ratings, where applicable, of these investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
U.S. Treasury Obligations		
U.S. Government Sponsored Enterprises		
U.S. Agency Obligations		
State Obligations:		
Long-term General Obligations		A
Short-term General Obligations		Highest to A-1+
Special Revenue Bonds		AA
Demand Deposits		
Time Deposits		
Unsecured Certificates of Deposit	30 days	A-1
FDIC Insured Deposits		
Repurchase Agreements	30 days	A-1 to A
Investment Agreements		AA
Pre-refunded Municipal Obligations		AAA
Prime Commercial Paper	270 days to 365 days	A-1 to A-1+
Banker's Acceptances		
Money Market Mutual Funds		Aam or AAam-G
State Pooled Investment Fund		
Local Agency Investment Fund		

***E. Interest Rate Risk***

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

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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 dates, at June 30, 2012:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
<i><b>Held by District:</b></i>				
U.S. Government Agency Obligations	\$1,202,664	\$3,044,916	\$600,038	\$4,847,618
Corporate Notes	1,229,082	1,013,584	610,111	2,852,777
California Local Agency Investment Fund	19,266,033			19,266,033
Money Market Mutual Funds (U.S. Securities)	48,677			48,677
<i><b>Held by Trustees:</b></i>				
Certificates of Deposit	1,000,800		251,406	1,252,206
U.S. Government Agency Obligations			510,250	510,250
Money Market Mutual Funds (U.S. Securities)	18,966			18,966
Total Investments	<u>\$22,766,222</u>	<u>\$4,058,500</u>	<u>\$1,971,805</u>	<u>\$28,796,527</u>

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and 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, 2012, these investments matured in an average of 268 days.

Money market mutual funds are available for withdrawal on demand and at June 30, 2012, matured in an average of 40 days.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**F. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2012 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	Total
<i>Held by District:</i>		
U.S. Government Agency Obligations	\$4,847,618	\$4,847,618
Corporate Notes	2,852,777	2,852,777
Money Market Mutual Funds (U.S. Securities)	48,677	48,677
<i>Held by Trustees:</i>		
Certificates of Deposit	1,252,206	1,252,206
U.S. Government Agency Obligations	510,250	510,250
Money Market Mutual Funds (U.S. Securities)	18,966	18,966
Totals	<u>\$9,530,494</u>	9,530,494
<i>Not rated:</i>		
California Local Agency Investment Fund		<u>19,266,033</u>
Total Investments		<u>\$28,796,527</u>

**G. Concentration Risk**

At June 30, 2012, significant investments in the securities of any individual issuers, other than U.S. Treasury securities, mutual funds, and external investment pools, are set forth below:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	\$2,246,294
Federal National Mortgage Association	Federal agency securities	2,001,286

**H. Restricted Cash and Investments**

The District has the following restrictions on cash and investments:

**Restricted for Escrow** – The District has restricted investments in an escrow account for various construction projects in the amounts of \$105,512 and \$259,940 as of June 30, 2012 and June 30, 2011, respectively.

**Restricted for Debt Service – 1991 Bonds** - The District has moneys held by Wells Fargo Bank as trustee, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by the Bank. The cash and investment amounts for June 30, 2012 are \$59,386 and \$1,722,580 respectively, totaling \$1,781,966. The cash and investment amounts for June 30, 2011 were \$43,976 and \$1,722,580 respectively, totaling \$1,766,556.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 2 – CASH AND INVESTMENTS (Continued)**

**Restricted for Debt Service – State Revolving Fund Loan-** The District has restricted investments in reserves as required by the agreement between the District and the California State Water Resources Control Board State Revolving Fund Loan (SRF) in the amount of \$420,000 at June 30, 2012.

***I. Board Designated Investments***

The District has the following designations on investments as of June 30:

**Designated for Advanced Treatment Plant -** The District has designated investments for the anticipation of the need for an advanced treatment plant in the amount of \$471,225 and \$0 at June 30, 2012 and 2011, respectively.

**Designated for Operations and Maintenance Rate Stabilization -** The District has designated investments for rate increases due to loss of revenue, increased retirement costs or other unanticipated significant expenses in the amount of \$600,000 at June 30, 2012 and 2011.

**Designated for Related Employee Benefits Costs -** The District has designated investments in accordance with employee labor contracts for the purpose of paying future benefits in connection with salary continuation in the amount \$131,421 and \$94,260 at June 30, 2012 and 2011, respectively.

