

AGENDA
BOARD OF DIRECTORS FINANCE COMMITTEE MEETING
DELTA DIABLO
(a California Special District)

2500 Pittsburg-Antioch Highway | Antioch, CA 94509
(Note: There will be no in-person meeting at the District.)
THURSDAY, DECEMBER 10, 2020
10:00 A.M.

In lieu of a public gathering, the Finance Committee meeting will be accessible via ZOOM to all members of the public as permitted by the Governor's Executive Order N-29-20, which suspends certain requirements of the Ralph M. Brown Act to allow for greater flexibility in conducting public meetings.

The Finance Committee Meeting on December 10, 2020 will not be physically open to the public and all Finance Committee Members will be teleconferencing into the meeting. Members of the public can observe the meeting by following the steps listed below to view and listen to the Finance Committee Meeting.

Persons who wish to address the Finance Committee during the Public Comment period or with respect to an item on the Agenda will be limited to two (2) minutes. The Secretary to the Board will call on members of the public alphabetically by last name (A-L) and (M-Z) at the beginning of the meeting to establish a speaking order. Please indicate whether you wish to speak during the Public Comment period or on a specific Agenda item at that time.

Presentations will be made available online at <https://www.deltadiablo.org/Finance-Committee-meetings> approximately one hour prior to the start of the Finance Committee meeting.

How to view, listen to, and provide a Public Comment during the meeting via ZOOM:
Using your computer, access the Zoom meeting at: <https://us02web.zoom.us/j/84671072719>

How to listen and provide a Public Comment during the meeting via ZOOM:
Using your telephone, access the Zoom meeting by dialing (669) 900-6833
Meeting ID: 846 7107 2719

A. PUBLIC COMMENTS

**B. REVIEW COMPREHENSIVE ANNUAL FINANCIAL REPORT AND
MEMORANDUM ON INTERNAL CONTROL FOR FISCAL YEAR 2019/2020**

C. ADJOURNMENT

The District will provide reasonable accommodations for persons with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board 24-hours prior to the scheduled meeting at (925) 756-1927. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of members of the Board of Directors less than 72-hours prior to that meeting are available for public inspection on the District website at www.deltadiablo.org



MEMORANDUM

Date: December 10, 2020

To: Federal Glover, Alternate Chair, Finance Committee

From: Carol S. Margetich, Business Services Director

SUBJECT: REVIEW COMPREHENSIVE ANNUAL FINANCIAL REPORT AND
MEMORANDUM ON INTERNAL CONTROL FOR FISCAL YEAR 2019/2020

Recommendation

Review audited Comprehensive Annual Financial Report (CAFR) and Memorandum on Internal Control for Fiscal Year 2019/2020 (FY19/20).

Background Information

California statutes require special districts to have an annual audit conducted by independent certified public accountants. In addition to preparing basic financial statements for FY19/20, the District has prepared a CAFR, which provides more information (i.e., a Letter of Transmittal and a statistical section) to improve context for the reader. Major CAFR elements and audit findings will be presented to the Finance Committee on December 10, 2020 prior to including this item on the agenda for the December 17, 2020 Board Meeting.

The FY19/20 CAFR was audited by Maze & Associates, who has performed financial audits for the District following Board approval of the original contract on June 11, 2014 and subsequent contract extensions (two-year extension on December 14, 2016, one-year extension on May 8, 2019, and one-year extension on May 18, 2020).

The basic structure of the District's CAFR includes three primary sections:

- 1) **Introductory Section.** This section contains the Letter of Transmittal, which provides a brief overview and directs readers to relevant information within the CAFR to provide context and improve comprehension of the CAFR contents.
- 2) **Financial Section.** This section contains both comparative totals from the prior fiscal year and supplementary information relating to the District's five core programs: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping, and Bay Point Collections.
- 3) **Statistical Section.** This section provides additional historical perspective, context, and detail to help the reader utilize the information located elsewhere in the financial report to better understand the District's economic condition.

The Government Finance Officers Association (GFOA) works to advance excellence in state and local government financial management and promote financial reporting that provides useful information to taxpayers, customers, public officials, investors, and others who use financial

reports. The District will submit the FY19/20 CAFR to GFOA for review under its Certificate of Achievement for Excellence in Financial Reporting program.

Analysis

Consistent with prior audit results, the District's auditor has determined that the CAFR fairly presents the District's financial condition (this is known as an "unmodified opinion" or "clean" opinion), and no material weaknesses were identified during review of internal controls over financial reporting. Achieving an unmodified opinion provides reasonable assurance that the District's CAFR is free of material misstatements and represents the highest opinion that can be rendered in an audit.

In addition to conducting the audit and reviewing the CAFR, the auditor reviewed internal controls and made recommendations for improvements in a "Memorandum on Internal Control." There were no findings or recommendations this year, which highlights the strength of the District's internal financial controls.

FY19/20 Financial Highlights

A summary of key findings included in the CAFR regarding the District's financial position (as compared to FY18/19) is provided below.

- Total assets plus deferred outflows exceeded total liabilities and deferred inflows by \$176.4 million (net position)
- Net position increased by \$8.8 million (5.3%)
- Total assets plus deferred outflows increased by \$13.7 million (6.3%)
- Total liabilities plus deferred inflow of resources increased by \$4.8 million (9.7%)
- Total operating revenues = \$38.6 million, an increase of \$1.8 million (4.9%)
- Total operating expenses = \$35.3 million, a decrease of \$0.03 million (0.1%)
- Capital contributions = \$1.5 million, a decrease of \$1.0 million (41.6%)

The District remains financially sound with a combined total net position at the end of FY19/20 of \$176.4 million. Changes in net position serve as a useful indicator of the District's financial position over time. For FY19/20, the District's net position increased by \$8.8 million, which was the result of two main factors:

- 1) Total operating revenues of \$38.6 million exceeded total operating expenses by \$3.2 million. This positive result, which includes the collection of SSCs, demonstrates the success of the District's overall fiscal year operations and long-term infrastructure planning.
- 2) Net non-operating revenue of \$5.5 million (Capital Facilities Capacity Charges [CFCCs] of \$1.5 million + ad valorem property taxes of \$3.1 million + interest income of \$1.2 million + other non-operating revenue of \$0.1 million – interest expense of \$0.4 million).

A thorough discussion of the financial activities for FY19/20 is provided in the Management Discussion and Analysis (MD&A) section of the CAFR.

Federal Glover, Alternate Chair, Finance Committee

December 10, 2020

REVIEW COMPREHENSIVE ANNUAL FINANCIAL REPORT AND MEMORANDUM ON
INTERNAL CONTROL FOR FISCAL YEAR 2019/2020

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During FY19/20, the Wastewater Capital Expansion Fund paid \$1.8 million toward the interfund loan from the Wastewater O&M Fund, Wastewater Capital Asset Fund, and Wastewater Capital Asset Replacement Fund. The balance of the interfund loan at the end of FY19/20 was \$3.8 million. In addition, an interfund load of \$4.0 million was made from the Advanced Treatment Fund to the Capital Asset Replacement Fund.

A representative from the accounting firm responsible for the independent audit will present the FY19/20 Financial Audit Results to the Finance Committee and will address questions on the scope of work, associated findings, and reports.

Next Steps

If recommended by the Finance Committee, the draft documents would be finalized and presented to the Board of Directors at the December 17, 2020 meeting. Any comments received from the Finance Committee will be reflected in the finalized Board communications.

Financial Impacts

The District remains financially sound and no material weaknesses in internal controls were identified by the auditor. The District's net position increased by \$8.8 million in FY19/20 due to total operating revenues exceeding total operating expenses. The District will consider this increase, as well as other FY19/20 final audited results during the near-term budget and rate development process.

Attachments

- 1) FY19/20 Comprehensive Annual Financial Report
- 2) Memorandum on Internal Controls, Maze and Associates

//CSM

cc: David Alvey, CPA, Vice President, Maze & Associates



Delta Diablo

Comprehensive Annual Financial Report



TREATMENT PLANT AND DISTRICT OFFICES

For the Fiscal Years Ended
June 30, 2020 and 2019

Prepared By: Finance Division
2500 Pittsburg Antioch Hwy
Antioch, California 94509

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Delta Diablo, Antioch CA
Comprehensive Annual Financial Report
For The Years Ended June 30, 2020 and 2019

Prepared by the Finance Division

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INTRODUCTORY SECTION



TOWER TRICKLING FILTERS AND AERATION BASINS

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DATE

To the Honorable Board of Directors and Delta Diablo Customers:

Delta Diablo (District) is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2020 (FY19/20).

This document has been prepared by the District's Finance Division in compliance with the financial reporting principles and standards set forth by the Governmental Accounting Standards Board (GASB). This report consists of three sections: introductory, financial and, statistical. District Management assumes the responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

California statutes require special districts to have an annual audit conducted by independent, certified public accountants. This report is published to fulfill that requirement for FY19/20. Maze & Associates, Accountancy Corporation, has issued an unmodified ("clean") opinion on the District's financial statements for FY19/20. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides an introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The CAFR follows the Government Finance Officers Association (GFOA) recommended guidelines and the District is submitting this report to GFOA for review and certification.

Profile of the Government

Delta Diablo is a special district in the State of California that was originally formed in 1955 as Contra Costa County Sanitation District No. 7-A, pursuant to the California Health and Safety Code Section 4700 for the purpose of operating, maintaining, and constructing wastewater collection and treatment facilities in the West Pittsburg (now called Bay Point) area. In the early 1970s, the California State Water Resources Control Board adopted a policy of encouraging public wastewater agencies to consolidate on a sub-regional basis. In 1976, the Cities of Pittsburg and Antioch were annexed to the District.

A new sub-regional conveyance system and treatment facility was recommended and subsequently constructed in the current location between the two cities. In 1989, the District's name was changed to Delta Diablo Sanitation District after years of being referred to as such by the public. In 2014, the District's name was changed to Delta Diablo to reflect the general industry shift to viewing wastewater treatment plants as water resource recovery facilities via renewable energy production, water recycling, and biosolids reuse.

The District provides services to nearly 215,000 residents, as well as commercial and industrial customers, in Bay Point, Pittsburg, and Antioch which comprises a service area of approximately 54 square miles. The District's service area is divided into three zones: Zone 1 – Bay Point, Zone 2 – Pittsburg, and Zone 3 – Antioch. It is governed by a three-member Board of Directors with one member appointed to represent each zone, including the Mayor of the City of Pittsburg (or designee), the Mayor of the City of Antioch (or designee), and the Contra Costa County Board of Supervisors member representing Bay Point, which is unincorporated. The Board of Directors establishes overall policies to guide District operations, which are then implemented under the direction of the General Manager, to provide reliable, high-quality wastewater conveyance and treatment services at rates that are among the lowest in the San Francisco Bay Area.

Board meetings are open to the public and held on the second Wednesday of each month. In addition, committee meetings, workshop sessions, special meetings, and public hearings are occasionally scheduled and noticed.

The District has continually pursued an array of solutions to provide high-quality and environmentally-sound resource recovery services to its customers to protect public health, the Delta, and San Francisco Bay, now and into the future. As a result, five core resource recovery programs and services have been developed: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping, and Bay Point Collections. Additional resource recovery services include pollution prevention, energy recovery, and beneficial reuse of biosolids.

Wastewater Program: The Wastewater Program's primary purpose is to protect public health and the environment by conveying and effectively treating wastewater. Operating 24 hours a day, 365 days a year, the District's Wastewater Treatment Plant (WWTP) is permitted by the San Francisco Bay Regional Water Quality Control Board (Regional Board) as a secondary wastewater treatment facility with a permitted average dry weather flow capacity of 19.5 million gallons per day (MGD).

Recycled Water Program: Since 2000, the District has been operating an industrial recycled water plant. Generating an average of 6 MGD, this recycled water facility is rated for 12.8 MGD and utilizes a state-of-the-art computerized Supervisory Control and Data Acquisition (SCADA) system. Recycled water produced at the District is distributed for use as cooling water at two power plants, as well as landscape irrigation at several parks, Caltrans rights-of-way, city offices, and the golf course in Antioch. The use of high-quality recycled water for industrial and irrigation applications provides an

alternative source of water that not only is more cost efficient than potable water and promotes water conservation but is also an environmentally sound recapturing of precious water resources rather than discharging the treated water directly to the Delta.

Household Hazardous Waste Program: In partnership with multiple local governmental entities, the District has operated a regional Household Hazardous Waste (HHW) Program since 1996. The core of the program is operation of the Delta Household Hazardous Waste Collection Facility (DHHWCF), which was constructed in 2003 adjacent to the District’s WWTP. The purpose of the HHW Program is prevent hazardous pollutants from reaching waterways, landfills, and the wastewater system in support of the District’s Pollution Prevention Program, and state and federal regulatory requirements. Use of the District’s DHHWCF is free of charge for residents and small businesses in East Contra Costa County, and accepts HHWs, such as medications, used oil and filters, anti-freeze, paints and stains, batteries, fluorescent and high intensity lamps, cosmetics, pesticides, pool chemicals and household cleaners, cooking oils and grease, and electronic waste.

Street Sweeping Program: Street sweeping is another pollution prevention service offered by the District. One of the best ways to prevent pollutants from entering local waterways is to remove them from streets before wind and rain carries them into storm drains, which flow to Delta receiving waters. Regular street sweeping provides a clean appearance throughout neighborhoods, attracts businesses to downtown areas, and supports regional compliance with state and federal regulations related to the Clean Water Act implementation.

Bay Point Collection Program: In 1984, the District assumed responsibility from Contra Costa County for the West Pittsburg (Bay Point) collection system. Services provided for this system consists of cleaning, inspection, and maintaining 43 miles of sanitary sewer mains for collection and delivery of untreated wastewater to the WWTP through the District’s conveyance system. Both the cities of Antioch and Pittsburg maintain their own collection systems.

Local Economy

The District provides wastewater conveyance and treatment services in its service area via 38,300, 24,700, and 7,500 connections in Antioch, Pittsburg, and Bay Point, respectively. These communities are located in the Delta where the Sacramento and San Joaquin Rivers meet at the eastern edge of the greater San Francisco Bay Area (Bay Area). Housing is affordable relative to the otherwise expensive Bay Area, and there is still significant undeveloped land in the area available for future development. The Bay Area Rapid Transit (BART) Pittsburg-Antioch line and Highway 4 run through the area, connecting commuters in the three communities to jobs in other parts of the Bay Area.

Because the area functions in part as “bedroom communities” to the Bay Area’s financial district and high-tech industries, housing-related development, construction, and service-related businesses dominate the local economy. In general, the local economy is

consistent with the Bay Area economy. An independent economic research firm, Beacon Economics, reported that the East Bay's economy showed strength prior to the COVID-19 pandemic. While the East Bay's economy has suffered with unemployment rates reaching 14.2% as of April 2020 (Bureau of Labor Statistics) the region is in a relatively better position to deal with the economic fallout than other California cities due to its high representation of workers in technology and professional services. Home sales fell in the East Bay, and across the Bay Area while prices increased, in the first quarter of 2020 compared to the first quarter of 2019. This decline in sales, along with increased prices also occurred at the state level. According to the California Association of Realtors, sales of existing single-family residences in Contra Costa County fell 8.3% from the first quarter of 2019 to the first quarter of 2020, which represents a greater drop than in San Francisco (-7.6%) and California (-6.1%). Decreases are directly related to the COVID-19 pandemic and the number of houses listed for sale during shelter in place orders. As one of the few affordable areas in the Bay Area, the housing industry is projected to recover, along with the Bay Area economy, which is expected to support the local economy. Given the vulnerability of the single-unit housing industry dominating the local economy, local officials are exploring opportunities and providing incentives to businesses to diversify the local economy.

Median household income in Bay Point, Pittsburg, and Antioch were \$55,856, \$70,770, and \$71,422, respectively, compared with the Contra Costa County median household income of \$93,712 in 2018. Populations in Pittsburg and Antioch have grown from 63,483 and 103,868 in 2011, respectively, to 74,321 and 112,520 in 2020, respectively. This information was not separately available for Bay Point as it is an unincorporated area. Median housing prices were \$448,607 in the Bay Point and Pittsburg areas, and \$542,826 in Antioch, as reported by Zillow for August 2020.

Long-term Planning

Consistent with GFOA's recommendations, the District has developed a Strategic Business Plan as a blueprint for how the District will respond to future challenges and changing priorities. Based on the District's mission, vision, core values, and goals, Management presents Strategic Business Plan Initiatives in support of Strategic Focus Areas under each goal area for the Board's review and acceptance each year.

The Strategic Business Plan was adopted by the Board in September 2014 along with the mission, vision, core values, and goals as follows:

Mission: Protect public health and the environment in our communities by providing wastewater resource recovery services of exceptional quality and value.

Vision: Delta Diablo will be a national leader in wastewater resource recovery

Core Values: Integrity, Teamwork, and Trust

Strategic Goals:

- Financial Sustainability
- Leadership
- Operational Excellence
- Workplace Innovation
- Stakeholder Engagement

Financial Policies

The District has financial policies that set forth guidelines to maintain accountability and control over operating revenue and expenses, ensure proper appropriation of reserves and restricted funds, and proactively address the rising costs of pension and other post-employment benefits.

Investments: Annually, the Board of Directors adopts an Investment Policy pursuant to California Government Code, Sections 53600 et seq. The investment of idle funds is delegated by the Board of Directors to the District's General Manager, who assumes full responsibility for the transactions of the investment program. The objectives of the Investment Policy are safety, liquidity, yield, and diversity. The District's investments are in compliance with the adopted Investment Policy. See Note 2 – Cash and Investments in the Notes section of this report for detailed investment information.

Reserves:

- ***Economic Reserves:*** Economic reserves are an essential part of the District's operating requirements and ensure the continued ability to provide services during budget shortfalls or unforeseen circumstances. The purpose of this reserve is to provide adequate funding to mitigate overall rate volatility resulting from economic changes or events that significantly decrease the District's revenues or increase the District's operating costs.
- ***Advanced Treatment Reserve:*** The District continues to modify its original approach to collecting revenues for the Advanced Treatment Fund, which was proactively established in 2011 to avoid sharp rate increases to customers due to implementation of nutrient removal upgrades at Delta Diablo's WWTP. The District has successfully collaborated with regulators, the scientific community, and other Bay Area Clean Water Agencies members to focus on nutrient impact analyses and water quality modeling in San Francisco Bay rather than the future imposition of regional nutrient removal permit limits. The outcome of this effort is an approximate 10-year extension in the implementation timeline. In addition to the timeline extension, staff has estimated that the initial capital cost for nutrient management is lower than originally anticipated and will most likely be combined with a secondary treatment capacity plant expansion. Based on this new information and extended timeline for use of these funds, staff has suspended the Advanced Treatment Fund Sewer Service Charge (SSC) component in FY20/21.