The District has designated investments to fund future increases associated with employee benefit costs. The District discontinued participation in the Contra Costa County Employees Retirement Association (CCCERA) effective June 20, 2004. The termination agreement provides for an evaluation of any additional liability owed to CCCERA every three years. CCCERA retained certain assets contributed by the District and they remain responsible for retiree benefits for retirees and deferred vested members who were not transferred to the CalPERS system. The designation of 2.44% of payroll annually for Employee Benefit Costs will be a source of funds to address this or other liabilities due to employee benefit costs increases. On December 17, 2010, CCCERA's actuary has conducted and determined the District's termination liability using the triennial experience analysis as of December 31, 2009. Based on this analysis and in accordance with the termination agreement with CCCERA, the District's unfunded obligation is \$3,130,886 to be amortized in 15 years, resulting in an annual payment transfer of \$360,215 starting December 31, 2010. On December 22, 2010 the District paid the required annual payment transfer to CCCERA. On December 15, 2011, the District paid the second required annual payment transfer to CCCERA. As of June 30, 2012, the amount designated by the District for Employee Benefit Costs is \$489,797, the majority of which will cover the December 2012 payment.

As of June 30, 2012 and 2011, respectively, the total amount for designated related employee benefits costs is \$621,218 and \$753,206.

**Designated for Insurance -** The District has designated investments for potential insurance claims in the amount of \$500,000 at both June 30, 2012 and 2011.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 3 – NOTES RECEIVABLE**

**Recycled Water (RW)** – The District and the City of Antioch (City) entered into a Joint Powers Agreement on November 18, 2003, for the purpose of development and operation of a “Recycled Water Program” (the Project). Under the provisions of the agreement, the Project is to be jointly funded (50/50) by the District and the City. The District is authorized to design, construct, own, operate and regulate the facilities.

In fiscal year 2010/2011, the District recognized a Note Receivable in the amount of \$5,753,348 from the City of Antioch for their net share of the costs for this project. This note has an interest rate of .077% with principal and interest due annually commencing December 31, 2011 and maturing on December 31, 2030. On June 10, 2012, the District and the City of Antioch amended the Joint Powers Agreement to cap this Notes Receivable to a maximum of \$5,000,000. Additional project cost share incurred in excess of \$5 million in the amount of \$1,102,272 will be financed by the District at an interest rate of 4.25% with principal and interest due monthly commencing July 1, 2012 and maturing on June 1, 2032. This monthly installment is billed to the City of Antioch as a Recycled Water Surcharge.

**Household Hazardous Waste (HHW)** - The District owns and operates a Household Hazardous Waste (HHW) and a Conditionally Exempt Small Quantity Generator (CESQG) waste collection facility. In an agreement dated July 1, 2002, Contra Costa County, Ironhouse Sanitary District and the Cities of Antioch, Brentwood and Pittsburg (Subscribers) agreed to reimburse the District for capital costs in planning and constructing the household hazardous waste facility.

On April 9, 2008, this agreement was amended and includes capital cost sharing minus any grants received for the planning and construction of the new facility expansion. The DHHWCF expansion was completed in September 2009. Per the provisions of this amendment, the outstanding principal balance from the original facility construction will be combined with the new facility expansion costs, to be re-paid over a 25-year period with interest at 6% per annum. Total capital costs were allocated to the Subscribers based on the number of housing units in each Subscriber’s jurisdiction. The City of Brentwood and Ironhouse Sanitary District have paid its share in full.

**La Chicana Note** - On May 31, 2011, the District and La Chicana Restaurant entered into an agreement for the payments of the remaining Capital Facility Capacity Charges (CFCC) for the property at 2135 Willow Pass Road in Bay Point. The remaining balance of \$7,092 is due over 36 months at 4.25% interest.



**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 3 – NOTES RECEIVABLE (Continued)**

Notes receivable at June 30 consisted of the following:

	<u>2012</u>	<u>2011</u>
RWF		
City of Antioch	\$4,751,824	\$5,753,348
City of Antioch - Surcharge	1,102,272	
HHW		
Ironhouse Sanitary District		116,280
Contra Costa County	72,043	73,310
La Chicana	4,828	7,092
Total Notes Receivable	5,930,967	5,950,030
Less: Current Portion	<u>(287,843)</u>	<u>(5,873,159)</u>
Long-Term Portion	<u>\$5,643,124</u>	<u>\$76,871</u>

**NOTE 4 – EMPLOYEE COMPUTER LOANS RECEIVABLE**

The District provides a zero interest loan to its employees for the purchase of personal computers. These loans are payable in a maximum of 78 equal payroll deductions (3 years). The maximum amount each employee may borrow is \$2,500. As of June 30, the receivable was as follows:

	<u>2012</u>	<u>2011</u>
Employee computer loans	\$17,791	\$25,303
Less: current portion	<u>(11,575)</u>	<u>(19,504)</u>
Long-term portion	<u>\$6,216</u>	<u>\$5,799</u>

**NOTE 5 – CAPITAL ASSETS**

Property, plant and equipment are recorded at the time of purchase and are capitalized at cost. The District capitalizes as part of the asset cost, any significant interest incurred during the construction phase of the asset. Contributed capital assets are valued at their estimated fair market value on the date contributed. The District defines capital assets as property, plant and equipment with an initial individual cost of \$5,000 and an estimated useful life in excess of one year.

Depreciation is provided using the straight-line method for assets other than land. Estimated useful lives are as follows:

Conveyance and collection systems	50 years
Treatment plant	40 years
Office furniture	15 years
Shop, lab and other equipment	10 years
Computer equipment	3 years
Vehicles	3 years



**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 5 – CAPITAL ASSETS (Continued)**

Changes in property, plant and equipment accounts are summarized below:

	Balance at June 30, 2011	Additions	Transfers	Retirement	Balance at June 30, 2012
Capital assets not being depreciated:					
Land	\$2,719,251				\$2,719,251
Construction in Progress	16,619,909	\$11,425,191	(\$16,970,000)		11,075,100
Total capital assets not being depreciated	19,339,160	11,425,191	(16,970,000)		13,794,351
Capital assets being depreciated:					
Treatment & Collection System	196,451,876		16,871,036	(\$33,790)	213,289,122
Equipment	4,071,512	13,015	98,964	(70,808)	4,112,683
Total capital assets being depreciated:	200,523,388	13,015	16,970,000	(104,598)	217,401,805
Less accumulated depreciation for:					
Treatment & Collection System	75,797,664	5,939,989		(25,571)	81,712,082
Equipment	2,998,857	339,378		(70,808)	3,267,427
Total accumulated depreciation	78,796,521	\$6,279,367		(\$96,379)	84,979,509
Net capital assets being depreciated	121,726,867				132,422,296
Total Capital Assets, net	\$141,066,027				\$146,216,647

Construction in progress represents construction of treatment and collection facilities.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 6 – ACCRUED COMPENSATED ABSENCES**

Accumulated unpaid vacation and compensatory time have been accrued at June 30, 2012 in the amount of \$859,352. Accumulated unpaid sick pay is not included in the amount for accrued benefits due to the contingent nature of any future payment.

The changes in compensated absences were as follows at June 30, 2012:

Beginning Balance	\$780,323
Additions	651,111
Payments	<u>(572,082)</u>
Ending Balance	<u>\$859,352</u>
Current Portion	<u>\$639,775</u>

In addition, the Board has set up a Catastrophic Leave Bank, which accumulates up to 40 hours from each terminated employee's forfeited sick leave. Employees may also donate vacation hours. This time may be used by employees who have used all their sick leave due to catastrophic illness and need additional time off. Accumulated Catastrophic Leave at June 30, 2012 was \$112,268 and is included in the balance of Accrued Payroll and Benefits on the Statements of Net Assets.

**NOTE 7 – LONG-TERM DEBT**

**A. Current Year Transactions and Balances**

	Original Issue Amount	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Amount due within one year
1991 Certificates of Participation						
Wastewater Facilities Expansion Project, 4.6-6.25%, due 12/01/2016	\$17,454,950	\$4,583,569		\$899,195	\$3,684,374	\$842,660
Accreted interest on 1991 Certificates		11,934,180	\$986,057	2,410,805	10,509,432	2,467,340
1997 State Revolving Fund Loan						
1.80%, due 12/31/2016	3,611,046	1,221,736		194,636	1,027,100	198,145
2010 State Revolving Fund Loan						
.077%, due 12/31/2030	6,405,136	6,358,425		347,009	6,011,416	314,203
2011 Installment Sale Agreement						
4.9%, due 6/24/2031	2,344,210	2,344,210		131,464	2,212,746	140,168
2011 State Revolving Fund Loan						
2.60%, due 4/03/2033	6,343,146		<u>3,716,052</u>		<u>3,716,052</u>	
<b>Total Long-Term Debt</b>		26,442,120	<u>\$4,702,109</u>	<u>\$3,983,109</u>	27,161,120	<u>\$3,962,516</u>
Less:						
Amount due within one year		<u>(3,951,703)</u>			<u>(3,962,516)</u>	
<b>Total Long-Term Debt, net</b>		<u>\$22,490,417</u>			<u>\$23,198,604</u>	

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 7 – LONG-TERM DEBT (Continued)**

***B. 1991 Subordinated Certificates of Participation***

The District issued Certificates of Participation on November 1, 1991, to finance the acquisition and construction of public improvements of the wastewater and sewage systems. The bonds are payable from revenues of the District. The principal and interest for the 1991 Certificates of Participation start maturing on December 1, 2010 and every year thereafter through fiscal year 2017.

***C. 1997 State Revolving Fund (SRF) Loan***

The District entered into a loan contract with the State of California (State Water Resources Control Board) on March 5, 1997, for the purpose of financing the Pittsburg Conveyance System Improvement Project. The loan amount totals \$3,611,046 with a stated interest rate of 1.80% per annum. Principal payments are due annually beginning in 1999 through the fiscal year 2017, and are payable from revenues of the District.

***D. 2010 State Revolving Fund (SRF) Loan***

The District entered into a loan contract with the State of California (State Water Resources Control Board) on July 8, 2009, for the purpose of financing the Antioch/Delta Diablo Sanitation District Recycled Water Project. The loan amount totals \$6,405,136 with a stated interest rate of .077% per annum. During fiscal years ended June 30, 2011 and 2010, the District drew down \$1,171,951 and \$5,186,474, respectively, for a total of \$6,358,425 of the available funds. Principal payments are due annually beginning on December 31, 2011 through the fiscal year 2030. The principal and interest payments will be payable from revenue the District receives from the City of Antioch.