Other Post-Employment Benefits (OPEB) Trust Funding: Following the acceptance of each fiscal year's audited financial statements for the District, the Board of Directors makes a determination as to how much of that year's remaining Actuarially Determined Contribution (ADC) (formerly Annual Required Contributions or ARC) will be funded by the District and deposited to the OPEB trust fund from all or part of the following sources in the order listed below: 1) unanticipated revenue streams, 2) wastewater service charge revenues exceeding 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, and 6) wastewater general fund.

Pension Benefits Trust Funding: The District's intent is to set aside additional funds in a separate, qualified trust fund which may be directed into either the California Public Employees' Retirement System (CalPERS) and/or Contra Costa County Employee's Retirement Association (CCCERA) in the future. Annual budgeted amounts are contributed following the adoption of the budget. Upon fully funding the OPEB Trust Fund, those funding sources previously discussed shall be redirected to pension benefit trust funding, provided the OPEB trust funds remains fully funded.

Internal Controls: Management is responsible for establishing and maintaining adequate internal controls to ensure that District operations are effective and efficient, applicable laws and regulations are followed, and financial reports are reliable. Internal controls provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the cost-benefit analyses require estimates and judgments by Management.

Financial Highlights

The District's overall financial condition continues to be sound as demonstrated by a stable revenue base, effective cost containment, stable net position, and appropriate fund reserves.

In FY19/20, the District continued to effectively manage its finances and strengthen its financial position by adopting sufficient recycled water and wastewater rates to fund operations, OPEB trust contributions, and capital infrastructure improvements. The following results of operations indicate a continuing strong and stable fiscal position:

- Total assets plus deferred outflows exceeded total liabilities and deferred inflows by \$176.4 million (net position)
- Net position increased by \$8.8 million or 5.3% during the year to \$176.4 million
- Operating revenue increased \$1.8 million or 4.9% to \$38.6 million
- Operating expenses decreased \$.03 million or .01% to \$35.3 million
- Capital contributions decreased \$1 million or 41.6% to \$1.5 million

Debt Administration

As of the end of FY19/20, the District had a long-term outstanding debt total of \$23.7 million, compared to \$23.5 million as of the end of FY18/19.

Prudent financial management policies and the District's sound financial position resulted in an "AA" credit rating from Standard & Poor's in November 2015.

Budget and Rates

The adopted total operating and capital budget for FY19/20 was \$51.5 million compared to \$52.6 million for FY18/19. Wastewater service rates increased by 3.5% for Antioch and Pittsburg customers and 3.0% for Bay Point customers for FY19/20, compared to the 6.0% for Antioch and Pittsburg customers and 5.0% for Bay Point customers for FY18/19.

In contrast to the previous approach of proposing a three-year operating budget and planning cycle, the District started proposing and adopting a single-year budget in FY18/19 and continued the process in FY19/20. The District's intent is to transition to a budget cycle that better aligns the rate-setting and capital improvement program development process.

FY19/20 Strategic Business Plan Initiatives

Financial Sustainability

- Conduct a comprehensive infrastructure condition assessment at the District's WWTP to guide prioritized, long-term capital investment.
- Navigate potential barriers to implementing a large-scale organics co-digestion effort. (This was previously a capital project was discontinued in FY19/20.).
- Develop a near-term strategy and timeline to guide financial planning for future nutrient management investment at the WWTP (i.e., Advanced Treatment Fund).
- Complete a utility "Cost-of-Service Study" to ensure District is recovering its costs via sewer service, recycled water service, and capital facilities capacity charges.

Leadership

- Provide "change management" training to support development and application of new ideas and approaches to improve the organization.
- Provide biological wastewater treatment process training for Operations/Engineering staff.
- Develop an improved performance planning and appraisal process to support workforce development and management.

Operational Excellence

- Initiate implementation of a risk-based Asset Management Program that ensures effective asset performance, reliability, and investment through integrated, robust business processes.
- Conduct disaster response and recovery exercises to support emergency preparedness and resiliency.
- Conduct a vulnerability assessment at the WWTP to mitigate the impacts of potential infrastructure, equipment, and operational threats to regulatory compliance and safety.
- Implement priority “best practice” enhancements to District procurement and purchasing procedures, revise signature authority levels, and conduct associated staff training to ensure effective and efficient business processes.

Workplace Innovation

- Identify and prioritize opportunities to drive organizational effectiveness and efficiency through expanded use of information technology (IT) as part of the IT Assessment.
- Evaluate the feasibility of implementing interactive, dynamic capital improvement project summaries via a web-based application.

Stakeholder Engagement

- Enhance external website content and public information materials, and develop targeted fact sheets (e.g., infrastructure investment, nutrient management, rates/budget) in support of the District’s Strategic Communications Plan.

Emphasize the increased need for private sector engagement to accelerate development of regional biosolids management facilities through active participation in the Bay Area Biosolids Coalition.

Long-Term Infrastructure Investment

The District’s Capital Improvement Program (CIP) presents project needs and funding requirements to maintain and/or upgrade District infrastructure. Recommended projects in the CIP are based on previous master planning efforts, as well as ongoing condition assessment of existing facilities. The five-year CIP defines and prioritizes projects for each of the Resource Recovery Program areas described above. Below is a discussion of the active major capital projects in FY19/20.

- Permanent Brine Transfer Facility – Major construction was completed for a brine transfer facility that will be used to store and discharge brine delivered by The Dow Chemical Co. to the District’s WWTP for processing.
- Asset Management Program – Completed significant efforts to build the foundation of a formalized asset management program.
- Headworks Improvements – Major construction occurred on the rehabilitation of

headworks and grit removal facilities to address critical infrastructure needs, provide redundancy, and ensure effective removal of debris/grit to protect downstream equipment.

- Treatment Plant Electrical Switchgear Replacement – Replaced critical electrical power distribution system component to ensure reliable power feed.
- Primary Clarifier Area Improvements – Continued construction to rehabilitate the primary clarifier infrastructure including exposed piping, mechanical equipment, and electrical systems.
- District Office Building Improvements – Replace mechanical/electrical systems, modify office spaces, and evaluate campus/building security improvements to ensure offices remain safe, secure, functional, and meet staffing demands.
- Bay Point Rehabilitation Phase IV – Continued construction of gravity sewer rehabilitation and replacement to address defects identified as part of the District’s sewer inspection program.
- Information Technology (IT) – Initialized an IT Assessment to identify prioritized business needs and implementation plans to enhance business processes and use of IT to support organizational effectiveness and efficiency. Included replacement servers, storage, and network gear in support of this initiative.

Awards & Acknowledgements

The District was a proud recipient of several prestigious awards:

- National Association of Clean Water Agencies (NACWA) Gold Peak Performance Award
- NACWA 2019 Utility of the Future Today Award

GFOA of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for FY18/19. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The District would like to thank the Board of Directors for its continued interest and dedicated support for maintaining the highest standards of professionalism and integrity

in the management of the District's finances. Additionally, this report was prepared through the skill, effort, and dedication of all Finance Division staff, with significant support and contributions from many other staff in providing the data necessary to prepare this report.

Sincerely,

Vincent P. De Lange
General Manager

Carol Margetich
Business Services Director

DELTA DIABLO Principal Officers – June 30, 2020

Board of Directors

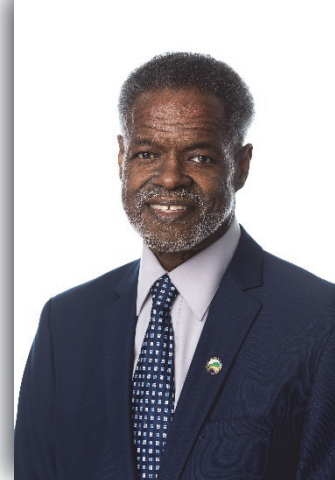
Delta Diablo has a three-member Board of Directors consisting of representatives appointed by the governing bodies of the three service areas: unincorporated Bay Point, City of Pittsburg and City of Antioch.



Sean Wright
Chair
Appointed by the Antioch City Council, represents the City of Antioch.



Juan Antonio Banales
Director
Appointed by the Pittsburg City Council, represents the City of Pittsburg

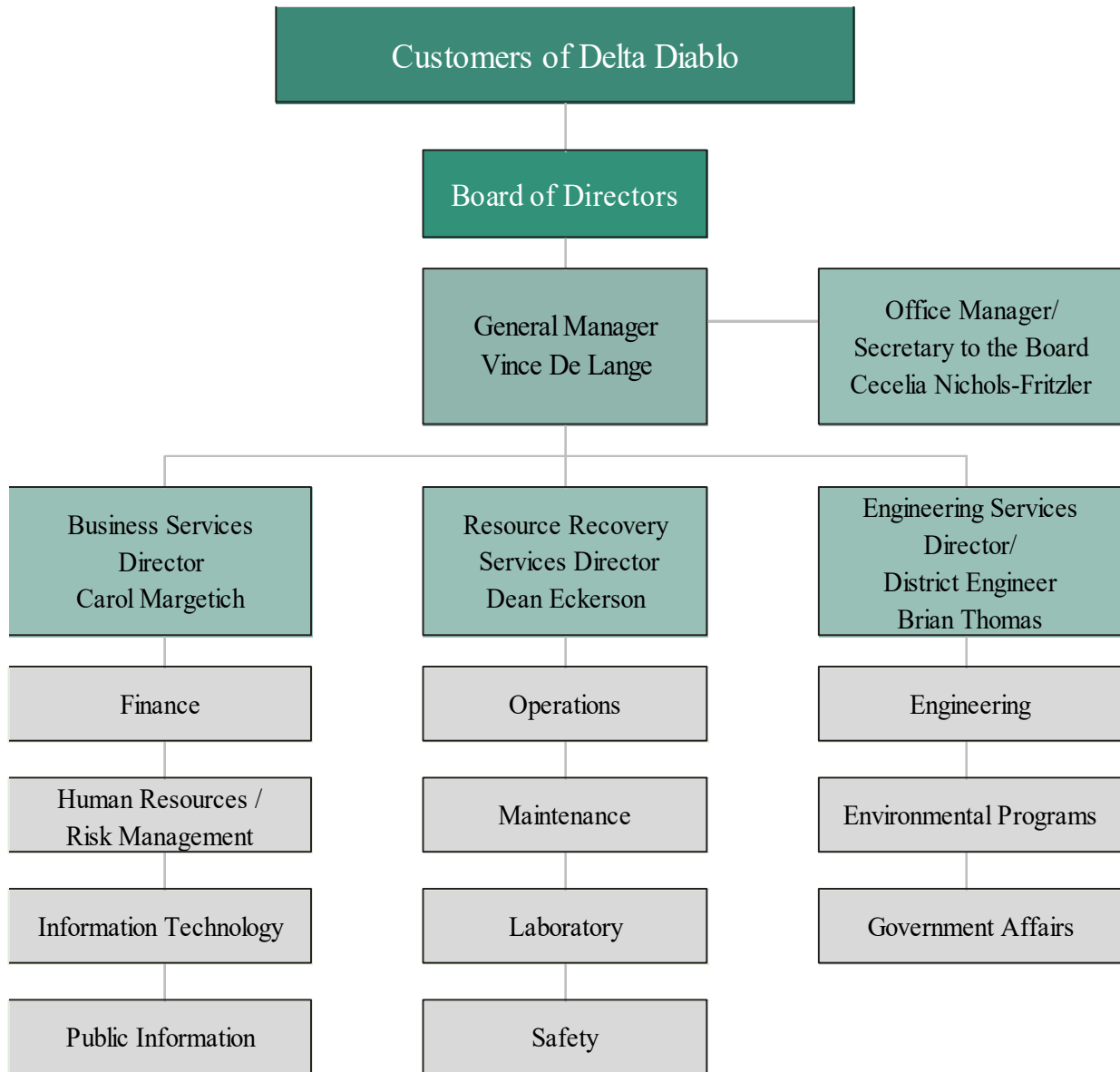


Federal Glover
Director
Appointed by the Contra Costa County Board of Supervisors, represents unincorporated Bay Point

District Management

Vince De Lange.....General Manager
Carol MargetichBusiness Services Director
Brian ThomasEngineering Services Director/District Engineer
Dean Eckerson.....Resource Recovery Services Director
Cecelia Nichols-Fritzler Office Manager/Secretary to the Board

DELTA DIABLO Organization Chart



DELTA DIABLO

Vision, Mission and Core Values

Mission

Protect public health and the environment of our communities by providing *wastewater* and other resource recovery services of exceptional quality and value.

Vision

Delta Diablo will be a national leader in *wastewater* resource recovery.

Core Values

Delta Diablo is committed to:

Integrity

- Maintain the highest ethical standards with our customers, partners and each other
- Honor our commitments
- Treat others fairly and consistently

Teamwork

- Collaborate to achieve a common vision
- Communicate in an open and timely manner
- Celebrate our successes and achievements

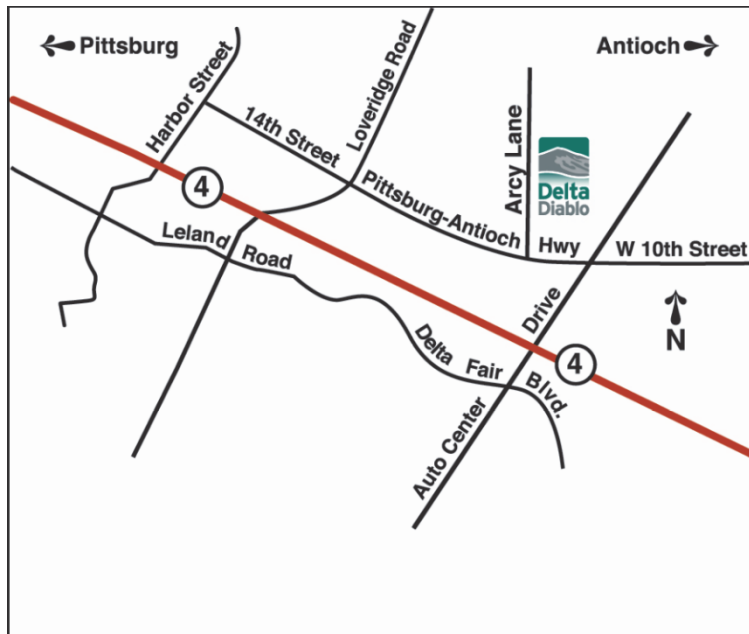
Trust

- Inspire confidence through our words and actions
- Promote a positive work environment through honest, transparent, and respectful interactions
- Encourage and embrace diverse points of view

DELTA DIABLO Location Map



Delta Diablo
Antioch, CA





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Delta Diablo
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION



TREATMENT PLANT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Diablo
Antioch, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Delta Diablo (District), California, as of and for the years ended June 30, 2020 and June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Delta Diablo as of June 30, 2020 and 2019, and the respective changes in the financial positions, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the table of contents 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 generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis are not required part of the basic financial statements.

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

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Pleasant Hill, California
December 10, 2020

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DELTA DIABLO
MANAGEMENT’S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020

The District’s Management Discussion and Analysis (MD&A) provides an overview of the District’s financial performance and activities for the fiscal year (FY) ended June 30, 2020 (FY19/20). The MD&A should be read in conjunction with the transmittal letter (pgs. X-XX) and the District’s basic financial statements which begin on page [redacted]. The MD&A is presented in a concise format and organized 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 MD&A is intended to serve as an introduction to the District’s basic financial statements, which consist of the Financial Statements and Notes to the Financial Statements. The CAFR contains other supplementary information in addition to the basic financial statements.

Financial Statements

As a special purpose government, the District reports its financial statements in accordance with business-type activities known as enterprise funds. Enterprise funds are used to account for services provided on a total or partial cost-recovery basis to users. Enterprise funds are reported on an “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 financial statements consist of the *Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and Notes to Financial Statements.*

The *Statement of Net Position* reports all of the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position in a format displaying *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.* Over time, increases or decreases in net position serve as an indicator of whether the District’s financial position improves or declines.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information on the District’s operating results and how the net position 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 the District’s operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees and other charges.

The *Statement of Cash Flows* reflects changes in cash and cash equivalents resulting from operating, capital spending, and related financing, non-capital financing, and investing activities. This statement summarizes cash inflows (receipts) and outflows (disbursements) without consideration of the timing of the event giving rise to the obligation or receipt and excludes non-cash transactions such as depreciation and amortization.

DELTA DIABLO
MANAGEMENT'S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020

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

Other Information

In addition to the basic financial statements and accompanying notes, the CAFR also presents an introductory section, certain required supplementary information concerning the District's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees, supplementary information by fund, and a statistical section.

FINANCIAL ANALYSIS

Financial Highlights

In FY19/20, the District continued to effectively manage its finances and strengthen its financial position by adopting sufficient service charges to fund operations, capital improvements, future other post-employment benefits (OPEB), and maintain strong financial performance. The District implemented Governmental Accounting Standards Board (GASB) Statement Number 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The new accounting rule did not require any changes to the District's financial report. The following results of operations in FY19/20 indicate a continuing strong and stable fiscal position:

- Total assets plus deferred outflows of the District exceeded the total liabilities and deferred inflows by \$176.4 million (net position)
- Net position increased by \$8.8 million (5.3%)
- Total assets plus deferred outflows increased \$13.7 million (6.3%)
- Total liabilities plus deferred inflow of resources increased by \$4.8 million (9.7%)
- Total operating revenue was \$38.6 million, an increase of \$1.8 million (4.9%)
- Total operating expenses were \$35.3 million, a decrease of \$0.03 million (0.1%)
- Capital contributions were \$1.5 million, a decrease of \$1 million (41.6%)

Financial Position

In FY19/20, the District's net position increased by \$8.8 million (5.3%) to \$176.4 million from \$167.6 million. The largest portion of the District's net position, \$124.1 million (70.8%), is invested in capital assets necessary to provide services to its customers. Total assets plus deferred outflows increased by \$13.7 million (6.3%) during the year to \$231.4 million from \$217.7 million. Total liabilities plus deferred inflow of resources increased by \$4.8 million (9.7%) to \$55.0 million from \$50.2 million.

In FY18/19, the District's net position increased by \$8.8 million (5.6%) to \$167.6 million from \$158.7 million. The largest portion of the District's net position, \$118.4 million (71%), is invested in capital assets necessary to provide services to its customers. Total assets plus deferred outflows increased by \$8.5 million (4.1%) during the year to \$217.7 million from \$209.2 million. Total liabilities plus deferred inflow of resources decreased by \$0.3 million (0.6%) to \$50.2 million from \$50.5 million. Additional information on long-term debt, net pension liability, and net OPEB liability is provided in the accompanying *Notes to the Financial Statements* (refer to Note 7 – Long-term Debt and Note 8 – Retirement).

**DELTA DIABLO
MANAGEMENT'S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020**

The FY19/20 increase in net position of \$8.8 million was primarily due to net non-operating income of \$5.5 million and net operating income of \$3.3 million.

Table 1 below presents the District's Condensed Statement of Net Position for the FYs ended June 30, 2020, 2019, and 2018:

Table 1
Condensed Statement of Net Position

	Fiscal Year Ended June 30			2020 vs 2019	2019 vs 2018
	2020	2019	2018	Variance	Variance
Current and other assets	\$ 77,696,399	\$ 70,908,975	\$ 62,567,110	9.6%	13.3%
Capital assets (net)	<u>148,638,293</u>	<u>141,912,357</u>	<u>141,042,779</u>	<u>4.7%</u>	<u>0.6%</u>
Total assets	<u>226,334,692</u>	<u>212,821,332</u>	<u>203,609,889</u>	<u>6.3%</u>	<u>4.5%</u>
Deferred outflow of resources	5,097,634	4,922,919	5,617,629	3.5%	-12.4%
Current liabilities	8,286,636	4,372,371	6,550,685	89.5%	-33.3%
Long-term liabilities	<u>45,294,112</u>	<u>44,295,575</u>	<u>43,086,149</u>	<u>2.03%</u>	<u>2.8%</u>
Total liabilities	<u>53,580,748</u>	<u>48,667,946</u>	<u>49,636,834</u>	<u>10.1%</u>	<u>-2.0%</u>
Deferred inflows of resources	1,434,213	1,492,682	848,160	-3.9%	76.0%
Net position					
Net investment in capital assets	124,929,747	118,356,795	118,740,378	5.6%	-0.3%
Restricted	1,008,283	1,008,283	929,736	0.0%	8.4%
Unrestricted	<u>50,479,335</u>	<u>48,218,545</u>	<u>39,072,410</u>	<u>4.7%</u>	<u>23.4%</u>
Total net position	<u>\$ 176,417,365</u>	<u>\$ 167,583,623</u>	<u>\$ 158,742,524</u>	<u>5.3%</u>	<u>5.6%</u>

Results of Operations

In FY19/20, the District's total operating revenue was \$38.6 million and total operating expense was \$35.3 million, which represented an increase of \$1.8 million and a decrease of \$0.03 million, respectively, from FY18/19.

The major components of the District's financial results in FY19/20 were:

- Operating revenue increased by \$1.8 million (4.9%), primarily due to increases in Sewer Service Charges (SSCs) and Recycled Water Service Charges (RWSCs). SSC's increased by 3.5% for customers in Pittsburg and Antioch while Bay Point customers has a 3% increase. RWSCs also increased by 8.6%.
- Labor costs, consisting of salaries and benefits, decreased by \$1.3 million (7.5%), primarily due a decrease in contributions of \$0.5 million to the OPEB pension and OPEB trust accounts, \$0.9 million decrease in GASB 68 pension and GASB 75 OPEB expense, savings from vacant positions, offset by employee Memoranda of Understanding (MOU) Cost-of-Living Adjustment (COLA) increases in salaries and benefits.

DELTA DIABLO
MANAGEMENT'S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020

- Other operating items increased \$1.3 million (69.7%) for expenses related to the east county bioenergy project that was discontinued in FY19/20.
- Property tax revenue increased \$0.1 million (4.5%) due to the increase in property values.
- Interest income decreased \$0.4 million (22.6%), primarily due to a decreased rate-of-return from a weighted average of 2.4% in FY18/19 to 2.0% and an increase of \$3.0 million invested throughout FY19/20.
- Capital contributions decreased to \$1.1 million (41.6%) due to the issuance of 304 new equivalent residential unit (ERU) permits in FY19/20 compared to 582 ERU permits in FY18/19.
- Other non-operating items decreased \$0.7 million (88%) due to the receipt of federal and state grants totaling \$0.1 million (compared to \$0.8 million in FY18/19).

The major components of the District's financial results in FY18/19 were:

- Operating revenue increased by \$1.8 million (4.9%). Service charges increased by \$3.1 million (9.6%), which was driven by RWSC restructuring to address fixed costs and variable costs in response to reduced consumption and an SSC increase of 6.0%. The SSC increase was offset by reductions in discharge permits and miscellaneous revenues (\$0.05 million).
- Labor costs, consisting of salaries and benefits, decreased by \$1.0 million (5.2%), primarily due to GASB 68 pension and GASB 75 OPEB accounting rule changes (\$0.6 million) and the one-time additional contribution of \$0.6 million to the OPEB trust account made in FY17/18, and was offset by employee MOU COLA increases in salaries and benefits.
- Property tax revenue increased \$0.1 million (4.5%) due to the ongoing economic recovery.
- Interest income decreased \$0.4 million (22.6%), primarily due to a decreased rate-of-return from a weighted average of 1.4% in FY17/18 to 2.4% and an increase of \$10.0 million invested throughout FY18/19.
- Capital contributions decreased to \$1.5 million (41.6%) due to the issuance of 582 new ERU permits in FY18/19 compared to 219 ERU permits in FY17/18.
- Other non-operating items decreased \$0.8 million (225%) due to the receipt of federal and state grants totaling \$0.8 million (compared to \$0.2 million in FY17/18).

DELTA DIABLO
MANAGEMENT'S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020

Table 2 below presents the District's Condensed Statement of Revenues, Expenses and Changes in Net Position for the FYs ended June 30, 2020, 2019, and 2018:

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30			2020	2019
	2020	2019	2018	vs 2019	vs 2018
Service charges	\$ 37,312,576	\$ 35,484,438	\$ 32,389,604	5.2%	9.6%
Other operating revenues	1,295,349	1,322,760	1,302,988	-2.1%	2%
Operating revenue	<u>38,607,925</u>	<u>36,807,198</u>	<u>33,692,592</u>	<u>4.9%</u>	<u>9.2%</u>
Salaries and benefits	16,279,300	17,604,581	18,569,205	-7.5%	-5.2%
Chemicals and utilities	3,073,901	3,204,882	2,908,186	-4.1%	10.2%
Outside services and maintenance	5,410,194	5,652,901	5,352,273	-4.3%	5.6%
Depreciation and amortization	7,202,996	6,926,195	6,897,318	4.0%	0.4%
Other operating expenses	3,371,729	1,986,524	1,751,761	69.7%	13.4%
Operating expense	<u>35,338,120</u>	<u>35,375,083</u>	<u>35,478,743</u>	<u>-0.1%</u>	<u>-0.3%</u>
Operating Income/(Loss)	3,269,805	1,432,115	(1,786,151)	128.3%	-180%
Nonoperating income (expense)					
Property Taxes	3,111,068	2,977,580	2,679,597	4.5%	11.1%
Interest income	1,243,479	1,606,118	678,535	-22.6%	136.7%
Capital Contributions	1,540,614	2,636,962	992,717	-41.6%	165.6%
Interest expense	(432,608)	(670,360)	(572,957)	-35.5%	17.0%
Other non-operating	101,384	858,684	264,270	-88.2%	224.9%
Nonoperating Income/(Expense), Net	5,563,937	7,408,984	4,042,162	-24.9%	83.3%
CHANGE IN NET POSITION	8,833,742	8,841,099	2,256,011	-0.1%	291.9%
Net position - beginning of year	167,583,623	158,742,524	166,191,367	5.6%	-4.5%
Prior period adjustment: GASB 75			(9,704,854)		
Net position - end of year	<u>\$ 176,417,365</u>	<u>\$ 167,583,623</u>	<u>\$ 158,742,524</u>	<u>5.3%</u>	<u>5.6%</u>

Capital Assets

The District had capital assets (net of depreciation) of \$148.6 million, \$141.9 million, and \$141.0 million as of June 30, 2020, 2019, and 2018, respectively. The District invests in a broad range of capital assets including land, buildings, improvements, wastewater treatment facilities, water reclamation facilities, hazardous waste facilities, transmission and conveyance systems, pump stations, and machinery and equipment. In FY19/20, capital assets increased \$6.7 million, primarily due \$13.7 million in new construction for major projects, \$0.2 million in new equipment, and a net change of \$7.2 million in accumulated depreciation. The District capitalized \$13.9 million construction-in-progress expenses.

**DELTA DIABLO
MANAGEMENT'S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020**

Table 3 presents the District's Capital Assets, net of depreciation, for FY19/20, FY18/19, and FY17/18:

Table 3
Schedule of Capital Assets, Net of Depreciation

	Fiscal Year Ended June 30			2020 vs 2019	2019 vs 2018
	2020	2019	2018	Variance	Variance
Land	\$ 6,490,355	\$ 6,490,355	\$ 6,226,308	0.0%	4.2%
Construction in progress	24,154,621	10,426,167	17,703,738	131.7%	-41.1%
Treatment & collection system	117,826,216	124,798,878	116,652,539	-5.6%	7.0%
Equipment	167,101	196,957	460,194	-15.2%	-57.2%
Capital Assets, Net of Depreciation	\$ 148,638,293	\$ 141,912,357	\$ 141,042,779	4.7%	0.6%

The District's net revenue, long-term debt, property tax revenue, and contributions from customers are used to finance capital investments.

This year's major capital expenditures included:

Project	Amount
Permanent Brine Transfer Facility	\$ 1,283,281
Headworks Improvements	3,483,093
Treatment Plant Electrical Switchgear Replacement	1,259,898
Pump Station Facility Repair	5,483,383
Primary Clarifier Area Improvement	3,919,870
District Office Building Roofing and Sheet Metal Replacen	1,772,339
Bay Point Rehabilitation Phase IV	3,511,034
Total	\$ 20,712,898

The District's Capital Improvement Program (CIP) prioritizes capital needs with funding sources for a five-year period. The plan is updated annually and presented to the District's Board of Directors for approval. Each year, the District continues to expand and improve its wastewater and recycled water treatment facilities, and conveyance and distribution systems to comply with more stringent environmental regulations and minimize wastewater overflows and/or disruptions of service. For additional information, see accompanying *Notes to the Financial Statements* Note 5 – Capital Assets.

Debt Administration

The District had total net long-term debt outstanding of \$23.7 million, \$23.5 million, and \$22.3 million as of June 30, 2020, 2019, and 2018, respectively. In FY19/20, long-term debt increased by \$0.2 million (0.6%) due to an increase of \$1.2 million in the State of California Water Resources Control Board's State Revolving Fund (SRF) loan for the Wastewater Infrastructure Repair and Rehabilitation Project, which was offset by scheduled principal repayments. The District did not issue any new bonded debt in FY19/20.

**DELTA DIABLO
MANAGEMENT’S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020**

Table 4 presents the District’s Long-Term Debt for the FY19/20, FY18/19, and FY17/18.

Table 4
Schedule of Long-Term Debt

	Fiscal Year Ended June 30			2020	2019
	2020	2019	2018	vs 2019	vs 2018
				Variance	Variance
2010 RW State Revolving Fund (SRF) Loan	\$ 3,491,004	\$ 3,806,905	\$ 4,122,562	-8.3%	-7.7%
2011 WW Installment Note Payable	1,348,274	1,419,331	1,483,830	-5.0%	-4.3%
2011 WW SRF Loan	3,561,285	3,789,125	4,011,192	-6.0%	-5.5%
2015 WW California Energy Commission Loan	462,927	511,834	560,266	-9.6%	-8.6%
2015 Bay Point SRF Loan	1,020,787	1,052,464	1,083,550	-3.0%	-2.9%
2016 WW/Bay Point SRF Loan	10,769,253	11,072,449	9,083,957	-2.7%	21.9%
2016 WW SRF Loan	1,848,847	1,903,454	1,957,044	-2.9%	-2.7%
2019 WW SRF Loan	1,206,169		-		
Total Long-Term Debt	\$ 23,708,546	\$ 23,555,562	\$ 22,302,401	0.6%	5.6%

The outstanding debt issued was used to fund improvements, replacements, and expansion of the wastewater treatment and recycled water treatment facilities, conveyance and distribution systems, and wastewater collection systems. The primary funding source for repayment of debt issued for expansion purposes is the Capital Facilities Capacity Charge (CFCC).

The District received a reaffirmation of its “AA” credit rating from Standard & Poor’s in November 2015, which represents the District’s very strong capacity to meet its financial commitments. The primary reason for the reaffirmation was the District Board’s willingness to continue to adjust rates incrementally, and the very prudent approach to collect and set aside funds for the acquisition or construction of new capital assets and for the maintenance, rehabilitation, and replacement of current capital assets. Additionally, the District’s strong financial performance, debt service coverage, and strong liquidity built on competitive rates; manageable capital plan with expansion costs historically financed from capacity fees; and a stable and diverse customer base largely collected through the County’s Teeter Plan supported the AA credit rating.

ECONOMIC FACTORS AND NEXT FISCAL YEAR’S BUDGETS AND RATES

Economic Factors

The District operates as an enterprise fund and is therefore self-supporting. The District charges rates and fees to users to cover the costs of operations and capital improvements. Economic factors that may affect the District include, but are not limited, to the following:

- Economic cycle, which impacts CFCCs as new development projects are highly sensitive to the economic cycle. Economic cycle including the uncertainty regarding COVID-19 also impacts the federal and state budgets and legislation, which could affect the District’s ability to secure grant funding and low-interest loans.
- Interest rate and/or investment return, which directly impact investment earnings, borrowing costs, and pension and OPEB contribution rates.

DELTA DIABLO
MANAGEMENT'S DISCUSSION & ANALYSIS
for the Fiscal Year Ended June 30, 2020

- Consumer price index (CPI), which is a measure of inflation. CPI for San Francisco-Oakland-Hayward directly impacts COLAs provided in the employee MOUs and costs for supplies and expenses.
- Crude oil prices impact the energy market for electricity and gas prices and the chemicals used for wastewater treatment. The District's chemical and utilities expenses ranged from \$2.9 million to \$3.2 million in the three-year period ending FY19/20.
- Changes in assessed property values, which affect the District's property tax revenue. When the housing market improves, the assessed property values increase, thereby increasing the District's property tax receipts. Conversely, any decline in the housing market will decrease property values and correspondingly decrease property tax receipts for the District.

These factors, to the extent known, were considered in preparing the District's budget for FY20/21.

Next Fiscal Year's Budget and Rates:

In July 2020, the Board adopted the FY20/21 Budget, which included operating and capital budgets including debt service of \$29.3 million and \$17.8 million, respectively. For a summary of the District's FY20/21 Budget, please visit the District's website at www.deltadiablo.org.

In April 2020, Proposition 218 (Prop. 218) notices were mailed to customers to communicate the proposed FY20/21 rates and the associated public hearing date and location. The District proposed an increase of 3.5% in SSCs for customers in Pittsburg and Antioch, and an increase of 3.0% for customers in Bay Point. In June 2020, a public hearing was held and the Board of Directors subsequently approved FY20/21 SSCs for implementation in July 2020.

REQUESTS FOR INFORMATION

The CAFR is designed to provide members of the public, legislative and oversight bodies, customers, taxpayers, investors, and creditors with the District's finances and demonstrate the District's accountability for the funding it receives. If you have questions regarding the information provided in this report or need additional financial information, please visit the District's website at www.deltadiablo.org or the District office at 2500 Pittsburg-Antioch Highway, Antioch, California, 94509.

DELTA DIABLO
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash (Note 2)	\$19,642,362	\$5,066,900
Investments (Note 2)	8,183,127	27,645,233
Restricted cash (Note 2)	57,018	
Restricted investments (Note 2)	1,008,283	1,008,283
Committed investments (Note 2)	42,701,341	30,870,249
Accounts receivable	1,259,580	1,009,723
Interest receivable	181,150	328,711
Notes receivable, current portion (Note 3)	338,783	334,833
Employee computer loans receivable, current portion (Note 4)	4,429	5,931
Materials and supplies (Note 1H)	942,699	875,672
Prepaid expenses	15,573	60,108
	<u>74,334,345</u>	<u>67,205,643</u>
Total current assets		
NON-CURRENT ASSETS		
Other Assets:		
Notes receivable, less current portion (Note 3)	3,361,069	3,699,853
Employee computer loans receivable, less current portion (Note 4)	985	3,479
	<u>3,362,054</u>	<u>3,703,332</u>
Total other assets		
Capital Assets (Note 5):		
Capital assets, non-depreciable	30,644,976	16,916,522
Depreciable capital assets, net of accumulated depreciation	117,993,317	124,995,835
	<u>148,638,293</u>	<u>141,912,357</u>
Total capital assets, net		
Total noncurrent assets	<u>152,000,347</u>	<u>145,615,689</u>
TOTAL ASSETS	<u>226,334,692</u>	<u>212,821,332</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions (Note 8)	4,502,487	4,619,576
Related to OPEB (Note 9)	595,147	303,343
	<u>5,097,634</u>	<u>4,922,919</u>
Total deferred inflows of resources		

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$4,628,244	\$1,339,764
Accrued payroll and benefits	629,932	592,458
Deposits payable	919,266	406,624
Unearned revenue	76,124	78,374
Compensated absences - current portion (Note 6)	892,511	833,528
Current portion of long-term debt (Note 7)	1,074,221	1,053,187
Accrued interest payable	66,338	68,436
Total current liabilities	8,286,636	4,372,371
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7):		
State revolving fund and California energy commission loans	21,364,072	21,154,101
Installment sale agreement	1,270,253	1,348,274
Total long-term debt, net of current portion	22,634,325	22,502,375
Compensated absences -net of current portion (Note 6)	163,891	79,815
Net pension liability (Note 8)	18,292,494	17,576,687
Net OPEB liability (Note 9)	4,203,402	4,136,698
Total long-term liabilities	45,294,112	44,295,575
TOTAL LIABILITIES	53,580,748	48,667,946
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 8)	1,010,001	896,661
Related to OPEB (Note 9)	424,212	596,021
Total deferred inflows of resources	1,434,213	1,492,682
NET POSITION (Note 11)		
Net investment in capital assets	124,929,747	118,356,795
Restricted for debt service	1,008,283	1,008,283
Unrestricted	50,479,335	48,218,545
TOTAL NET POSITION	\$176,417,365	\$167,583,623

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Service charges	\$37,312,576	\$35,484,438
Discharge permits	150,600	144,000
Household hazardous waste operating fees	424,924	497,828
Miscellaneous	471,531	465,796
Work for others	248,294	215,136
	<u>38,607,925</u>	<u>36,807,198</u>
OPERATING EXPENSES		
Salaries and benefits	16,279,300	17,604,581
Chemicals	1,299,877	1,405,512
Depreciation (Note 5)	7,202,996	6,926,195
Office and operating expense	1,944,002	1,901,272
Outside service and maintenance	5,410,194	5,652,901
Utilities	1,774,024	1,799,370
Other	1,427,727	85,252
	<u>35,338,120</u>	<u>35,375,083</u>
OPERATING INCOME/(LOSS)	<u>3,269,805</u>	<u>1,432,115</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(432,608)	(670,360)
Interest income	1,243,479	1,606,118
Capital facilities capacity charges (Note 11)	1,540,614	2,636,962
Lease revenue (Note 12)	36,540	36,540
Gain on sale of asset	13,086	11,277
Federal grants	51,758	519,391
Subgrants		291,476
Property taxes	3,111,068	2,977,580
	<u>5,563,937</u>	<u>7,408,984</u>
NET INCOME	8,833,742	8,841,099
NET POSITION, BEGINNING OF YEAR	<u>167,583,623</u>	<u>158,742,524</u>
NET POSITION, END OF YEAR	<u>\$176,417,365</u>	<u>\$167,583,623</u>