***E. 2011 Installment Sale Agreement***

On June 9, 2011, the District entered into an installment sale agreement (agreement) with Municipal Finance Corporation, which was subsequently assigned to City National Bank on June 22, 2011, for the purpose of financing a solar energy project. The agreement amount totals \$2,344,210 with a stated interest of 4.9% per annum, and is payable from revenues of the District. Principal and interest payments are due semi-annually on December 24 and June 24, commencing December 24, 2011 and maturing on June 24, 2031.

***F. 2011 State Revolving Fund (SRF) Loan***

The District entered into a loan contract with the State of California (State Water Resources Control Board) on March 25, 2011, for the purpose of financing the Aeration System Improvement Project. The loan amount totals \$6,343,146 with a stated interest rate of 2.60% per annum. During fiscal year ended June 30, 2012, the District drew down \$3,716,052 of the available funds. Principal payments will be due annually beginning on April 3, 2014 through the fiscal year 2033. The principal and interest payments will be payable from all net revenue of the District.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 7 – LONG-TERM DEBT (Continued)**

**G. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt:

For The Year Ending June 30	Principal	Interest	Total
2013	\$3,962,516	\$129,876	\$4,092,392
2014	3,635,223	700,029	4,335,252
2015	3,477,652	864,902	4,342,554
2016	3,324,133	1,015,797	4,339,930
2017	3,664,326	551,829	4,216,155
2018 - 2022	2,777,341	719,101	3,496,442
2023 - 2027	3,095,915	489,781	3,585,696
2028 - 2032	2,989,487	191,587	3,181,074
2033	234,527	6,098	240,625
Total payments due	<u>\$27,161,120</u>	<u>\$4,669,000</u>	<u>\$31,830,120</u>

**NOTE 8 – RETIREMENT PLAN**

**A. Pension Plan**

All District employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The District's employees participate in the Miscellaneous (non-safety) Employee Plans. Benefit provisions under both Plans are established by State statute and District resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CALPERS; the District must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2012, are summarized as follows:

Benefit vesting schedule	<u>Miscellaneous</u> 5 years service
Benefit payments	Monthly for life
Retirement Age	50
Monthly benefits, as a % of annual salary	2.7%
Required employee contribution rates	8.0%
Required employer contribution rates	24.999%

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 8 – RETIREMENT PLAN (Continued)**

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the District must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The District does not have a net pension obligation since it pays these actuarially required contributions monthly.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% has been assumed in the past, but was revised to 7.5% for the future valuations, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

As required by State law, effective July 1, 2005, the District's Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the District true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The District satisfied its Miscellaneous Plan's unfunded liability of \$6,512,365 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 6 years as of June 30, 2010. In October, 2012, the District fully repaid its Side Fund.

The required contributions and related rates for the year ended June 30 were as follows:

	Annual Pension Cost (APC)	Contribution Amount	Percent APC Contributed	Contribution Rate
2012	\$1,958,493	100%	25.00%	
2011	1,709,454	100%	22.96%	
2010	1,788,421	100%	24.54%	

CALPERS' latest available actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation of June 30, 2010.

*Miscellaneous Plan - State Pool:*

Valuation Date	Actuarial				Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio		
2010	\$2,297,871,345	\$1,815,671,616	\$482,199,729	79.02%	\$434,023,381	111.10%
2009	2,140,438,884	1,674,260,302	466,178,582	78.22%	440,071,499	105.93%
2008	1,823,366,479	1,529,548,799	293,817,680	83.89%	414,589,514	70.87%

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 8 – RETIREMENT PLAN (Continued)**

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

Actuarially required contributions were \$1,958,493, \$1,709,454 and \$1,788,421 for fiscal years 2012, 2011 and 2010 respectively. The District made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

The District implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement established uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). Required disclosures are presented below.

**A. Plan Description and Funding Policy**

The District provides postretirement health care benefits to eligible retirees in accordance with Memorandums of Understanding (M.O.U.s) with employee groups. In accordance with the M.O.U.s, the District contracts with CalPERS to provide post-retirement health benefits through the CalPERS PEMHCA program, which provides for vesting at age 50 with five (5) years of service. The District implemented the California State Vesting Program for Retiree Health Care as regulated by Government Code 22893 by resolution (8/2008).