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$38,358,068	\$36,948,255
Payments to employees	(15,549,440)	(16,180,667)
Payments to utilities	(1,774,024)	(1,799,370)
Payments to contractual/professional services	(4,897,552)	(5,964,243)
Payments to suppliers	22,109	(5,140,364)
Other receipts (payments)	(1,429,977)	(87,346)
Net Cash Provided by Operating Activities	14,729,184	7,776,265
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	3,111,068	2,946,459
State, federal and sub grants	51,758	810,867
Receipts (payments) on employee computer loans	3,996	1,302
Cash Flows from Noncapital Financing Activities	3,166,822	3,758,628
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(17,104,582)	(7,795,773)
Proceeds from sale of capital assets	13,086	11,277
Proceeds from loan agreements	2,324,520	2,324,520
Interest paid on long-term debt	(434,706)	(669,189)
Payment of long-term debt	(1,071,359)	(1,071,359)
Connection fees	1,540,614	2,636,962
Cash Flows (used for) Capital and Related Financing Activities	(14,732,427)	(4,563,562)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption and (acquisition) of investments	9,649,469	(8,752,184)
Receipts on note	334,834	331,042
Interest received on investments	1,391,040	1,473,561
Interest received on lease	36,540	36,540
Cash Flows provided by Investing Activities	11,411,883	(6,911,041)
NET INCREASE IN CASH	14,575,462	60,290
Cash, beginning of year	5,066,900	5,006,610
Cash, end of year	\$19,642,362	\$5,066,900
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$3,269,805	\$1,432,115
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	7,202,996	6,926,195
Change in assets and liabilities:		
(Increase) decrease in receivables, net	(249,857)	141,057
(Increase) decrease in materials and supplies	(67,027)	87,501
(Increase) decrease in prepaid expenses	44,535	42,264
Increase (decrease) in accounts payable and accrued expenses	3,288,480	(1,963,345)
Increase (decrease) in accrued payroll and related expenses	180,533	63,705
Increase (decrease) in deposits payable	512,642	(311,342)
Increase (decrease) in unearned revenue	(2,250)	(2,094)
Increase (decrease) in net pension liability	946,236	1,804,833
Increase (decrease) in net OPEB liability	(396,909)	(444,624)
Net cash provided by operating activities	\$14,729,184	\$7,776,265
SCHEDULE OF NON CASH ACTIVITY		
Change in fair value of investments	\$227,862	\$92,838

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Investments with Trustees:		
Cash equivalents (Note 2)	\$615,825	\$391,716
Fixed income mutual funds (Note 2)	5,928,118	5,394,087
Equity mutual funds (Note 2)	9,264,564	9,102,611
Total investments	15,808,507	14,888,414
Total Assets	\$15,808,507	\$14,888,414
NET POSITION		
Net position restricted for OPEB	\$15,808,507	\$14,888,414

See accompanying notes to basic financial statements

DELTA DIABLO
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
ADDITIONS		
Contributions:		
District	\$1,276,535	\$1,326,952
Total contributions	1,276,535	1,326,952
Investment income:		
Interest, dividends and other	505,519	932,562
Less: investment expenses	(73,072)	(69,615)
Total net investment income	432,447	862,947
Total additions	1,708,982	2,189,899
DISTRIBUTIONS		
Payments made to retirees	788,889	698,935
Total distributions	788,889	698,935
Change in net position	920,093	1,490,964
NET POSITION RESTRICTED FOR OPEB		
Beginning of year	14,888,414	13,397,450
End of year	\$15,808,507	\$14,888,414

See accompanying notes to basic financial statements

**DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

Delta Diablo (District), formerly known as Delta Diablo Sanitation District, was formed in 1955 and later incorporated in October 1976 to serve the cities of Antioch and Pittsburg and the unincorporated community of Bay Point. Treatment of the wastewater collected from the three communities began in 1982.

The District constructs and operates subregional wastewater 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.

The Other Post-Employment Benefit Trust Fund is an irrevocable trust to account for contributions and investment income restricted to pay medical benefits. Benefit and contribution provisions are established by the Board of Directors. Eligibility, actuarial interest rates, administration and certain other tasks are the responsibility of the Board established by action of the Board. The financial activities of the Plan have been included in these financial statements in the OPEB Trust Fund. The Plan does not issue separate financial statements.

B. Reporting Entity

As required by generally accepted accounting principles (GAAP), these basic financial statements present Delta Diablo 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 (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 and benefit 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 separate basic financial statements 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 (GASB) 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 Position and the Statements of Revenues, Expenses and Changes in Net Position display information about Delta Diablo. 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.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost and expenses, including depreciation, of providing goods or services to its customers be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expense incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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.

In addition to the District's enterprise activities, the District maintains a fiduciary fund to account for the assets held in a trustee capacity. Fiduciary funds are also accounted for using the economic resources measurement focus and accrual basis of accounting. The District reports the following fiduciary fund:

The Other Post-Employment Benefits Trust Fund (OPEB Trust Fund) is an irrevocable trust fund used to account for assets held by the District as Trustee for the other postemployment benefits as further described in Note 9.

D. Budgets and Budgetary Accounting

The District annually prepares and presents a proposed annual operating and capital budget to the District's Board of Directors. The budget is reviewed and adopted by the Board. 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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are 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.

J. Deferred Outflows/Inflows of Resources

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

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

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

L. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2020.

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance – This Statement extended the implementation dates for 15 GASB Statements and Implementation Guides by 1 year or more. Of course, many of the Statements could be early-implemented, as applicable.

M. Reclassification

For the year ended June 30, 2020, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2020 presentation.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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.

B. Classification

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

	June 30,	
	2020	2019
Cash and cash equivalents	\$19,642,362	\$5,066,900
Investments	8,183,127	27,645,233
Restricted cash and cash equivalents	57,018	
Restricted investments	1,008,283	1,008,283
Committed investments	42,701,341	30,870,249
Cash and investments held with OPEB trust	15,808,507	14,888,414
Total Cash and Investments	<u>\$87,400,638</u>	<u>\$79,479,079</u>

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

The District’s cash and investments consist of the following as of:

	June 30,	
	2020	2019
Cash on hand	\$600	\$600
Cash with County Treasury Pool	1,818,668	1,720,595
Deposits with financial institutions	17,880,112	3,345,705
Investments	51,892,751	59,523,765
Cash and investments held with OPEB trust	15,808,507	14,888,414
Total Cash and Investments	\$87,400,638	\$79,479,079

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, that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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
Supranationals	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
Local Agency Investment Fund	n/a		\$75 million 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
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

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

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, 2020:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$46,609,201	\$46,609,201
California Asset Management Program	5,282,168	5,282,168
Money Market Mutual Funds	1,382	1,382
Total Investments	\$51,892,751	\$51,892,751

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, 2019:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$54,327,070	\$54,327,070
California Asset Management Program	5,195,330	5,195,330
Money Market Mutual Funds	1,365	1,365
Total Investments	\$59,523,765	\$59,523,765

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, 2020 and 2019, these investments matured in an average of 191 and 173 days, respectively.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

The District is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the “Act”) for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. At June 30, 2020 and 2019, these investments had an average maturity of 53 and 54 days, respectively.

Money market mutual funds are available for withdrawal on demand. At June 30, 2020 and 2019 these investments had an average of 44 and 27 days, respectively.

The District has authorized staff to deposit cash with the Contra Costa County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The County’s investment policies are governed by State statutes. In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2019 was provided by the County Treasurer.

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, 2020 for each investment type as provided by Moody’s investment rating system:

Investment Type	Aaa	Total
Money Market Mutual Funds	\$1,382	\$1,382
Total	\$1,382	1,382
<i>Not Rated:</i>		
California Local Agency Investment Fund		46,609,201
California Asset Management Program		5,282,168
Total Investments		\$51,892,751

**DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Presented below is the actual rating as of June 30, 2019 for each investment type as provided by Moody’s investment rating system:

Investment Type	Aaa	Total
Money Market Mutual Funds	\$1,365	\$1,365
Total	\$1,365	1,365
<i>Not Rated:</i>		
California Local Agency Investment Fund		54,327,070
California Asset Management Program		5,195,330
Total Investments		\$59,523,765

G. Concentration Risk

There are no instances of concentration risk at June 30, 2020 and June 30, 2019.

H. Restricted Cash and Investments

The District segregates cash and investments into funds that are “Restricted” and “Unrestricted.” Funds are “restricted” when limitations on use of the resources are imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provision or by enabling legislation. “Unrestricted” resources are designated by the Board of Directors through policy adoption, or constrained for a specific purpose by committees or officials with authority delegated by the Board.

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 \$1,008,283 at June 30, 2020 and 2019, respectively.

Restricted for Escrow – Headworks Improvement Project – The District held \$57,018 at June 30, 2020, in escrow related to retentions on the construction project.

I. Board Committed Investments

The District has the following committed investments as of June 30:

Committed for Economic Uncertainty – The District has committed investments to ensure the continued ability to provide wastewater services during budget shortfalls or unforeseen circumstances and provide adequate funding to mitigate overall rate volatility resulting from economic changes or events that significantly decrease the District’s revenues or increase the District’s operating costs. Funding amounted to \$9,299,090 and \$9,657,506 at June 30, 2020 and 2019, respectively.

Committed for Advanced Treatment (AT) – The District has committed investments for advanced treatment projects to meet more stringent anticipated discharge regulations (e.g., nutrient removal). Funding amounted to \$19,746,369 and \$18,854,300 at June 30, 2020 and 2019, respectively.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

Committed for Salary Continuation Benefit – The District has committed investments for employee assistance in accordance with employee labor contracts. Funding amounted to \$3,250 and \$66,412 at June 30, 2020 and 2019, respectively.

Committed for Self-Insurance – The District has committed investments to cover self-insured losses. Funding amounted to \$500,000 at June 30, 2020 and 2019.

J. Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2020:

Investment Type	Total
<i>Investments Measured at Amortized Cost:</i>	
Money Market Mutual Funds	\$1,382
<i>Investments Exempt from Fair Value Hierarchy:</i>	
California Local Agency Investment Fund	46,609,201
<i>Investments Measured at Net Asset Value Per Share:</i>	
California Asset Management Program	5,282,168
Total Investments	\$51,892,751

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2019:

Investment Type	Total
<i>Investments Measured at Amortized Cost:</i>	
Money Market Mutual Funds	\$1,365
<i>Investments Exempt from Fair Value Hierarchy:</i>	
California Local Agency Investment Fund	54,327,070
<i>Investments Measured at Net Asset Value Per Share:</i>	
California Asset Management Program	5,195,330
Total Investments	\$59,523,765

**DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 3 – NOTES RECEIVABLE

Notes receivable at June 30 consisted of the following:

	2020	2019
Recycled Water:		
City of Antioch	\$2,759,522	\$3,009,232
City of Antioch - Surcharge	768,898	817,013
City of Pittsburg - Surcharge	113,578	148,337
Household Hazardous Waste:		
Contra Costa County	57,854	60,104
 Total Notes Receivable	 3,699,852	 4,034,686
Less: Current Portion	(338,783)	(334,833)
 Long-Term Portion	 \$3,361,069	 \$3,699,853

Recycled Water (RW): City of Antioch – 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 (FY 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. As of June 30, 2020 and 2019, the outstanding balance was \$768,898 and \$817,013, respectively.

In FY 2012, 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 over a 20-year term 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 and annually amounts to \$81,908. The outstanding balance as of June 30, 2020 and 2019 was \$2,759,522 and \$3,009,232, respectively.

City of Pittsburg – The District and the City of Pittsburg (City) entered into a Joint Powers Agreement on November 24, 1999, for the purpose of development and operation of a “Recycled Water Program” (the Project). The goal of this project is to construct a conveyance system and transport recycled water to the City’s golf course and certain parks to reduce the City’s reliance on treated drinking water for irrigation. Under the provisions of the agreement, the Project is to be jointly funded by the District and the City. The City is responsible for the design and construction of the Project. The District will operate and maintain after construction is completed. The original project was completed, however, it was discovered that a portion of the previously existing line needs to be rehabilitated in order to ensure reliability. The estimated cost for this rehabilitation project was \$1,500,000. Of this amount, the City has agreed to pay a maximum of \$375,000 payable over a 10-year term with an interest of 4.25 percent (prime plus 1 percent).

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 – NOTES RECEIVABLE (Continued)

The actual cost of this rehabilitation amounted to \$244,187. The District recognized a Note Receivable for this amount with principal and interest due monthly commencing July 1, 2013 and maturing on June 1, 2023. This monthly installment is billed to the City of Pittsburg as a Recycled Water Surcharge and annually amounts to \$40,391. The outstanding balance as of June 30, 2020 and 2019 was \$113,578 and \$148,337, respectively.

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 Delta Household Hazardous Waste Collection Facility (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 their respective shares in full. The total outstanding balance of the loan as of June 30, 2020 and 2019 were \$57,854 and \$60,104, respectively.

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. The loan receivable balances were as follows as of June 30:

	2020	2019
Employee computer loans	\$5,414	\$9,410
Less: Current portion	(4,429)	(5,931)
Long-term portion	\$985	\$3,479

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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 and construction in progress. 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
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 – CAPITAL ASSETS (Continued)

Changes in property, plant and equipment, and construction in progress are summarized below for the year ended June 30, 2020:

	Balance at June 30, 2019	Additions	Transfers	Retirement	Balance at June 30, 2020
Capital assets not being depreciated:					
Land	\$6,490,355				\$6,490,355
Construction in Progress	10,426,167	\$17,104,582	(\$200,478)	(\$3,175,650)	24,154,621
Total capital assets not being depreciated	16,916,522	17,104,582	(200,478)	(3,175,650)	30,644,976
Capital assets being depreciated:					
Treatment & Collection System	250,758,525				250,758,525
Equipment	4,980,861		200,478	(\$90,300)	5,091,039
Total capital assets being depreciated	255,739,386		200,478	(90,300)	255,849,564
Less accumulated depreciation for:					
Treatment & Collection System	125,959,647	6,972,662			132,932,309
Equipment	4,783,904	230,334		(90,300)	4,923,938
Total accumulated depreciation	130,743,551	7,202,996		(90,300)	137,856,247
Net capital assets being depreciated	124,995,835	(7,202,996)	200,478		117,993,317
Total Capital Assets, net	\$141,912,357	\$9,901,586		(\$3,175,650)	\$148,638,293

Changes in property, plant and equipment, and construction in progress are summarized below for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Transfers	Retirement	Balance at June 30, 2019
Capital assets not being depreciated:					
Land	\$6,226,308	\$264,047			\$6,490,355
Construction in Progress	17,703,738	7,524,462	(\$14,802,033)		10,426,167
Total capital assets not being depreciated	23,930,046	7,788,509	(14,802,033)		16,916,522
Capital assets being depreciated:					
Treatment & Collection System	235,962,185		14,796,340		250,758,525
Equipment	5,053,575	7,264	5,693	(\$85,671)	4,980,861
Total capital assets being depreciated	241,015,760	7,264	14,802,033	(85,671)	255,739,386
Less accumulated depreciation for:					
Treatment & Collection System	119,309,646	6,650,001			125,959,647
Equipment	4,593,381	276,194		(85,671)	4,783,904
Total accumulated depreciation	123,903,027	6,926,195		(85,671)	130,743,551
Net capital assets being depreciated	117,112,733	(6,918,931)	14,802,033		124,995,835
Total Capital Assets, net	\$141,042,779	\$869,578			\$141,912,357

Construction in progress represents construction of treatment facilities and conveyance systems.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 – COMPENSATED ABSENCES

Accumulated unpaid vacation and compensatory time have been accrued at year end. 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 for the fiscal years ended June 30:

	2020	2019
Beginning Balance	\$913,343	\$858,613
Additions	1,139,719	915,310
Payments	(996,660)	(860,580)
Ending Balance	\$1,056,402	\$913,343
Current Portion	\$892,511	\$833,528
Non-Current Portion	\$163,891	\$79,815

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, 2020 was \$43,786 and is included in the balance of Accrued Payroll and Benefits on the Statements of Net Position.

NOTE 7 – LONG-TERM DEBT

A. Current Year Transactions and Balances

The changes in the District's long-term obligations during the year ended June 30, 2020 consisted of the following:

Direct Borrowings:	Original Issue Amount	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amount due within one year
2010 RW State Revolving Fund Loan .077% due 4/03/2030	\$6,325,503	\$3,806,905		\$315,901	\$3,491,004	\$316,144
2011 WW Installment Sale Agreement 4.9%, due 6/24/2031	2,344,210	1,419,331		71,057	1,348,274	78,021
2011 WW State Revolving Fund Loan 2.60%, due 4/03/2033	5,041,873	3,789,125		227,840	3,561,285	233,764
2015 WW California Energy Commission Loan 1.00%, due 06/22/2029	700,000	511,834		48,907	462,927	49,409
2015 Bay Point State Revolving Fund Loan 1.9% due 11/01/2044	1,188,820	1,052,464		31,677	1,020,787	32,278
2016 Pittsburg State Revolving Fund Loan 1.9% due 11/1/2046	12,000,000	11,072,449		303,196	10,769,253	308,959
2016 WW State Revolving Fund Loan 1.9% due 12/30/2046	2,054,000	1,903,454		54,607	1,848,847	55,646
2019 WW State Revolving Fund Loan 1.9% due 12/1/2050	1,206,169		\$1,206,169		1,206,169	
Total Long-Term Debt		23,555,562	\$1,206,169	\$1,053,185	23,708,546	\$1,074,221
Less:						
Amount due within one year		(1,053,187)			(1,074,221)	
Total Long-Term Debt, net		\$22,502,375			\$22,634,325	

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 – LONG-TERM DEBT (Continued)

The changes in the District’s long-term obligations during the year ended June 30, 2019 consisted of the following:

Direct Borrowings:	Original Issue Amount	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Amount due within one year
2010 State Revolving Fund Loan .077% due 4/03/2030	\$6,325,503	\$4,122,562		\$315,657	\$3,806,905	\$315,901
2011 Installment Sale Agreement 4.9%, due 6/24/2031	2,344,210	1,483,830		64,499	1,419,331	71,057
2011 State Revolving Fund Loan 2.60%, due 4/03/2033	5,041,873	4,011,192		222,067	3,789,125	227,840
2015 California Energy Commission Loan 1.00%, due 06/22/2029	700,000	560,266		48,432	511,834	48,906
2015 Bay Point State Revolving Fund Loan 1.9% due 11/01/2044	1,188,820	1,083,550		31,086	1,052,464	31,677
2016 PB State Revolving Fund Loan 1.9% due 11/1/2046	12,000,000	9,083,957	\$2,324,520	336,028	11,072,449	303,198
2016 WW State Revolving Fund Loan 1.9% due 12/30/2046	2,054,000	1,957,044		53,590	1,903,454	54,608
Total Long-Term Debt		22,302,401	<u>\$2,324,520</u>	<u>\$1,071,359</u>	23,555,562	<u>\$1,053,187</u>
Less:						
Amount due within one year		<u>(973,476)</u>			<u>(1,053,187)</u>	
Total Long-Term Debt, net		<u>\$21,328,925</u>			<u>\$22,502,375</u>	

B. 2010 RW State Revolving Fund Loan

The District entered into a loan contract with the State of California 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 \$6,325,503 with a stated interest rate of .077% per annum over a 20-year term. The City of Antioch owes the District \$5,000,000 of this amount as part of their cost share for the Recycled Water Antioch Project (see Note 3 - Notes Receivable). Principal payments are due annually beginning on December 31, 2011 through the fiscal year 2030/31 and are paid from revenue received from the City of Antioch.

C. 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. The outstanding loan from directing borrowings contain a provision that in an event of default, they declare all principal components of the unpaid installment payments, together with all accrued and unpaid interest components immediately due.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 – LONG-TERM DEBT (Continued)

D. 2011 WW State Revolving Fund Loan

The District entered into a loan contract with the State of California Water Resources Control Board on March 25, 2011, for the purpose of financing the Aeration System Improvement Project. The loan amount totals \$5,041,873 with a stated interest rate of 2.60% per annum. Principal payments are due annually beginning on April 3, 2014 through the fiscal year 2033.

E. 2015 California Energy Commission Loan

The District entered into a loan agreement with the California Energy Resources Conservation Development Commission on October 10, 2013, for the purpose of financing the Energy Savings Project. The project consists of energy savings projects to be installed at the Wastewater Treatment Plant. The loan amount totals \$700,000 at 1.00% interest per annum on the unpaid principal. Principal and interest payments are due semi-annually beginning on December 22, 2015 through the fiscal year 2029.

F. 2015 Bay Point State Revolving Fund Loan

On October 8, 2014, the District entered into a loan agreement with the State of California Water Resources Control Board for the purpose of financing the Bay Point Wastewater Infrastructure Repair and Rehabilitation Project (Phase 1). The loan principal totals \$1,188,820 with a 30-year term and stated interest of 1.9% per annum. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing on November 1, 2015 and maturing on November 1, 2044.

G. 2016 Pittsburg State Revolving Fund Loan

On October 24, 2014, the District entered into a loan agreement with the State of California Water Resources Control Board for the purpose of financing the Pittsburg Forcemain Improvement Project. The loan principal totals \$12,000,000 with a 30-year term and stated interest of 1.9% per annum. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing November 1, 2017 and maturing on November 1, 2046, from the Waste Water Fund (75%) and Bay Point Collection Fund (25%).

H. 2016 Wastewater State Revolving Fund Loan

On August 8, 2014, the District entered into a loan agreement with the State of California Water Resources Control Board for the purpose of financing Bay Point Wastewater Infrastructure Repair and Rehabilitation Project (Phase 3). The loan principal totals \$2,054,000 with a 30-year term and stated interest of 1.9% per annum. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing on November 1, 2016 and maturing on November 1, 2045.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 – LONG-TERM DEBT (Continued)

I. 2017 Recycled Water State Revolving Fund Loan

On September 23, 2016, the District entered into a loan agreement with the State of California Water Resources Control Board for the purpose of financing the Recycled Water System Storage Tank Project. The loan principal totaled \$6,000,000 with a 30-year term and stated interest of 1% per annum. Principal and interest payments were due semi-annually, on November 1 and May 1, commencing on December 1, 2018 and maturing on December 1, 2048. This loan was fully repaid and retired in March 2018 due to the cancellation of the associated project.

J. 2019 Wastewater State Revolving Fund Loan

On August 8, 2014, the District entered into a loan agreement with the State of California Water Resources Control Board for the purpose of financing the Pump Station Facility Repair (Phase 2). The loan principal totals \$13,500,000 with a 30-year term and stated interest of 1.9% per annum. Principal payments are due annually on July 31, and interest payments are due semi-annually, on July 31 and January 31. Payments commence on July 31, 2022 and mature on July 31, 2051. As of June 30, 2020, the District has drawn down a total of \$1,206,169.

K. 2020 Wastewater State Revolving Fund Loan

On August 8, 2014, the District entered into a loan agreement with the State of California Water Resources Control Board for the purpose of financing 2017 Sewer Pipeline Repair (Phase 4). The loan principal totals \$4,211,170 with a 30-year term and stated interest of 1.9% per annum. Principal payments are due annually on December 1, and interest payments are due semi-annually, on December 1 and June 1. Payments commence on November 1, 2021 and mature on December 1, 2050. As of June 30, 2020, the District has not drawn down any of these funds.

L. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt as of June 30, 2020:

For The Year Ending June 30	Direct Borrowings		
	Principal	Interest	Total
2021	\$1,074,221	\$420,277	\$1,494,498
2022	1,095,973	401,937	1,497,910
2023	1,149,310	405,691	1,555,001
2024	1,173,190	385,389	1,558,579
2025	1,197,921	364,322	1,562,243
2026 - 2030	6,338,141	1,477,386	7,815,527
2031 - 2035	4,098,865	905,539	5,004,404
2036 - 2040	2,938,448	583,512	3,521,960
2041 - 2045	3,228,508	291,070	3,519,578
2046 - 2050	1,335,073	40,509	1,375,582
2051 - 2052	78,896	1,504	80,400
Total payments due	<u>\$23,708,546</u>	<u>\$5,277,136</u>	<u>\$28,905,282</u>

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 – RETIREMENT

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

A. General Information about the Pension Plans

Plan Description – All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Rate Plan. The District’s Miscellaneous Rate Plan are part of the public agency cost-sharing multiple-employer, which is administered by the California Public Employees’ Retirement System (CalPERS). The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	Tier III
Hire date	Prior to 6/30/12	6/30/12 to 12/31/12 and employees hired on or after 1/1/13 who are not a "new member"	On or after 1/1/13; new member
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.70%	2.00%	2.00%
Required employee contribution rates	8.00%	7.00%	7.25%
Required employer contribution rates	13.666%	10.579%	7.191%

CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts for the UAL were paid in lump-sum in July 2018. The District’s total annual required contribution was \$992,686 in fiscal year 2020.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 – RETIREMENT (Continued)

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

For the year ended June 30, the contributions to the Plan were as follows:

	2020	2019
	Miscellaneous Tier I, II & III	Miscellaneous Tier I, II & III
Contributions - employer	\$2,071,446	\$1,880,697
Contributions - employee (paid by employer)	992,686	177,870

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

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

As of June 30, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2020	2019
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
CCCERA Plan	\$1,673,872	\$2,433,196
Miscellaneous Tier I, II & III	16,618,622	15,143,491
Total Net Pension Liability	\$18,292,494	\$17,576,687

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 – RETIREMENT (Continued)

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

	Miscellaneous Tier I, II & III
Proportion - June 30, 2018	0.38228%
Proportion - June 30, 2019	0.37440%
Change - Increase (Decrease)	-0.00788%

For the year ended June 30, 2020, the District's recognized pension expense of \$3,777,006. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Tier I, Tier II, & III	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$2,071,446	
Differences between actual and expected experience	1,154,234	(\$89,430)
Changes in assumptions	792,453	(280,918)
Change in employer's proportion	484,354	
Net differences in actual contributions and proportionate contributions		(349,108)
Net differences between projected and actual earnings on pension plan investments		(290,545)
Total	<u>\$4,502,487</u>	<u>(\$1,010,001)</u>

Deferred outflows of \$2,071,446 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous -Tier I, II, & III Annual Amortization
2021	\$1,302,605
2022	(108,969)
2023	168,693
2024	58,711
Total	<u>\$1,421,040</u>

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 – RETIREMENT (Continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Tier I, Tier II, & III	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$1,880,696	
Differences between actual and expected experience	581,029	(\$197,721)
Changes in assumptions	1,726,403	(423,108)
Changes in employer's proportion	356,582	
Net differences in actual contributions and proportionate contributions		(275,832)
Net differences between projected and actual earnings on pension plan investments	74,866	
Total	<u>\$4,619,576</u>	<u>(\$896,661)</u>

Deferred outflows of \$1,880,696 related to contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Actuarial Assumptions – The total pension liability in the June 30, 2018 valuation was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS Membership data for all Funds (3)
Post Retirement Benefit Increases	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CALPERS' Specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CALPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 8 – RETIREMENT (Continued)

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

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

The table below reflects expected real rate of return by asset class.

(A) Asset Class	Current Target Allocation	Real Return Years 1 - 10(B)	Real Return Years 11+ (C)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%
Total	<u>100%</u>		

(A) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(B) An expected inflation of 2.0% used for this period.

(C) An expected inflation of 2.92% used this period.

**DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 – RETIREMENT (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate at June 30, 2020:

	Miscellaneous - Tier I, II & III
1% Decrease	6.15%
Net Pension Liability	\$25,893,761
Current Discount Rate	7.15%
Net Pension Liability	\$16,618,622
1% Increase	8.15%
Net Pension Liability	\$8,962,651

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. *Subsequent Event*

Subsequent Event – CalPERS Pension Contribution Rates – The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the District’s contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

D. *Contra Costa County Employees Retirement Association Closed Plan*

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 3.75% of payroll annually for Employee Benefit Costs will be a source of funds to address this or other liabilities due. CCCERA’s actuary has conducted and determined the District’s termination liability using the triennial experience analysis as of December 31, 2015. Based on this analysis and in accordance with the termination agreement with CCCERA, the District’s unfunded obligation of \$2,017,307 is to be amortized over 15 years, resulting in annual payments of \$221,489 starting December 31, 2016. The next triennial actuarial valuation is expected on November 2022. As of June 30, 2020, in accordance with GASB 68, the District recorded a net pension liability of \$1,673,872 under the CCCERA plan.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Funding Policy

The District provides post-retirement 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 percent (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 funding over and above the actuarially determined contributions (ADC) 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. Wastewater 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
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 – POST-EMPLOYMENT HEALTH CARE 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 2010; 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 ADC 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, 2021.

	Fiscal Years Ended June 30, 2020 and 2019
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30:

	2020	2019
Active plan members	71	75
Inactive employees or beneficiaries currently receiving benefit payments	56	56
Inactive employees entitled to but not yet receiving benefit payments	3	2
Total	130	133

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The District net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the \$20,011,910 total OPEB liability June 30, 2020, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2018
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.75% per annum
Payroll Growth	Aggregate - 3% annually
Investment Rate of Return	Same as discount rate. Plan assets projected to be sufficient to pay all benefits from trust.
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2018
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Participation at Retirement	Actives covered & surviving spouse hired < 1/1/09 - 100% Actives covered & surviving spouse hired ≥ 1/1/09 - 0% with <10 years service, 90% with 10-14 years, 95% with 15-19 years, 100% with 20+ years Actives waived - 80% of above assumption for covered active Retirees & surviving spouses - 100% if covered, 20% at 65 if waived < 65, 0% waived ≥ 65

The underlying mortality assumptions were based on the CalPERS 1997-2015 Experience Study and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a June 30, 2017 actuarial experience study for the period of July 1, 2016 to June 30, 2017.

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

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables as of June 30:

2020		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	4.82%
Fixed Income	35%	1.47%
REITs	2%	3.76%
Cash	5%	0.06%
Total	100%	
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		6.25%

2019		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	4.82%
Fixed Income	35%	1.47%
REITs	2%	3.76%
Cash	5%	0.06%
Total	100%	
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25% for 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

C. Changes in Net OPEB Liability

The changes in the Net OPEB Liability follows as of June 30, 2020:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2019	\$19,025,112	\$14,888,414	\$4,136,698
Changes Recognized for the Measurement Period:			
Service Cost	771,606		771,606
Interest on the total OPEB liability	1,206,322		1,206,322
Difference between expected and actual experience			
Changes of assumptions			
Contributions from the employer		1,202,808	(1,202,808)
Contributions from the employees		278,048	(278,048)
Net investment income		467,104	(467,104)
Administrative expenses		(36,736)	36,736
Benefit payments and refunds	(991,130)	(991,130)	
Net Changes during July 1, 2019 to June 30, 2020	986,798	920,094	66,704
Balance at June 30, 2020	\$20,011,910	\$15,808,508	\$4,203,402

The changes in the Net OPEB Liability follows as of June 30, 2019:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2018	\$18,170,000	\$13,397,000	\$4,773,000
Changes Recognized for the Measurement Period:			
Service Cost	779,569		779,569
Interest on the total OPEB liability	1,203,775		1,203,775
Difference between expected and actual experience	(631,144)		(631,144)
Changes in benefit terms	362,822		362,822
Contributions from the employer		1,208,525	(1,208,525)
Contributions from the employees		281,058	(281,058)
Net investment income		896,214	(896,214)
Administrative expenses		(34,473)	34,473
Benefit payments and refunds	(859,910)	(859,910)	
Net Changes during July 1, 2018 to June 30, 2019	855,112	1,491,414	(636,302)
Balance at June 30, 2019	\$19,025,112	\$14,888,414	\$4,136,698

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

D. Sensitivity of the Net OPEB Liability

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of June 30:

2020		
Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount	Discount Rate +1%
(5.25%)	(6.25%)	(7.25%)
\$6,736,071	\$4,203,402	\$2,112,750
\$6,736,071	\$4,203,402	\$2,112,750

2019		
Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount	Discount Rate +1%
(5.50%)	Rate (6.50%)	(7.50%)
\$6,556,942	\$4,136,698	\$2,140,030
\$6,556,942	\$4,136,698	\$2,140,030

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

2020		
Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Health Care Cost	Discount Rate +1%
	Trend Rates	
\$1,525,167	\$4,203,402	\$7,516,435
\$1,525,167	\$4,203,402	\$7,516,435

2019		
Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Health Care Cost	Discount Rate +1%
	Trend Rates	
\$1,743,233	\$4,136,698	\$7,090,044
\$1,743,233	\$4,136,698	\$7,090,044

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$805,899. As of June 30, 2020 the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		(\$424,212)
Changes of assumptions	\$243,864	
Net difference between projected and actual earnings on OPEB plan investments	351,283	
Total	\$595,147	(\$424,212)

The District did not have any contributions subsequent to the measurement date to report as deferred outflows of resources as of June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Annual Amortization
2020	\$32,062
2021	31,062
2022	57,063
2023	55,148
2024	(4,400)
Total	\$170,935

For the year ended June 30, 2019, the District recognized OPEB expense of \$763,901. As of June 30, 2019 the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		(\$527,678)
Changes of assumptions	\$303,343	
Net difference between projected and actual earnings on OPEB plan investments		(68,343)
Total	\$303,343	(\$596,021)

F. Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$170,935 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

**DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

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.

The following is a summary of the insurance policies in force carried by the District as of June 30, 2020:

Type of Coverage	Limits	Deductibles
General Liability	\$15,500,000	\$100,000
Excess General Liability	25,500,000	None
Worker's Compensation	750,000	None
Excess Worker's Compensation Liability	Statutory Limit	750,000
Special Form Property	182,824,788	25,000
Public Entity Pollution Liability	2,000,000	100,000
Cyber Liability Coverage	2,000,000	None
Master Crime Liability	2,000,000	2,500

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.

The District did not record a liability for outstanding claims at fiscal year-end, as management believes that the claims were minimal.

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11 – NET POSITION

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

Net investment in Capital Assets describes the portion of Net Positions 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 Position 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 Position which is not restricted to use.

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 \$36,540 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 \$1,096,200 at June 30, 2020. 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 Rentals
2021	\$36,540
2022	36,540
2023	36,540
2024	36,540
2025	36,540
2026 - 2030	182,700
2031 - 2035	182,700
2036 - 2040	182,700
2041 - 2045	182,700
2046 - 2050	182,700
	\$1,096,200

DELTA DIABLO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

B. *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 \$20,743,786 and \$17,652,136 as of June 30, 2020 and 2019, respectively.

C. *COVID-19 Global Pandemic*

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID- 19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Delta Diablo
Cost-Sharing Multiple-Employer Defined Pension Plan
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF THE MEASUREMENT DATE
Last 10 Years*

Measurement Date	Miscellaneous					
	Tier I & II 6/30/2019	Tier I & II 6/30/2018	Tier I & II 6/30/2017	Tier I & II 6/30/2016	Tier I & II 6/30/2015	Tier I & II 6/30/2014
Plan's Proportion of the Net Pension Liability/Asset	0.3744%	0.3823%	0.3757%	0.3817%	0.3747%	0.3345%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$16,618,622	\$15,143,491	\$15,484,151	\$13,258,795	\$10,279,890	\$10,961,818
Plan's Covered Payroll	\$9,473,230	\$9,738,463	\$8,705,573	\$8,075,458	\$8,138,640	\$7,681,566
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	175.43%	155.50%	177.86%	164.19%	126.31%	142.70%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	24.10%	23.19%	25.45%	24.48%	20.43%	24.57%

* Fiscal year 2015 was the 1st year of implementation.

Delta Diablo
Cost-Sharing Multiple-Employer Defined Pension Plan
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*

	Miscellaneous Tier I, II, & III FY 2020	Miscellaneous Tier I, II, & III FY 2019	Miscellaneous Tier I, II, & III FY 2018	Miscellaneous Tier I, II, & III FY 2017	Miscellaneous Tier I, II, & III FY 2016	Miscellaneous Tier I, II, & III FY 2015
Actuarially determined contribution	\$2,071,446	\$1,880,696	\$1,710,608	\$1,663,037	\$1,669,912	\$1,251,178
Contributions in relation to the actuarially determined contributions	(2,071,446)	(1,880,696)	(1,710,608)	(1,663,037)	(1,669,912)	(1,251,178)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$9,254,288	\$9,473,230	\$9,738,463	\$8,705,573	\$8,075,458	\$8,138,640
Contributions as a percentage of covered payroll	22.38%	19.85%	17.57%	19.10%	20.68%	15.37%
Notes to Schedule						
Valuation date:	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Methods and assumptions used to determine contribution rates:						
Actuarial cost method			Entry age			
Amortization method			Level percentage of payroll, closed			
Remaining amortization period			30 years			
Asset valuation method			5-year smoothed market			
Inflation			2.75%			
Salary increases			Varies by Entry Age and Service			
Investment rate of return	7.15%, net of pension plan investment and administrative expenses, including inflation	7.25%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.5%, net of pension plan investment and administrative expenses, including inflation	7.5%, net of pension plan investment and administrative expenses, including inflation
Retirement age	55 yrs. Misc., 62 yrs. Tier 3		55 yrs. Misc., 62 yrs. Tier 2			
Mortality	Derived using CalPERS' Membership Data for all Funds. The mortality rates include 15 years of projected on-going mortality improvement using 90% Scale MP 2-16 published by the Society of Actuaries.	The probabilities of mortality are based on the December 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* FY 2015 was the 1st year of implementation.