All District employees hired after the implementation date (01/01/2009), will be enrolled in the State's Vesting Program, which starts fifty (50%) medical benefit at age 50 with 10 years of service, increasing by 5% for each additional year of service to 100% with 20 years of service. The District contribution for eligible retirees (and spouses) is continued at the rate in effect each year. The cost of the benefits provided by the plan is currently being pre-funded in an irrevocable trust by the District. The District's plans to fund the benefits provided under the plan over a 30-year horizon, with minimal impacts to District rate payers. Upon adoption of the annual fiscal year operating budget, the District will transfer all funds budgeted for retiree medical premiums to its OPEB Trust Fund. Additional annual funding of the annual required contributions (ARC) will be set by the District Board from all or part of the following sources, in the order listed below:

1. Unanticipated revenue streams (either one-time or on-going)
2. Sewer Service Charge revenues exceed planned levels for the prior fiscal year
3. Unused wastewater operating contingency funds from the prior fiscal year
4. Wastewater operating budget savings from the prior fiscal year
5. Ad valorem tax revenues
6. The wastewater general fund

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

On July 14, 2011, the Board adopted the District's Retiree Health Funding Plan which outlines that employees will begin contributing 1% of their salaries to the OPEB trust in July 2011; that these contributions will increase to 2% of salaries in July 2011 and to 3% of salaries in July 2012. It also covers all of the other key elements of the Principles of Agreement such as 1) employee contributions are made on a pre-tax basis and are included in employee compensation for CalPERS retirement purposes; 2) the District at least match the annual employee contributions; 3) the District make a good faith effort to fully fund the remaining ARC each year; and 4) that in recognition of the employees' initiative in assisting in funding the OPEB obligation, the terms of the bargaining units' MOU with the District be extended by three years to June 30, 2018.

At June 30, 2012, 26 retirees were receiving benefits.

***B. Actuarial Assumptions***

The annual required contribution (ARC) was determined as part of a June 30, 2010 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) 7.0% investment rate of return, (b) 3.25% projected annual salary increase, (c) 4.50% inflation rate and (d) health care cost trend rates from 5.0% to 10.0% for medical benefits. 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 tri-ennially 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 28 year amortization period on a closed basis.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Funding Progress and Funded Status**

The District's Net OPEB Asset is recorded in the Statement of Net Assets and is calculated as follows:

Net OPEB obligation at June 30, 2010		\$768,490
Annual required contribution (ARC) and Annual OPEB cost - fiscal 2010/2011	\$1,040,000	
Less contributions made during fiscal year:		
Contributions made to PARS irrevocable trust	(1,257,571)	
District's portion of current year premiums paid	(34,556)	
(Decrease) in net OPEB obligation	<u>(252,127)</u>	
Net OPEB obligation at June 30, 2011		516,363
Annual required contributions (ARC)	962,000	
Interest on Net OPEB Obligation	26,000	
Adjustments to ARC	<u>(23,000)</u>	
Annual OPEB cost - fiscal 2011/2012		965,000
Less contributions made during fiscal year:		
Contributions made to PARS irrevocable trust	(1,262,809)	
District's portion of current year premiums paid	<u>(235,535)</u>	
Total contributions		<u>1,498,344</u>
(Decrease) in net OPEB obligation		<u>(533,344)</u>
Net OPEB asset at June 30, 2012		<u>\$16,981</u>

The actuarial accrued liability (AAL) representing the present value of future benefits as of June 30, 2012 amounted to \$7,949,000 per the actuarial study dated April 22, 2011.

The Plan's annual required contributions and actual contributions for fiscal years ended June 30, is set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2012	\$965,000	\$1,498,344	155%	(\$16,981)
June 30, 2011	1,040,000	1,292,127	124%	516,363
June 30, 2010	859,000	106,403	12%	768,490



**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The Schedule of Funding Progress presents 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 last three actuarial studies are presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2010	\$2,163,000	\$7,949,000	\$5,786,000	27.21%	\$7,602,000	76.11%
3/2/2010	770,000	6,817,000	6,047,000	11.30%	7,109,000	85.06%
6/30/2008	0	8,844,000	8,844,000	0%	6,668,000	132.63%

**NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural 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 60 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 an annual premium to CSRMA for its general liability, property damage, workers compensation insurance and automobile coverage.

CSRMA is governed by a Board composed 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.

CSRMA is not a component unit of the District and the District's share of assets, liabilities, and equity has not been calculated.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 10 – RISK MANAGEMENT (Continued)**

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2012:

Type of Coverage	Limits	Deductibles
General Liability	\$15,500,000	\$100,000
Excess General Liability	25,500,000	15,600,000
Employment Practices Liability	15,500,000	25,000
Worker's Compensation	500,000	None
Excess Worker's Compensation Liability	Statutory Limit	750,000
Special Form Property	128,432,028	25,000
Public Entity Physical Damage	985,453	1,000/2,000
Commercial Crime - Employee Dishonesty, Forgery or Alteration	1,000,000	1,000
Commercial Crime - Theft, Disappearance, Destruction, or Computer Fraud	500,000	10,000
Fiduciary Liability	1,000,000	1,000
Differences in Conditions - Earthquake/Flood	5,000,000	50,000

The District also maintains employee fidelity bonds to protect against the risk of employee theft or defalcation. Settled claims for CSRMA or employee fidelity bonds have not exceeded coverage in any of the past three fiscal years. Audited financial statements of CSRMA may be obtained at 500 Washington Street, Suite 300, San Francisco, CA 94111-2933.

**NOTE 11 – NET ASSETS**

Net Assets is the excess of all the District's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the District-wide level, and are described below:

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

*Restricted* describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter.

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

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Lease Revenue**

Delta Energy Center, LLC (DEC) and Calpine Corporation entered into an operating lease with the District, effective December 11, 2002, to lease real property located at 2600 Pittsburg-Antioch Highway, in Pittsburg, for a cooling tower site. The base rent for the leased land started at \$32,500 per year and is set to escalate every five years based on changes in the Consumer Price Index. The current rate is \$35,773 per year. The area leased is 260 feet by 50 feet, on land that is not targeted for District improvements. The agreement terminates May 31, 2050. Minimum future rentals total \$1,359,374 at June 30, 2012. The lessee, DEC, retains an option to terminate the lease agreement by providing a thirty-day written notice to the District. The total remaining minimum future rental payments are as follows:

For the Year Ending June 30	Minimum Future
2013	\$35,773
2014	35,773
2015	35,773
2016	35,773
2017	35,773
2018 - 2022	178,865
2023 - 2027	178,865
2028 - 2032	178,865
2033 - 2037	178,865
2038 - 2042	178,865
2043 - 2047	178,865
2048 - 2050	107,319
	\$1,359,374

**B. Joint Power Agreement with City of Pittsburg**

Delta Diablo Sanitation District and the City of Pittsburg (City) entered into a Joint Powers Agreement on September 24, 1999, for the purpose of development and operation of a “Recycled Water Program” (the Project). Under the provisions of the agreement, the Project is to be jointly funded by the District and the City. The City will be responsible for the design and construction of the Project, and the District will own and operate the system once construction is complete. The original project has been completed and amounted to \$7,105,239 in project expenditures. An additional \$200,000 is anticipated to be expended for the final completion of this project.

**DELTA DIABLO SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

The funding sources for the Project include approximately \$3,095,989 costs from the City of Pittsburg Redevelopment Agency. The District has secured for its share of the project costs funding as follows: \$1,259,250 Prop 50, Chapter 7, WRFPP grant award from a State Water Resources Control Board (SWRCB), \$1,000,000 Prop 50, Chapter 8, IRWMP sub-grant award from the SWRCB through Contra Costa Water District (CCWD) and a \$1,650,000 grant (net) from the U.S. Department of Interior, Bureau of Reclamation. When the Federal appropriations were received, it was repaid to wastewater ad valorem taxes, which originally provided the advance funding for this project. In the current fiscal year, the District was able to secure an increase of the sub-grant award from the SWRCB through CCWD of \$200,000 to fund additional project costs expected to be incurred. This amount will be passed-through to the City of Pittsburg. As of June 30, 2012, the District has remitted \$3,935,728 to the City of Pittsburg for Project costs.

**C. *Joint Power Agreement with City of Antioch***

Delta Diablo Sanitation District and the City of Antioch (City) entered into a Joint Powers Agreement on November 18, 2003, for the purpose of development and operation of a “Recycled Water Program” (the Project). Under the provisions of the agreement, the Project is to be jointly funded (50/50) by the District and the City. The District is authorized to design, construct, own, operate and regulate the facilities. This project has been completed this fiscal year.

The Project was originally estimated to cost \$12,800,000, with each agency’s share estimated at \$6,400,000. The District plans to fund its share of the Project costs through the following funding sources: \$6,322,312 State Revolving Fund Loan (SRF), \$2,563,697 Prop 13 WRFPP grant award from a State Water Resources Control Board (SWRCB), \$600,000 Prop 50, Chapter 8, IRWMP sub-grant award from the SWRCB through Contra Costa Water District, two grants totaling \$2,131,000 from the U.S. Department of Interior, Bureau of Reclamation with the balance funded by the District from wastewater ad valorem taxes. The wastewater ad valorem taxes will be repaid if Federal and or State Appropriations applied for are received. The SRF loan of \$6,322,312 was secured by the District with .077% interest for this project. The City of Antioch funded its share of the project costs primarily from the SRF loan of up to \$5,000,000. The City will reimburse the District for about 79% of the SRF loan payments with the balance of their share of the project costs to be paid monthly through a Recycled Water surcharge. The Antioch Recycled Water surcharge will be assessed by the District for 20 years at 4.25% interest. As of June 30, 2012, the District has incurred expenditures of \$12,865,643 for this project.

**D. *Purchase Commitments***

The District has a number of purchase commitments for ongoing operating and capital projects that involves multi-year contracts. Purchase commitments related to these multi-year contracts are approximately \$4,305,074 and \$12,932,360 as of June 30, 2012 and June 30, 2011, respectively.