Delta Diablo
Retiree Health Funding Plan
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AS OF THE MEASUREMENT DATE
Last 10 Years*

Measurement Date	6/30/17	6/30/18	6/30/19	6/30/20
Total OPEB Liability				
Service Cost	\$702,000	\$725,000	\$779,569	\$771,606
Interest	1,056,000	1,122,000	1,203,775	1,206,322
Differences between expected and actual experience	(12,000)		(631,144)	
Change of benefit terms		182,000		
Differences in assumptions			362,822	
Benefit payments, including refunds of employee contributions	(720,000)	(781,000)	(859,910)	(991,130)
Net change in total OPEB liability	1,026,000	1,248,000	855,112	986,798
Total OPEB liability - beginning	15,896,000	16,922,000	18,170,000	19,025,112
Total OPEB liability - ending (a)	\$16,922,000	\$18,170,000	\$19,025,112	\$20,011,910
OPEB fiduciary net position				
Contributions - employer	\$1,505,000	\$1,592,000	\$1,208,525	\$1,202,808
Contributions - employee	262,000	282,000	281,058	278,048
Net investment income	1,236,000	935,000	896,214	467,104
Administrative expense	(26,000)	(33,000)	(34,473)	(36,736)
Benefit payments, including refunds of employee contributions	(720,000)	(781,000)	(859,910)	(991,130)
Net change in plan fiduciary net position	2,257,000	1,995,000	1,491,414	920,094
Plan fiduciary net position - beginning	9,145,000	11,402,000	13,397,000	14,888,414
Plan fiduciary net position - ending (b)	\$11,402,000	\$13,397,000	\$14,888,414	\$15,808,508
Net OPEB liability - ending (a)-(b)	\$5,520,000	\$4,773,000	\$4,136,698	\$4,203,402
Plan fiduciary net position as a percentage of the total OPEB liability	67%	74%	78%	79%
Covered-employee payroll**	\$8,724,000	\$9,385,000	\$9,371,057	\$9,254,288
Net OPEB liability as a percentage of covered-employee payroll	63.27%	50.86%	44.14%	45.42%

Notes to schedule:

* FY 2018 was the first year of implementation.

** The District makes contributions based on the Actuarially Determined Contributions, not on the measure of pay.

**Delta Diablo
Retiree Health Funding Plan
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years***

Fiscal Year Ended June 30,	2017	2018	2019	2020
Actuarially determined contribution	\$926,000	\$920,000	\$910,000	\$878,000
Contributions in relation to the actuarially determined contributions	1,642,483	1,592,000	1,208,525	1,202,808
Contribution deficiency (excess)	(\$716,483)	(\$672,000)	(\$298,525)	(\$324,808)
Covered-Employee payroll**	\$8,724,000	\$9,385,000	\$9,371,057	\$9,254,288
Contributions as a percentage of covered-employee payroll	18.83%	16.96%	12.90%	13.00%
Notes to Schedule				
Valuation date:	June 30, 2015	June 30, 2016	June 30, 2018	June 30, 2018

Methods and assumptions used to determine contribution rates:

	Actuarial Assumptions
Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	19-year fixed (closed) period for 2019/20
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.25%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP- 2018
Payroll increase	Aggregate - 3% annually. Merit - CalPERS 1997-2015 Experience study
All Other Assumptions	Same as those used to determine the total OPEB liability

* FY 2018 was the first year of implementation.

** The District makes contributions based on the Actuarially Determined Contributions, not on the measure of pay.

**SCHEDULE OF OPEB INVESTMENT RETURNS
Last 10 Years***

	2018	2019	2020
Annual Money Weighted Rate of Return, Net of Investment Expense	Not Available	6.80%	3.29%

* FY 2018 was the first year of implementation.

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SUPPLEMENTARY INFORMATION

DELTA DIABLO
SUPPLEMENTARY SCHEDULE OF NET POSITION - PROPRIETARY FUND TYPE
ENTERPRISE FUNDS
JUNE 30, 2020

	Wastewater ^(A)	Wastewater Expansion ^(B)	Recycled Water Facility	Hazardous Waste
ASSETS				
CURRENT ASSETS:				
Cash	\$16,086,799	\$335,851	\$1,167,850	\$82,360
Investments	5,511,412	1,894,300		160,000
Restricted cash	57,018			
Restricted investments	726,023	133,222		
Committed investments	37,797,963		3,655,247	
Accounts receivable	600,004		543,932	98,977
Interest receivable	155,972	283	13,536	
Current portion of notes receivable			336,366	2,417
Current portion of employee computer loans receivable	4,429			
Inventory	873,320		69,379	
Prepaid expenses	13,237		2,336	
Total current assets	<u>61,826,177</u>	<u>2,363,656</u>	<u>5,788,646</u>	<u>343,754</u>
NON-CURRENT ASSETS:				
OTHER ASSETS:				
Notes receivable less current portion			3,305,632	55,437
Interfund receivable	7,838,600			
Employee notes receivable less current portion	985			
Total other assets	<u>7,839,585</u>		<u>3,305,632</u>	<u>55,437</u>
CAPITAL ASSETS:				
Capital assets, non depreciable	27,072,610		61,332	
Capital assets, net of accumulated depreciation	82,257,814		29,689,874	1,267,117
Total capital assets, net	<u>109,330,424</u>		<u>29,751,206</u>	<u>1,267,117</u>
Total Noncurrent Assets	<u>117,170,009</u>		<u>33,056,838</u>	<u>1,322,554</u>
TOTAL ASSETS	<u>178,996,186</u>	<u>2,363,656</u>	<u>38,845,484</u>	<u>1,666,308</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	4,502,487			
Related to OPEB	595,147			
Total deferred inflows of resources	<u>5,097,634</u>			
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	4,316,280		132,874	38,081
Accrued payroll and benefits	577,080		26,676	8,750
Deposits payable	766,178		9,494	
Deferred revenue	18,270			57,854
Compensated absences - due within one year	892,511			
Current portion of long-term debt	592,913	77,240	316,144	
Accrued interest payable	48,725	8,526		
Total current liabilities	<u>7,211,957</u>	<u>85,766</u>	<u>485,188</u>	<u>104,685</u>
NON-CURRENT LIABILITIES:				
Long-term debt, net of current portion:				
Certificates of participation				
State revolving fund loans	12,792,430	2,615,072	3,174,860	
Installment sale agreement	1,270,253			
Compensated absences - due in more than one year	163,891			
Interfund payable	4,000,000	3,838,600		
Net pension liability	18,292,494			
Net OPEB Liability	4,203,402			
Total long-term liabilities	<u>40,722,470</u>	<u>6,453,672</u>	<u>3,174,860</u>	
TOTAL LIABILITIES	<u>47,934,427</u>	<u>6,539,438</u>	<u>3,660,048</u>	<u>104,685</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	1,010,001			
Related to OPEB	424,212			
Total deferred inflows of resources	<u>1,434,213</u>			
NET POSITION				
Net investment in capital assets	94,674,828	(2,692,312)	26,260,202	1,267,117
Restricted for debt service	726,023	133,222		
Unrestricted	39,324,329	(1,616,692)	8,925,234	294,506
TOTAL NET POSITION (DEFICIT)	<u>\$134,725,180</u>	<u>(\$4,175,782)</u>	<u>\$35,185,436</u>	<u>\$1,561,623</u>

^(A) 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 committed for Advanced Treatment.

^(B) Wastewater Expansion is funded by developers for connection fees.

^(C) Street Sweeping is funded by user charges.

^(D) Bay Point is funded by user charges.

Street Sweeping ^(C)	Bay Point ^(D)	Total
\$646,413	\$1,323,089	\$19,642,362
617,415		8,183,127
		57,018
	149,038	1,008,283
	1,248,131	42,701,341
\$799	15,868	1,259,580
3,670	7,689	181,150
		338,783
		4,429
		942,699
		15,573
<u>1,268,297</u>	<u>2,743,815</u>	<u>74,334,345</u>
		3,361,069
		7,838,600
		985
		<u>11,200,654</u>
	3,511,034	30,644,976
	4,778,512	117,993,317
	8,289,546	148,638,293
	8,289,546	159,838,947
<u>1,268,297</u>	<u>11,033,361</u>	<u>234,173,292</u>
		4,502,487
		595,147
		<u>5,097,634</u>
80,244	60,765	4,628,244
	17,426	629,932
	143,594	919,266
		76,124
		892,511
	87,924	1,074,221
	9,087	66,338
<u>80,244</u>	<u>318,796</u>	<u>8,286,636</u>
	2,781,710	21,364,072
		1,270,253
		163,891
		7,838,600
		18,292,494
		4,203,402
	<u>2,781,710</u>	<u>53,132,712</u>
<u>80,244</u>	<u>3,100,506</u>	<u>61,419,348</u>
		1,010,001
		424,212
		<u>1,434,213</u>
	5,419,912	124,929,747
	149,038	1,008,283
<u>1,188,053</u>	<u>2,363,905</u>	<u>50,479,335</u>
<u>\$1,188,053</u>	<u>\$7,932,855</u>	<u>\$176,417,365</u>

DELTA DIABLO
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND TYPE ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Waste Water ^(A)	Waste Water Expansion ^(B)	Recycled Water Facility	Household Hazardous Waste
OPERATING REVENUES				
Service charges	\$31,855,654		\$3,629,421	
Discharge permits	150,600			
Household hazardous waste operating fees				\$424,924
Miscellaneous	468,573		2,500	458
Work for others	210,100		36,100	2,094
	<u>32,684,927</u>		<u>3,668,021</u>	<u>427,476</u>
OPERATING EXPENSES				
Salaries and benefits	14,935,581	\$1,156	700,438	235,893
Chemicals	740,507		559,370	
Depreciation	5,673,614		1,353,678	37,424
Office and operating expense	1,781,371		124,284	34,875
Outside services and maintenance	3,920,965		349,829	351,559
Utilities	1,283,318		489,715	991
Other	1,430,240		(2,513)	
	<u>29,765,596</u>	<u>1,156</u>	<u>3,574,801</u>	<u>660,742</u>
OPERATING INCOME (LOSS)	<u>2,919,331</u>	<u>(1,156)</u>	<u>93,220</u>	<u>(233,266)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(244,697)	(\$129,774)	(2,931)	
Interest income	961,888	60,625	118,346	4,407
Capital facilities capacity charges		1,525,214	15,400	
Lease revenue	36,540			
Gain (Loss) on sale of assets	13,086			
Federal grants	51,758			
Subgrants				
Property taxes	2,840,437	270,631		
	<u>3,659,012</u>	<u>1,726,696</u>	<u>130,815</u>	<u>4,407</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>6,578,343</u>	<u>1,725,540</u>	<u>224,035</u>	<u>(228,859)</u>
Transfers In	868,729			197,938
Transfers (Out)	(602,823)	(917)	(321,027)	
	<u>265,906</u>	<u>(917)</u>	<u>(321,027)</u>	<u>197,938</u>
NET INCOME (LOSS) AFTER TRANSFERS	6,844,249	1,724,623	(96,992)	(30,921)
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>127,880,931</u>	<u>(5,900,405)</u>	<u>35,282,428</u>	<u>1,592,544</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$134,725,180</u>	<u>(\$4,175,782)</u>	<u>\$35,185,436</u>	<u>\$1,561,623</u>

(A) Wastewater is funded by user charges and is comprised of operations & maintenance, capital assets, and capital asset replacement for wastewater treatment and operations. Starting FY 11/12 includes committed for Advanced Treatment.

(B) Wastewater Expansion is funded by developers for connection fees.

(C) Street Sweeping is funded by user charges.

(D) Bay Point is funded by user charges.

<u>Street Sweeping ^(C)</u>	<u>Bay Point ^(D)</u>	<u>Total</u>
\$647,366	\$1,180,135	\$37,312,576
		150,600
		424,924
		471,531
		248,294
<u>647,366</u>	<u>1,180,135</u>	<u>38,607,925</u>
	406,232	16,279,300
		1,299,877
	138,280	7,202,996
	3,472	1,944,002
630,354	157,487	5,410,194
		1,774,024
		1,427,727
<u>630,354</u>	<u>705,471</u>	<u>35,338,120</u>
<u>17,012</u>	<u>474,664</u>	<u>3,269,805</u>
	(55,206)	(432,608)
21,886	76,327	1,243,479
		1,540,614
		36,540
		13,086
		51,758
		3,111,068
<u>21,886</u>	<u>21,121</u>	<u>5,563,937</u>
<u>38,898</u>	<u>495,785</u>	<u>8,833,742</u>
		1,066,667
	(141,900)	(1,066,667)
	(141,900)	
38,898	353,885	8,833,742
<u>1,149,155</u>	<u>7,578,970</u>	<u>167,583,623</u>
<u>\$1,188,053</u>	<u>\$7,932,855</u>	<u>\$176,417,365</u>

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STATISTICAL SECTION



RECYCLED WATER FACILITY – CHLORINE CONTACT TANKS

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This section of the District’s comprehensive annual report provides detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health. Information provided in this section is not subject to an independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.

Net Position by Component	69
Condensed Statement of Revenues, Expenses and Changes in Net Position.....	70
Total Revenues By Source	71
Total Expenses By Category	72

Revenue Capacity

These schedules contain information to help the reader assess the District’s most significant revenue sources.

Major Revenue Base and Rates.....	73
Service Charges and Service Charges as a Percentage of Total Operating Revenue.....	74
Principal Customers	74

Debt Capacity

These schedules contain information to help the reader assess the affordability of the District’s current level of outstanding debt and its ability to issue additional debt in the future.

Outstanding Debt By Type and Debt per Capita.....	75
Pledged-Revenue Coverage	76

Demographics and Economic Information

These schedules contain demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place.

Principal Employers in Contra Costa County	77
Demographic and Economic Statistics - District Service Area and Contra Costa County	78

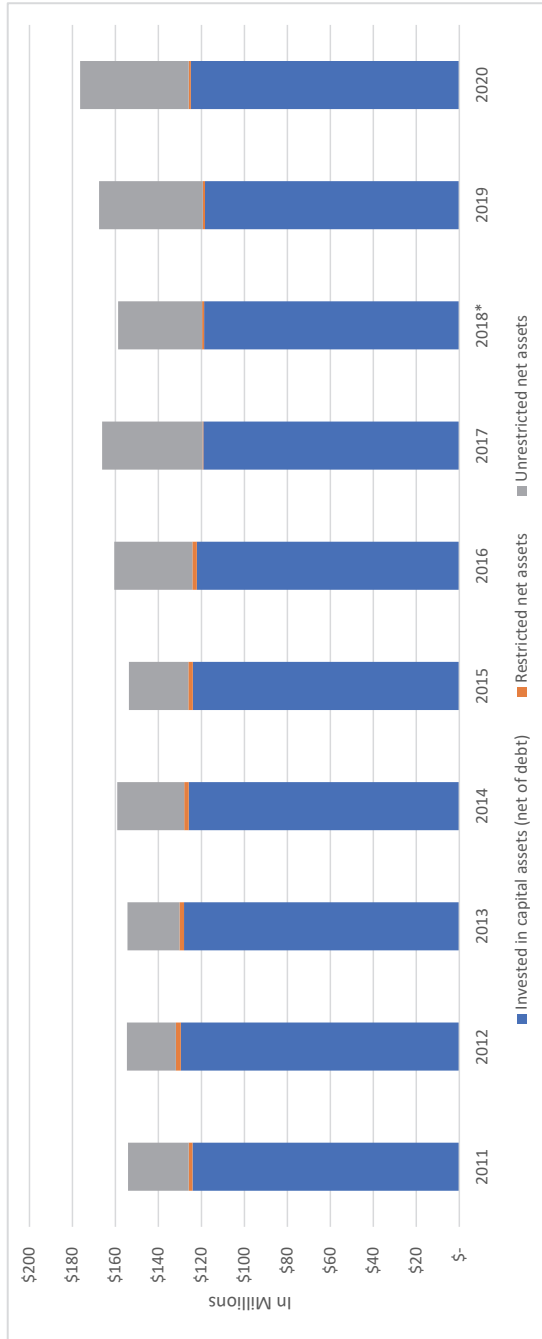
Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and activities/programs it performs.

About the District	79
Number of District Employees By Department/Function	80
Operating and Capital Indicators By	81

Sources: Unless otherwise noted, the information in these schedules is derived from the annual audited financial reports for the relevant year.

DELTA DIABLO
Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)



Net Position Component

	2011	2012	2013	2014	2015	2016	2017	2018*	2019	2020
Invested in capital assets (net of debt)	\$ 124,147,282	\$ 129,564,959	\$ 128,104,632	\$ 125,917,417	\$ 123,992,770	\$ 122,139,055	\$ 119,128,874	\$ 118,740,378	\$ 118,356,795	\$ 124,929,747
Restricted net assets	1,796,301	2,307,508	2,088,821	2,088,848	2,087,120	2,086,398	378,358	929,736	1,008,283	1,008,283
Unrestricted net assets	28,186,209	22,772,245	24,176,242	31,151,027	27,642,843	36,317,897	46,684,135	39,072,410	48,218,545	50,479,335
Total Net Position	\$ 154,129,792	\$ 154,644,712	\$ 154,369,695	\$ 159,157,292	\$ 153,722,733	\$ 160,543,350	\$ 166,191,367	\$ 158,742,524	\$ 167,583,623	\$ 176,417,365

Source: Delta Diablo Audited Financial Statements

* Includes GASB 68 prior year adjustment of \$6M and a \$3.7M write-off of construction in progress.

DELTA DIABLO
Condensed Statement of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues										
Service charges ¹	\$ 21,650,025	\$ 23,741,202	\$ 25,824,829	\$ 27,151,658	\$ 28,626,113	\$ 30,755,640	\$ 31,572,922	\$ 32,389,604	\$ 35,484,438	\$ 37,312,576
Discharge permits	191,200	148,900	186,200	167,150	158,950	145,750	124,250	161,900	144,000	150,600
Household hazardous waste operating fees	464,830	471,627	457,034	437,394	450,714	468,206	472,479	471,923	497,828	424,924
Miscellaneous	351,168	547,008	554,666	641,136	641,137	699,005	613,001	499,084	465,796	471,531
Work for Others ²	2,022,277	1,448,157	1,479,705	915,624	896,889	676,712	912,159	170,081	215,136	248,294
Total operating revenues	24,679,500	26,356,894	28,502,434	29,312,962	30,773,803	32,745,313	33,694,811	33,692,592	36,807,198	38,607,925
Operating Expenses										
Salaries and benefits	13,089,446	13,892,968	17,593,719	13,500,132	12,304,139	12,796,436	16,951,986	18,083,303	17,604,581	16,279,300
Chemicals	1,144,660	1,266,027	1,311,718	1,160,309	1,078,924	1,160,518	1,027,234	1,178,138	1,405,512	1,299,877
Depreciation (Note 5)	5,990,441	6,279,367	6,506,348	6,821,159	6,959,201	6,993,367	6,881,767	6,897,318	6,926,195	7,202,996
Office expense and operating expense	1,460,196	1,522,907	1,743,582	1,709,046	1,844,178	1,942,438	1,998,743	2,100,498	1,901,272	1,944,002
Outside service and maintenance	3,368,044	3,833,246	3,810,858	4,071,441	4,445,466	5,265,128	4,137,773	5,352,273	5,652,901	5,410,194
Utilities	1,441,417	1,549,545	1,444,024	1,606,954	1,488,843	1,488,734	1,745,270	1,730,048	1,799,370	1,774,024
Other	126,065	127,113	128,920	130,976	62,813	171,067	160,809	137,165	85,252	1,427,727
Total operating expenses	26,620,269	28,471,173	32,539,169	29,000,017	28,183,564	29,817,888	32,903,582	35,478,743	35,375,083	35,338,120
Operating Income/(Loss)	(1,940,769)	(2,114,279)	(4,036,735)	312,945	2,590,239	2,927,425	791,229	(1,786,151)	1,432,115	3,269,805
Non-Operating Revenues (Expenses)										
Interest expense	(1,174,581)	(1,025,593)	(868,105)	(695,818)	(735,098)	(662,132)	(371,091)	(572,957)	(670,360)	(432,608)
Interest income	275,653	151,223	189,139	174,179	207,369	297,905	359,034	678,535	1,606,118	1,243,479
Capital facilities capacity charges	2,160,678	1,687,667	2,280,985	2,250,790	1,926,982	2,031,409	2,359,761	992,717	2,636,962	1,540,614
Lease revenue	35,773	35,949	36,125	36,125	36,125	36,125	36,540	36,332	36,540	36,540
Gain (Loss) on sale of asset		5,295	20,382	(415,681)	4,034	(217,711)	3,739	29,357	11,277	13,086
State grants	389,697	1,742	(1,742)	512,404	160,683	37,500	-	194,014	519,391	51,758
Federal grants	1,478,384	-	205,043	914,469	203,021	139,638	13,298	4,567	291,476	-
Subgrants	288,023	181,749	272,185	1,698,184	1,974,773	2,230,458	2,455,507	2,679,597	2,977,580	3,111,068
Property taxes	1,662,436	1,591,167	1,627,706	1,698,184	1,974,773	2,230,458	2,455,507	2,679,597	2,977,580	3,111,068
Total non-operating revenues/(expenses), net	5,116,063	2,629,199	3,761,718	4,474,652	3,777,889	3,893,192	4,856,788	4,042,162	7,408,984	5,563,937
Net Income/(Loss)	3,175,294	514,920	(275,017)	4,787,597	6,368,128	6,820,617	5,648,017	2,256,011	8,841,099	8,833,742
Net Position, Beginning of Year	150,954,498	154,129,792	154,644,712	154,369,695	159,157,292	153,722,733	160,543,350	166,191,367	158,742,524	167,583,623
Prior Period Adjustment ⁴					(11,802,687)			(9,704,854)		
Net Position, End of Year	\$ 154,129,792	\$ 154,644,712	\$ 154,369,695	\$ 159,157,292	\$ 153,722,733	\$ 160,543,350	\$ 166,191,367	\$ 158,742,524	\$ 167,583,623	\$ 176,417,365

Source: Delta Diablo Audited Financial Statements

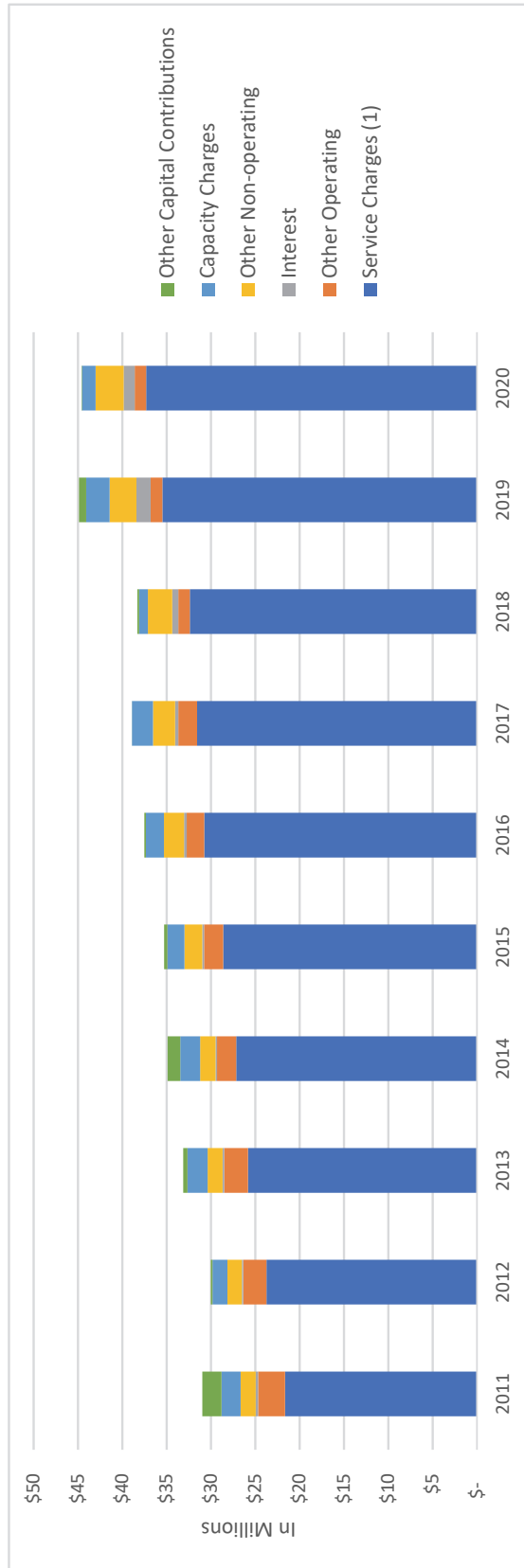
Note: ⁽¹⁾ Service Charges is comprised of Wastewater Sewer Service, Recycled Water, Street Sweeping, and Bay Point Collection Charges.

⁽²⁾ Prior to FY18/19, overhead from capital projects was reported as Work for Others. Commencing FY18/19, reported as transfer and eliminated for entity-wide statements.

⁽³⁾ Includes a one-time side fund payment made to CalPERS of \$3.9M.

⁽⁴⁾ Implementation of GASB 68 and 75; write-off of construction in progress.

DELTA DIABLO
Total Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting)



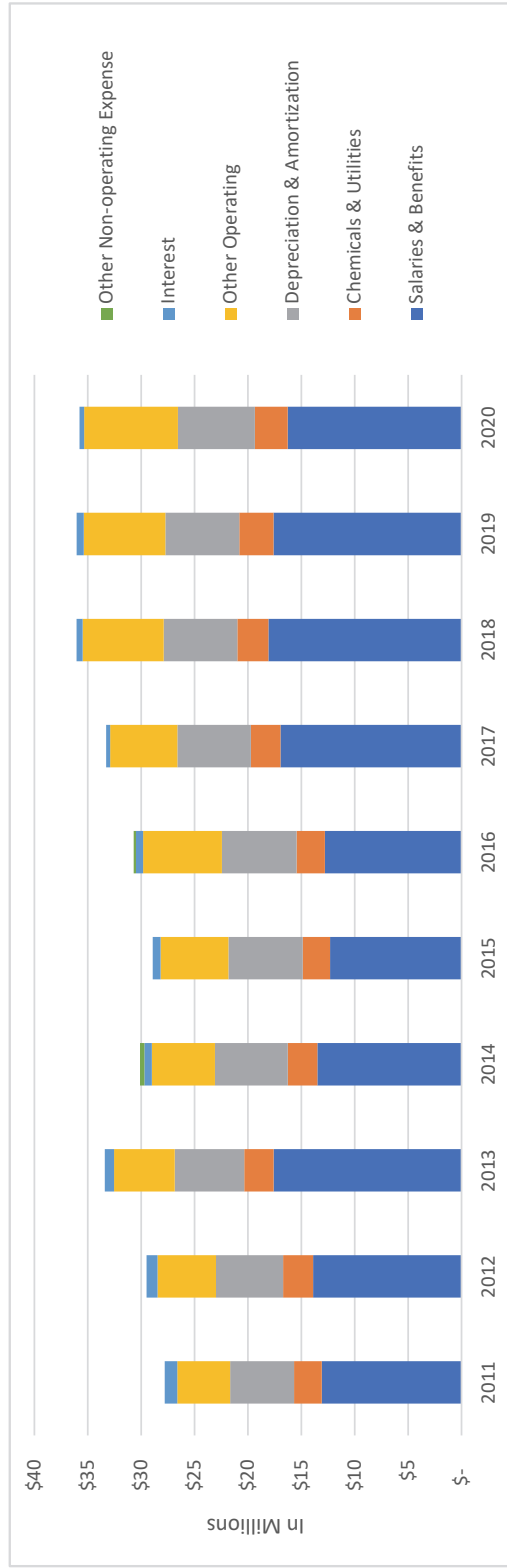
Revenue Sources							
Fiscal Year	Service Charges (1)	Other Operating	Interest	Other Non-Operating	Capacity Charges	Other Capital Contributions (2)	Total
2011	\$ 21,650,025	\$ 3,029,475	\$ 275,653	\$ 1,698,209	\$ 2,160,678	\$ 2,156,104	\$ 30,970,144
2012	23,741,202	2,615,692	151,223	1,632,411	1,687,667	183,491	30,011,686
2013	25,824,829	2,677,605	189,139	1,684,213	2,280,985	475,486	33,132,257
2014	27,151,658	2,161,304	174,179	1,734,309	2,250,790	1,426,873	34,899,113
2015	28,626,113	2,147,690	207,369	2,014,932	1,926,982	363,704	35,286,790
2016	30,755,640	1,989,673	297,905	2,266,583	2,031,409	177,138	37,518,348
2017	31,572,922	2,121,889	359,034	2,495,786	2,359,761	13,298	38,922,690
2018	32,389,604	1,302,988	678,535	2,745,286	992,717	198,581	38,307,711
2019	35,484,438	1,322,760	1,606,118	3,025,397	2,636,962	810,867	44,886,542
2020	37,312,576	1,295,349	1,243,479	3,160,694	1,540,614	51,758	44,604,470

Source: Delta Diablo Audited Financial Statements

Note: (1) Service Charges is comprised of Wastewater Sewer Service, Recycled Water, Street Sweeping, and Bay Point Collection Charges.

(2) The District received capital contributions either in the form of State, Subgrants and/or Federant grants.

DELTA DIABLO
Total Expense By Category
Last Ten Fiscal Years
(accrual basis of accounting)



Fiscal Year	Expense Categories						Total
	Salaries & Benefits	Chemicals & Utilities	Depreciation & Amortization	Other Operating	Interest	Other Non-operating	
2011	\$ 13,089,446	\$ 2,586,077	\$ 5,990,441	\$ 4,954,305	\$ 1,174,581	\$	\$ 27,794,850
2012	13,892,968	2,815,572	6,279,367	5,483,266	1,025,593		29,496,766
2013	17,593,719 ⁽¹⁾	2,755,742	6,506,348	5,683,360	868,105		33,407,274
2014	13,500,132	2,767,263	6,821,159	5,911,463	695,818	415,681	30,111,516
2015	12,304,139	2,567,767	6,959,201	6,352,457	735,098		28,918,662
2016	12,796,436	2,649,252	6,993,567	7,378,633	662,132	217,711	30,697,731
2017	16,951,986 ⁽²⁾	2,772,504	6,881,767	6,297,325	371,091		33,274,673
2018	18,083,303 ⁽²⁾	2,908,186	6,897,318	7,589,936	572,957		36,051,700
2019	17,604,581	3,204,882	6,926,195	7,639,425	670,360		36,045,443
2020	16,279,300	3,073,901	7,202,996	8,781,923	432,608		35,770,728

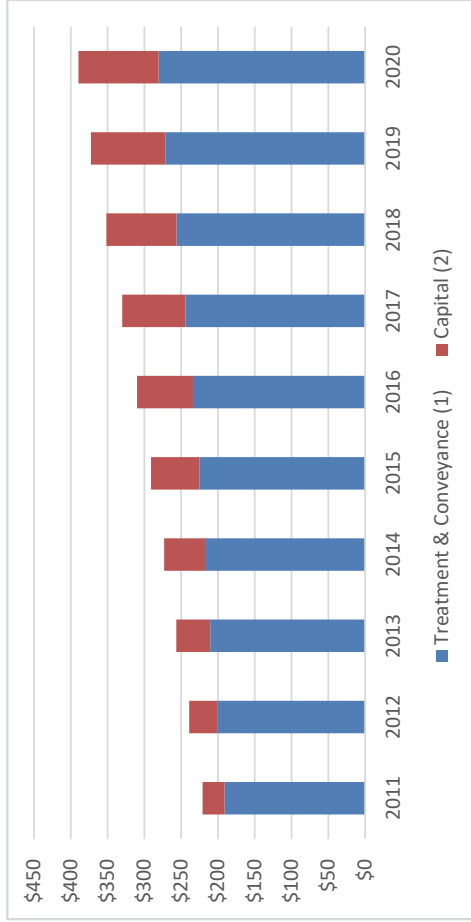
Source: Delta Diablo Audited Financial Statements

Note: ⁽¹⁾ Includes a one-time side fund payment made to CALPERS of \$3.9M.

⁽²⁾ Includes adjustment for Implementation of GASB 68.

⁽³⁾ Loss on disposition of capital assets.

DELTA DIABLO
Major Revenue Base and Rates
Last Ten Fiscal Years



Fiscal Year	Annual Sewer Service Charge		Capacity Charges ⁽³⁾
	Treatment & Conveyance ⁽¹⁾	Capital ⁽²⁾	
2011	\$191	\$30	\$222
2012	201	38	238
2013	211	46	257
2014	218	55	273
2015	225	66	291
2016	234	76	310
2017	244	86	330
2018	256	95	352
2019	271	102	373
2020	281	109	389

Source: Delta Diablo Rate Ordinance

Note: ⁽¹⁾ Average annual flat fee (Zone 1-3) per Equivalent Residential Unit (ERU). Multi-family properties, multiply # of ERU x annual flat fee. Commercial user charges consist of an annual rate x hundred cubic feet (HCF) of water consumed except for customers with less than 90 HCF of water consumed, which are assessed an annual flat fee.

⁽²⁾ Average annual flat fee (Zone 1-3) for Capital Asset and Capital Asset Replacement. Starting in FY11-12 includes an Advance Treatment Plant component.

⁽³⁾ Average Capital Facilities Capacity Charges (Zone 1-3) for new users per ERU connecting to the wastewater system.

DELTA DIABLO
Service Charges and Service Charges as a Percentage of Total Operating Revenue
Last Ten Fiscal Years

	2010 - 2011	2019 - 2020
Service Charges:		
Waste Water Sewer	\$ 17,602,234	\$ 31,855,654
Recycled Water	2,655,480	3,629,421
Street Sweeping	595,484	647,366
Baypoint	796,827	1,180,135
Total Service Charges	\$ 21,650,025	\$ 37,312,576
Total Operating Revenues	\$ 24,679,500	\$ 38,607,925
Service Charges as a Percentage of Total Operating Revenue	88%	97%

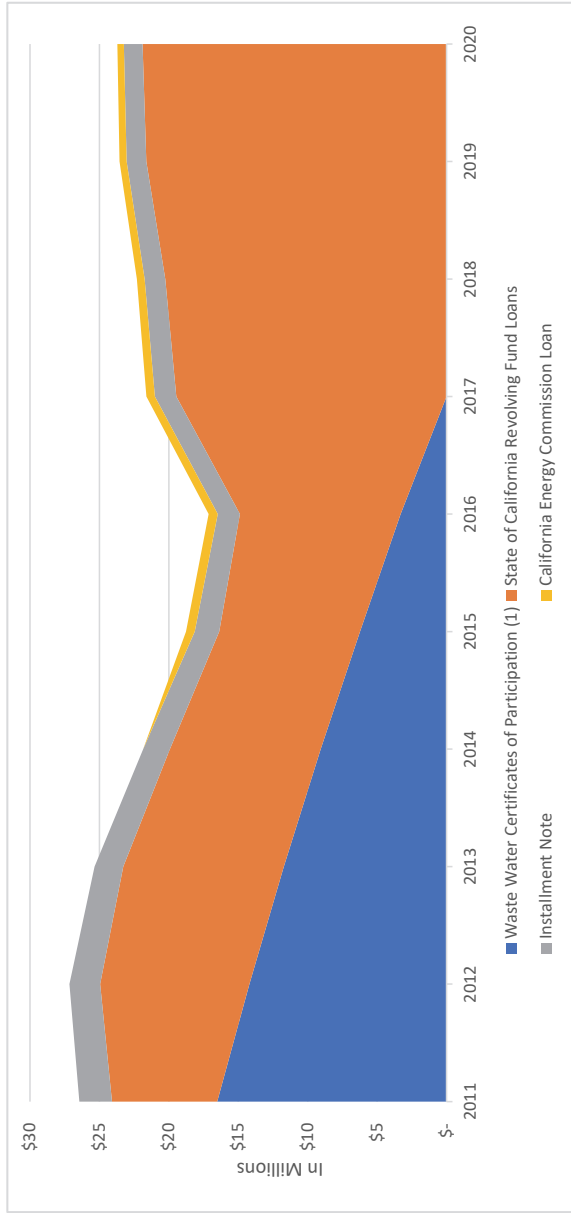
Principal Customers - Revenue Capacity
Current Year and Nine Years Ago

Customer	Business Type	City	FY 2010-2011 Service Charge Annual Billing	Rank	Percentage of Total Annual Billings	FY 2019-2020 Service Charge Annual Billing	Rank	Percentage of Total Annual Billings
Calpine (1)	Utility	Pittsburg	\$ 2,897,764	1	13.4%	\$ 4,015,230	1	10.8%
Dow Chemical	Manufacturing	Pittsburg	87,200	6	0.4%	287,109	2	0.8%
Angelica Healthcare	Service	Antioch/Pittsburg (2)	99,752	5	0.5%	266,612	3	0.7%
Kirker Creek Apartments	Housing	Pittsburg			0.0%	216,654	4	0.6%
Antioch Unified School District	School	Antioch	85,711	7	0.4%	171,089	5	0.5%
Villas at San Marcos	Housing	Pittsburg			0.0%	134,309	6	0.4%
Rivershore Apartments	Housing	Bay Point			0.0%	133,486	7	0.4%
The Meadows Trailer Park	Housing	Pittsburg			0.0%	119,919	8	0.3%
Pittsburg Unified School District	School	Pittsburg	66,712	8	0.3%	119,103	9	0.3%
Oakwood Village Apartments	Housing	Antioch			0.0%	118,521	10	0.3%
GWF Power Systems - Site II & III	Manufacturing	Pittsburg	176,075	2	0.8%			
The City of Pittsburg	City Government	Pittsburg	149,551	3	0.7%			
USS/POSCO Industries	Manufacturing	Pittsburg	104,142	4	0.5%			
Williams Sanitary	Service	Antioch	65,001	9				
G&K Services	Service	Pittsburg	44,145	10				
All Other ⁽³⁾		Combined Area	17,873,970		82.6%	31,730,544		85.0%
Total			\$ 21,650,025		100.0%	\$ 37,312,576		100.0%

Source: Delta Diablo Audited Financial Statements and Billing Records

Note: (1) Calpine is the District's largest Recycled Water customer, data includes Recycled Water charges (2) Angelica Healthcare was in Antioch until FY2008-09 where it relocated to Pittsburg. (3) "All Other" customers (includes residential, commercial customers) when listed individually is less than 0.5% of Total Annual Service Charges Billings covering all three cities served.