**SUPPLEMENTARY INFORMATION**

DELTA DIABLO SANITATION DISTRICT  
 SUPPLEMENTARY SCHEDULE OF NET ASSETS - PROPRIETARY FUND TYPE  
 ENTERPRISE FUNDS  
 JUNE 30, 2012

	Waste Water <sup>(A)</sup>	Waste Water Expansion <sup>(B)</sup>	Recycled Water Facility	Hazardous Waste
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$79,722	\$10,441	\$882,119	\$243,961
Investments	20,809,031	71,075	1,571,904	
Accounts receivable	829,194		709,596	251,827
Interfund receivable	5,000,000		900,000	
Interest receivable	11,872	223	1,806	
Current portion of notes receivable		2,363	284,119	1,361
Current portion of employee computer loans receivable	11,575			
Inventory	663,153		53,067	
Prepaid expenses	133,679		5,576	
Total current assets	<u>27,538,226</u>	<u>84,102</u>	<u>4,408,187</u>	<u>497,149</u>
<b>NON-CURRENT ASSETS:</b>				
Restricted cash and investments	525,512	1,781,966		
Cash and investments	2,192,443			
<b>CAPITAL ASSETS:</b>				
Capital assets, non depreciable	13,020,773	35,077	734,831	
Capital assets, net of accumulated depreciation	94,005,980		35,417,045	772,838
Total capital assets, net	<u>107,026,753</u>	<u>35,077</u>	<u>36,151,876</u>	<u>772,838</u>
<b>OTHER ASSETS</b>				
Notes receivable less current portion		2,465	5,569,977	70,682
Employee notes receivable less current portion	6,216			
Interest receivable		57		
Net OPEB asset	16,981			
Total other assets	<u>23,197</u>	<u>2,522</u>	<u>5,569,977</u>	<u>70,682</u>
Total Noncurrent Assets	<u>109,767,905</u>	<u>1,819,565</u>	<u>41,721,853</u>	<u>843,520</u>
TOTAL ASSETS	<u>137,306,131</u>	<u>1,903,667</u>	<u>46,130,040</u>	<u>1,340,669</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	935,190		190,561	175,823
Accrued payroll and benefits	846,199	164	11,667	3,526
Interfund payable	100,000	5,000,000	800,000	
Deposits payable	810,954		2,017	
Deferred revenue	897,082			72,043
Compensated absences - due within one year	639,775			
Current portion of long-term debt	140,168	3,508,145	314,203	
Accrued interest payable		9,259		
Total current liabilities	<u>4,369,368</u>	<u>8,517,568</u>	<u>1,318,448</u>	<u>251,392</u>
<b>NON-CURRENT LIABILITIES:</b>				
Long-term debt, net of current portion:				
Certificates of participation		2,841,714		
State revolving fund loans	3,716,052	828,955	5,697,213	
Installment sale agreement	2,072,578			
Accreted Interest		8,042,092		
Compensated absences - due in more than one year	219,577			
Property tax refund, net of current portion	31,121			
Total long-term liabilities	<u>6,039,328</u>	<u>11,712,761</u>	<u>5,697,213</u>	
TOTAL LIABILITIES	<u>10,408,696</u>	<u>20,230,329</u>	<u>7,015,661</u>	<u>251,392</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	101,097,955	(7,143,737)	30,140,460	772,838
Restricted for debt service	420,000	1,781,966		
Restricted for capital projects	105,512			
Unrestricted	25,273,968	(12,964,891)	8,973,919	316,439
TOTAL NET ASSETS (DEFICITS)	<u>\$126,897,435</u>	<u>(\$18,326,662)</u>	<u>\$39,114,379</u>	<u>\$1,089,277</u>

<sup>(A)</sup> Wastewater is funded by user charges and is comprised of operations & maintenance, capital assets, and capital asset replacement for wastewater treatment and operations.

<sup>(B)</sup> Wastewater Expansion is funded by developers for connection fees.

<sup>(C)</sup> Street Sweeping is funded by user charges; prior years activities were reported as part of Wastewater.

<sup>(D)</sup> Bay Point is funded by user charges; prior years activities were reported as part of Wastewater.

Street Sweeping <sup>(C)</sup>	Bay Point <sup>(D)</sup>	Total
\$736,912	\$1,064,527	\$3,017,682
103,315	1,798,116	24,353,441
	8,763	1,799,380
		5,900,000
534	2,003	16,438
		287,843
		11,575
		716,220
		139,255
<u>840,761</u>	<u>2,873,409</u>	<u>36,241,834</u>
		2,307,478
		2,192,443
	3,670	13,794,351
	<u>2,226,433</u>	<u>132,422,296</u>
	<u>2,230,103</u>	<u>146,216,647</u>
		5,643,124
		6,216
		57
		<u>16,981</u>
		5,666,378
	<u>2,230,103</u>	<u>156,382,946</u>
<u>840,761</u>	<u>5,103,512</u>	<u>192,624,780</u>
65,000	3,171	1,369,745
223	5,596	867,375
		5,900,000
		812,971
		969,125
		639,775
		3,962,516
		9,259
<u>65,223</u>	<u>8,767</u>	<u>14,530,766</u>
		2,841,714
		10,242,220
		2,072,578
		8,042,092
		219,577
		<u>31,121</u>
		23,449,302
<u>65,223</u>	<u>8,767</u>	<u>37,980,068</u>
	2,230,103	127,097,619
		2,201,966
		105,512
<u>775,538</u>	<u>2,864,642</u>	<u>25,239,615</u>
<u>\$775,538</u>	<u>\$5,094,745</u>	<u>\$154,644,712</u>

DELTA DIABLO SANITATION DISTRICT  
 SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND TYPE  
 ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2012

	Waste Water <sup>(A)</sup>	Waste Water Expansion <sup>(B)</sup>	Recycled Water Facility	Household Hazardous Waste
<b>OPERATING REVENUES</b>				
Service charges	\$18,760,599		\$3,509,110	
Discharge permits	148,900			
Household hazardous waste operating fees				\$471,627
Miscellaneous	442,434		104,574	
Work for others	977,841		352,769	117,547
<b>Total operating revenues</b>	<b>20,329,774</b>		<b>3,966,453</b>	<b>589,174</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	12,788,206	\$59,070	531,831	173,404
Chemicals	601,180		664,847	
Depreciation	5,250,667		916,969	18,388
Office expense	681,142		25,923	10,276
Operating expense	597,649		83,274	15,218
Outside services and maintenance	2,570,653	123,227	144,555	458,121
Travel and meetings	92,968	71	2,349	1,181
Utilities	1,148,019		400,970	556
Other	67,866			
<b>Total operating expenses</b>	<b>23,798,350</b>	<b>182,368</b>	<b>2,770,718</b>	<b>677,144</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,468,576)</b>	<b>(182,368)</b>	<b>1,195,735</b>	<b>(87,970)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense		(1,022,830)	(2,763)	
Interest income	111,155	11,999	11,112	6,631
Capital facilities capacity charges		1,687,667		
Lease revenue	35,949			
Gain on sale of assets	5,295			
State grants	1,742			
Subgrants			181,749	
Property taxes	1,501,097	90,070		
<b>Total nonoperating revenues</b>	<b>1,655,238</b>	<b>766,906</b>	<b>190,098</b>	<b>6,631</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(1,813,338)</b>	<b>584,538</b>	<b>1,385,833</b>	<b>(81,339)</b>
Transfers In	3,931,583	760,671	237,877	187,130
Transfers (Out)	(3,865,981)		(1,251,280)	
<b>Total transfers in (out)</b>	<b>65,602</b>	<b>760,671</b>	<b>(1,013,403)</b>	<b>187,130</b>
<b>NET INCOME (LOSS) AFTER TRANSFERS</b>	<b>(1,747,736)</b>	<b>1,345,209</b>	<b>372,430</b>	<b>105,791</b>
<b>NET ASSETS (DEFICITS), BEGINNING OF YEAR</b>	<b>128,645,171</b>	<b>(19,671,871)</b>	<b>38,741,949</b>	<b>983,486</b>
<b>NET ASSETS (DEFICITS), END OF YEAR</b>	<b>\$126,897,435</b>	<b>(\$18,326,662)</b>	<b>\$39,114,379</b>	<b>\$1,089,277</b>

<sup>(A)</sup> Wastewater is funded by user charges and is comprised of operations & maintenance, capital assets, and capital asset replacement for wastewater treatment and operations. Starting fiscal year 11/12 includes designations for Advanced Treatment Plant.

<sup>(B)</sup> Wastewater Expansion is funded by developers for connection fees.

<sup>(C)</sup> Street Sweeping is funded by user charges; prior years activities were reported as part of Wastewater.

<sup>(D)</sup> Bay Point is funded by user charges; prior years activities were reported as part of Wastewater.



<u>Street Sweeping (C)</u>	<u>Bay Point (D)</u>	<u>Total</u>
\$654,181	\$817,312	\$23,741,202
		148,900
		471,627
		547,008
		<u>1,448,157</u>
<u>654,181</u>	<u>817,312</u>	<u>26,356,894</u>
14,161	326,296	13,892,968
		1,266,027
	93,343	6,279,367
	590	717,931
25	11,491	707,657
510,123	26,567	3,833,246
	750	97,319
		1,549,545
	<u>59,247</u>	<u>127,113</u>
<u>524,309</u>	<u>518,284</u>	<u>28,471,173</u>
<u>129,872</u>	<u>299,028</u>	<u>(2,114,279)</u>
		(1,025,593)
1,941	8,385	151,223
		1,687,667
		35,949
		5,295
		1,742
		181,749
		<u>1,591,167</u>
<u>1,941</u>	<u>8,385</u>	<u>2,629,199</u>
<u>131,813</u>	<u>307,413</u>	<u>514,920</u>
		5,117,261
		<u>(5,117,261)</u>
<u>131,813</u>	<u>307,413</u>	<u>514,920</u>
<u>643,725</u>	<u>4,787,332</u>	<u>154,129,792</u>
<u>\$775,538</u>	<u>\$5,094,745</u>	<u>\$154,644,712</u>

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