DELTA DIABLO
Outstanding Debt by Type and Debt Per Capita
Last Ten Fiscal Years



Fiscal Year	Waste Water Certificates of Participation (1)	State of California Revolving Fund Loans	Installment Note	California Energy Commission Loan	Total	Population Estimates (2)	Debt Per Capita (3)
2011	\$ 16,517,749	\$ 7,580,161	2,344,210	\$ 630,000	\$ 26,442,120	189,700	\$ 139
2012	14,193,806	10,754,568	2,212,746	655,696	27,161,120	192,707	141
2013	11,714,312	11,568,040	2,072,577	608,219	25,354,929	195,392	130
2014	9,067,882	10,854,596	1,923,203	608,219	21,845,681	198,473	110
2015	6,237,347	10,134,156	1,764,088	630,000	18,765,591	200,942	93
2016	3,310,000	11,570,850	1,594,676	655,696	17,131,222	203,759	84
2017		19,464,968	1,542,156	608,219	21,615,343	204,971	105
2018		20,258,304	1,483,830	560,267	22,302,401	207,057	108
2019		21,624,398	1,419,331	511,833	23,555,562	214,327	110
2020		21,897,345	1,348,274	462,927	23,708,546	214,862	110

Source: Delta Diablo Audited Financial Statements

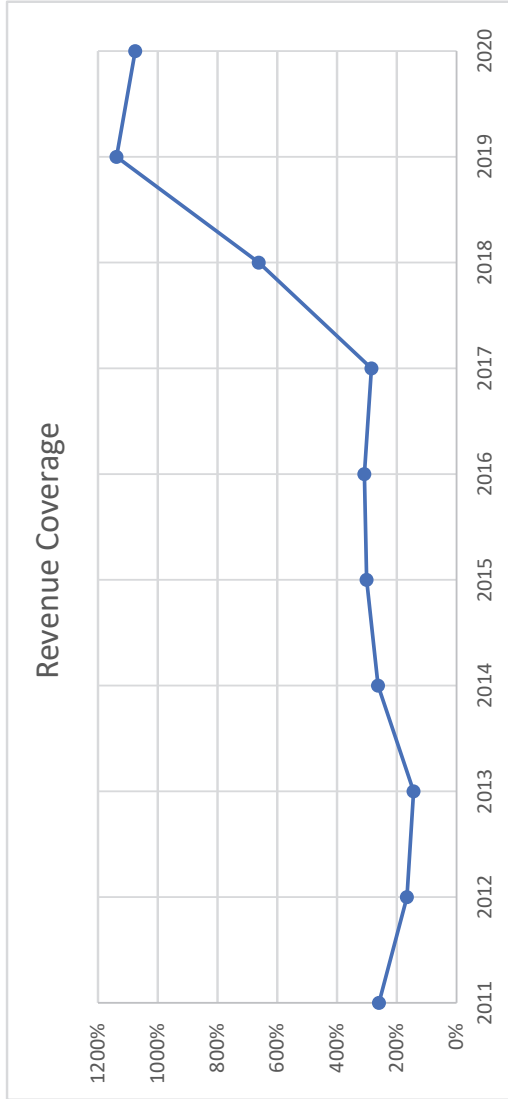
Notes: Debt amounts exclude premiums, discounts, or other amortization amounts.

(1) Includes accrued interest. Matured in 2016.

(2) Demographics and Economic Statistics (Statistical section)

(3) Debt per Capita = Total Debt/Population Estimate.

DELTA DIABLO
Pledged Revenue Coverage
Last Ten Fiscal Years



Fiscal Year	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$ 30,970,144	\$ 21,804,409	\$ 9,165,735	\$ 3,506,189	\$ 25,475	\$ 3,531,664	260%
2012	30,011,686	23,217,399	6,794,287	3,951,703	140,199	4,091,902	166%
2013	33,132,257	26,900,926	6,231,331	3,635,223	700,029	4,335,252	144%
2014	34,899,113	23,290,357	11,608,756	4,172,818	248,160	4,420,978	263%
2015	35,286,790	21,959,461	13,327,329	4,194,555	233,724	4,428,279	301%
2016	37,518,348	23,704,164	13,814,184	4,253,312	226,260	4,479,572	308%
2017	38,922,690	26,392,906	12,529,784	4,178,887	221,286	4,400,173	285%
2018	38,307,711	29,154,382	9,153,329	1,000,849	381,817	1,382,666	662%
2019	44,886,542	29,119,248	15,767,294	973,476	412,175	1,385,651	1138%
2020	44,604,470	28,567,732	16,036,738	1,053,186	437,985	1,491,171	1075%

Source: Delta Diablo Audited Financial Statements

Note: Detail information on long-term debt can be found in the notes to the financial statements

⁽¹⁾ All revenues including capacity charges and other capital contributions

⁽²⁾ Does not include depreciation and amortization

DELTA DIABLO
Principal Employers in the District
Current Year and Nine Years Ago

Employer ⁽¹⁾	Industry ⁽²⁾	2020 ⁽¹⁾			2010 ⁽¹⁾		
		Estimated Employees	Rank	Percent of District Employment	Estimated Employees	Rank	Percent of District Employment
Pittsburg Unified School District	Schools-Universities	1,242	1	1.27%	868	4	0.96%
Kaiser Permanente	Hospitals/Clinics	960	2	0.98%	2,040	1	2.25%
Antioch Unified School District	Schools-Universities	⁽⁴⁾	3		1,626	2	1.79%
Sutter Delta Medical Center	Hospitals/Clinics	872	4	0.89%	830	5	0.92%
Los Medanos Community College	Schools-Universities	584	5	0.60%	520	6	0.57%
Walmart	Retail	582	6	0.59%	320	9	0.35%
USS-POSCO	Manufacturing	581	7	0.59%	1,000	3	1.10%
Dow Chemical Company	Manufacturing	350	8	0.36%	425	7	0.47%
Contra Costa County Social Services	Family Services	⁽⁴⁾	9		419	8	0.46%
City of Antioch	Hospitals/Clinics	300	10		300	10	0.33%
All Others		92,537			82,352		
Total ⁽³⁾		98,000			90,700		

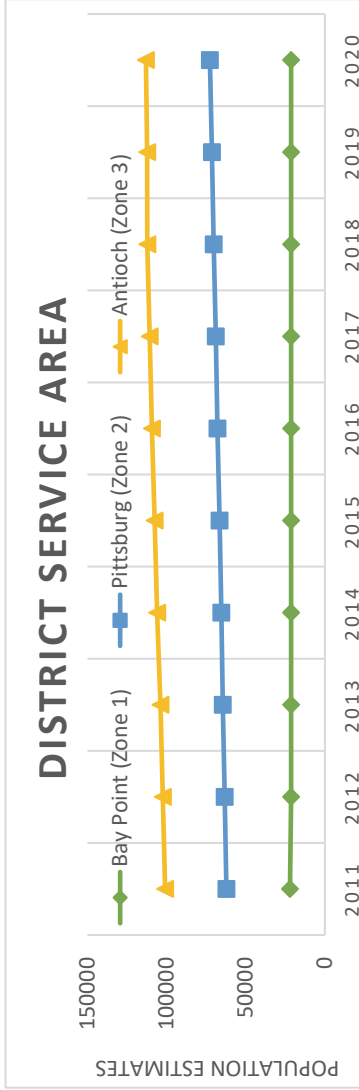
Source: ⁽¹⁾ City of Antioch and City of Pittsburg 2019/2010 CAFR

⁽²⁾ State of California, Employment Development , Major Employers (Industry Type)

⁽³⁾ State of California , Employment Development Department, Labor Market Information

⁽⁴⁾ Information not available for City of Antioch 2019 CAFR

DELTA DIABLO
Demographic and Economic Statistics
Last Ten Fiscal or Calendar Years



Fiscal Year Ended June 30	Population Estimates for the District's Service Area				Contra Costa County			
	Bay Point (Zone 1)	Pittsburg (Zone 2)	Antioch (Zone 3)	Total	Population (2)	Personal Income (3)	Per Capita Personal Income (3)	Average Annual Unemployment Rate (4)
2011	21,349	64,483	103,868	189,700	1,059,557	\$ 61,156,431	\$ 57,363	10.8
2012	21,349	65,407	105,951	192,707	1,070,440	\$ 66,344,299	\$ 61,530	9.7
2013	21,349	66,499	107,544	195,392	1,083,937	\$ 66,607,757	\$ 60,883	8.2
2014	21,349	67,849	109,275	198,473	1,098,018	\$ 69,818,812	\$ 62,957	6.8
2015	21,349	68,895	110,698	200,942	1,112,328	\$ 76,517,699	\$ 68,123	5.6
2016	21,349	70,233	112,177	203,759	1,127,279	\$ 80,412,234	\$ 70,840	4.7
2017	21,349	71,342	112,280	204,971	1,139,313	\$ 88,024,256	\$ 76,886	4.2
2018	21,349	72,647	113,061	207,057	1,149,363	\$ 94,900,003	\$ 82,506	3.5
2019	27,885	72,541	113,901	214,327	1,155,879	n/a	n/a	3.4
2020	28,021	74,321	112,520	214,862	1,153,561	n/a	n/a	4.0
Average (10 years)	22,670	69,422	110,128	202,219				
As a % of Total	11%	34%	54%	100%				

Source: (1) U. S. Census Bureau -2010-2017 Census People Quick Facts, population 2010 or latest estimates available.

(2) California Department of Finance, Estimate for January 1 of each year.

(3) U.S. Department of Commerce-Bureau of Economic Analysis (thousands).

(4) Federal Reserve Economic Data-Economic Research Division.

Notes: Data shown as n/a denotes information is not available.

The district is located in Contra Costa County and serves 3 cities (Bay Point, Pittsburg and Antioch) within the county.

DELTA DIABLO
About the District

Date of Formation 1955

Number of employee positions filled 72

Governing Body
Three appointed Board Members (The Mayors of the City of Pittsburg [or Designee] and City of Antioch [or Designee]), and the Contra Costa County Supervisor of Bay Point.

Services Provided
Wastewater treatment and disposal, Recycled Water, Household Hazardous Waste Facility and disposal, Street Sweeping and Wastewater collection for Bay Point.

Service Areas in Contra Costa County	Square Miles	Population Estimates ⁽¹⁾	Per Capita Income ⁽²⁾	Household Income ⁽²⁾	Unemployment Rate ⁽³⁾
Bay Point (Unincorporated)	7	28,021	\$ 20,289	\$ 55,856	16.5%
Pittsburg (City)	18	74,321	\$ 28,258	\$ 70,770	12.9%
Antioch (City)	29	112,520	\$ 28,138	\$ 71,422	13.4%
Total	54	214,862			

Weighted Average District Area Per Capita Income \$ 27,156

Weighted Average District Area Per Household Income \$ 69,166

Weighted Average District Area Unemployment (based on District population) 13.6%

Number of Facilities:

Treatment Plants	1	Recycled Water Plants	1
Miles of Sanitary Sewer	73.5	Miles of Recycled Water Main	16
Pump Stations	5	Recycled Water Reservoirs	3
Household Hazardous Waste Facilities	1		

Source: Delta Diablo Records

Notes: ⁽¹⁾ Demographic and Economic Statistics Section of this report.
⁽²⁾ U.S. Census Bureau, State & County Quick Facts, 2017 Dollars
⁽³⁾ State of California, Employment Development Department, Monthly Labor Force Data for Cities and Census Designated Places (2019 Preliminary, data not seasonally adjusted)

DELTA DIABLO
District Employees By Department
Last Ten Fiscal Years

Department/Function	Fiscal Year Ending June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	8.00	8.00	8.00	8.00	8.00	8.00	9.00	8.00	8.00	7.00
Public Information ¹	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00
Sub-total Administrative Services Department	9.00	9.00	9.00	9.00	9.00	9.00	10.00	8.00	8.00	7.00
Human Resources and Safety	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	5.80	5.80	5.80	6.00	6.00	5.00	6.00	6.00	5.00	5.00
Information systems	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Information ¹	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Purchasing	2.00	2.00	0.00	0.00	1.00	1.00	1.00	1.00	0.00	0.00
Sub-total Business Services Department	12.80	12.80	10.80	11.00	12.00	11.00	12.00	13.00	11.00	11.00
Engineering Services	10.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00	11.00	9.00
Sub-total Engineering Services	10.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00	11.00	9.00
Maintenance	19.00	18.00	19.00	19.00	18.00	18.00	21.00	19.00	17.00	17.00
Collection	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Plant Operations	18.00	18.00	18.00	17.00	18.00	17.00	19.00	19.00	19.00	19.00
Laboratory, pre-treatment, pollution prevention	7.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00
Sub-total Operations Services	46.00	44.00	45.00	43.00	43.00	43.00	48.00	46.00	45.00	45.00
Total Number of Active Positions Filled	<u>77.80</u>	<u>75.80</u>	<u>74.80</u>	<u>73.00</u>	<u>74.00</u>	<u>74.00</u>	<u>81.00</u>	<u>79.00</u>	<u>75.00</u>	<u>72.00</u>
Total Number of Budgeted Positions ²					<u>76.80</u>	<u>78.80</u>	<u>82.00</u>	<u>81.00</u>	<u>78.00</u>	<u>79.00</u>
Total Number of Retirees	<u>25.00</u>	<u>28.00</u>	<u>31.00</u>	<u>33.00</u>	<u>39.00</u>	<u>42.00</u>	<u>46.00</u>	<u>50.00</u>	<u>56.00</u>	<u>60.00</u>

Source: Delta Diablo Payroll and Financial Records

Note: Active positions filled and budgeted positions does not include Board members, temporary and/or summer co-op interns. Retiree count does not include spouses.

¹ Public Information was moved from Administration to Business Services in FY17/18.

² Prior years Budgeted Positions not available.

DELTA DIABLO
Operating and Capital Indicators by Program
Last Ten Fiscal Years (FY) or Calendar Years (CY)

Program	Year	Unit	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Wastewater (WW)												
Number of Treatment Plants	CY		1	1	1	1	1	1	1	1	1	1
Miles of Sanitary Sewer	CY		71	71	71	71	71	71	73.5	71	73.5	73.5
Number of Pump Stations	CY		5	5	5	5	5	5	5	5	5	5
Annual Average Influent Flow	CY	mgd	13.5	13.2	13.0	12.8	12.2	12.4	13.3	12.6	12.6	12.7
Treatment Plant Capacity (ADWF)	CY	mgd	16.5	16.5	16.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Average Dry Weather Flow (ADWF)	CY	mgd	13.2	12.7	13.1	12.5	11.8	12.3	12.8	12.4	12.4	12.5
Recycled Water (RW)												
Number of Recycled Water Reservoirs	CY		3	3	3	3	3	3	3	3	3	3
Miles of Recycled Water Mains	CY		14.2	14.2	14.2	16.0	16.0	16.0	16.2	16.2	16.2	16.2
Storage Capacity of Recycled Water Reservoirs	CY	mg	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Annual Average Recycled Water Produced	CY	mgd	5.8	7.9	8.0	7.2	6.6	6.4	4.4	6.2	6.2	5.6
Average Dry Weather Flow (ADWF)	CY	mgd	4.6	8.3	8.6	7.4	7.3	7.8	5.2	6.0	6.0	4.5
Household Hazardous Waste (HHW)												
Number of Households (est)	FY		97,714	95,064	95,656	97,837	99,036	100,249	101,954	103,153	102,923	102,159
Total Number of Vehicles	FY		12,661	14,345	14,609	14,560	15,504	16,071	17,465	19,151	20,005	13,521
Total Participation Rate	FY		13.0%	15.1%	15.3%	17.0%	15.7%	16.0%	17.1%	18.6%	19.4%	13.2%
Total Tons of Waste Collected	FY		562	498	434	399	441	516	533	545	556	338
Total Percent of Waste Recycled	FY		78.2%	74.9%	77.6%	73.0%	71.0%	69.0%	68.7%	72.4%	70.8%	73.8%
Street Sweeping												
Annual Curb Miles Swept	CY		25,114	25,380	25,494	25,609	25,724	25,840	25,989	25,989	25,989	25,989
Collection												
Miles of Collection Sewer Lines	CY		43	43	43	43	43	43	43	43	43	43

Source: Delta Diablo Records
mgd = million gallons per day, mg = million gallons

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**DELTA DIABLO
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

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**DELTA DIABLO
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For The Year Ended June 30, 2020

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors
Delta Diablo
Antioch, California

In planning and performing our audit of the basic financial statements of the Delta Diablo (District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California

Date

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2020-01 New GASB Pronouncements Not Yet Effective

The following comment represents new pronouncements taking effect in the next few years. We have cited them here to keep you abreast of developments:

EFFECTIVE FISCAL YEAR 2021/22:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 92 – Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

GASB 93 – Replacement of Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 93 – Replacement of Interbank Offered Rates (Continued)

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2022/23:

GASB 91 - Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
 - (1) an issuer
 - (2) a third-party obligor, and
 - (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 91 - Conduit Debt Obligations (Continued)

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

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REQUIRED COMMUNICATIONS

To the Board of Directors
Delta Diablo
Antioch, California

We have audited the basic financial statements of the Delta Diablo (District) for the year ended June 30, 2020. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

The following Governmental Accounting Standards Board (GASB) pronouncement became effective:

GASB 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance (Continued)

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The District implemented the provisions of Statement No. 95 in fiscal year 2020.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the District's during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liability and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liabilities and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net OPEB liability and deferred outflows/ inflows of resources are disclosed in Note 9 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: The District's cash and investments held at June 30, 2020 as measured by fair value are disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2020. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2020.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 5 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Directors.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated **Date**.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information, which accompanying the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

This information is intended solely for the use of Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California

Date