DELTA DIABLO
(FORMERLY KNOWN AS
DELTA DIABLO SANITATION DISTRICT)

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

PREPARED BY THE
FINANCE DEPARTMENT

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DELTA DIABLO
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

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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, Delta Diablo (District) as of and for the years ended June 30, 2017 and June 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and aggregate remaining fund information of Delta Diablo as of June 30, 2017 and 2016, 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.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2017 that had material effects on the financial statements, as discussed in Note 1 to the financial statements.

Management adopted the provisions of the Governmental Accounting Standards Board Statement No 74 – *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* which became effective during the year ended June 30, 2017 as discussed in Note 9 to the financial statements and required the restatement of fiduciary net position as discussed in Note 1M.

The emphasis of these matters does not constitute a modification to our opinions.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, no. 68 and No. 73, which became effective during the year ended June 30, 2017 as noted in the Pension-Related Required Supplementary Information. There was no material effect on the financial statements.

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

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 and Supplementary Information 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grand agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
December 11, 2017

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This section provides management's analysis of Delta Diablo's (the District) financial condition and activities as of and for the year ended June 30, 2017. The intent of the management's discussion and analysis (MD&A) is to provide an introduction to the District's basic financial statements.

This information should be read in conjunction with the audited financial statements shown on pages 18-67.

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

- Organization and Business
- 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

ORGANIZATION AND BUSINESS

Delta Diablo is a California Special District that provides water resource recovery services to a population of about 210,000 within a fifty-four (54) square mile service area including the city of Antioch, the city of Pittsburg, and the unincorporated community of Bay Point. The water resource recovery services consist of secondary treatment of wastewater, recycled water production and distribution, pollution prevention, energy recovery, beneficial reuse of biosolids, street sweeping, and household hazardous waste collection.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of two components: 1) Fund Financial Statements and 2) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The *Statement of Net Position* presents information on all of the District's assets *plus* deferred outflows of resources *minus* liabilities *plus* deferred inflows of resources, the net difference reported as *Net Position*. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of Delta Diablo is improving or deteriorating.

The *Statement of Revenues and Expenses and Changes in Net Position* presents information showing how the government's 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 District operations (profitability) for the fiscal year and shows cost recovery from fees and other charges.

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

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

FINANCIAL HIGHLIGHTS

- The District's combined net position totaled $166.2 million.
- During the fiscal year, total net position increased by $5.6 million or 4%.
- Total assets plus deferred outflow increased by $12.1 million or 6%
- Total liabilities plus deferred inflow increased by $6.5 million or 18%
- Total revenues were $36.5 million, an increase of $1.2 million or 4%.
- Total expenses were $33.3 million, an increase of $2.6 million or 8%.
- Capital contributions were $2.4 million, an increase of $0.2 million or 7%.

FINANCIAL ANALYSIS

Statement of Net Position. As noted earlier, the changes in net position serve as a useful indicator of Delta Diablo's financial position over time. The District remains financially sound with combined total net position as of June 30, 2017 at $166.2 million. For the current fiscal year, the District's net position has increased by $5.6 million. The last two fiscal years' prior, the District's net position had increased by $6.8 million or 4%, and decreased by $5.4 million or 3%, respectively.

The current fiscal year's increase in total net position is a net result of capital contributions of $2.4 million plus $3.2 million income before capital contributions. This will be further discussed in the Statement of Revenue, Expenses, and Changes in Net Position section of this analysis. Overall, the District's total assets plus deferred outflow exceeded total liabilities plus deferred inflows by $166.2 million. This positive result is indicative of the District's strong financial position. The District's net position consists of $119 million or 72% of net investment in capital assets, $378K of restricted net position, and $46.7 million or 28% of unrestricted net position. Net investment in capital assets include land, treatment and collection facilities, machinery and equipment net of related debt. These capital assets are necessary to provide services to District rate payers, so these assets are not available for future spending. Restricted net position represents resources that are subject to external restrictions for debt service. Unrestricted net position is a direct result of the District's cumulative operating and non-operating activities, thereby providing additional resources available for the District's use in future periods.

Assets Plus Deferred Outflows and Liabilities Plus Deferred Inflows. Total assets plus deferred outflows increased by $12.1 million or 6%, and total liabilities plus deferred inflows increased by $6.5 million or 18%; resulting in a net increase of total net position for the current fiscal year by $5.6 million compared to last fiscal year. The District's deferred outflows and inflows balances as of June 30, 2017 are primarily due to the GASB68 reporting requirements related to pensions.

Assets Plus Deferred Outflows. Total assets plus deferred outflows increased by $12.1 million. The $12.1million increase consists of a $7.5 million increase in current and other assets and a $4.1 million increase in capital assets (net), and a $0.5 million increase in deferred outflow of resources due to GASB 68.

Current and other assets increased by $7.5 million (13%) from the prior fiscal year primarily due to increases in cash and investments, accounts receivable, net Other Post Employment Benefit (OPEB) assets, partially offset by decreases in notes receivable.

Cash and investments increased due to higher revenues collected this year compared to prior year, increase in State Revolving Fund (SRF) loans proceeds, as well as timing of when invoices are received and paid. Net OPEB Asset increased due to additional contributions made to the OPEB trust fund, which is consistent with the OPEB plan and funding policy (see note 9A for additional information) approved by the District board. The decrease in notes receivable is largely due to scheduled principal and interest payments made by the cities of Antioch and Pittsburg for their share of their respective recycled water distribution systems' project costs. Capital assets (net) increased by $4.1 million or 3% compared to prior year due to higher capital expenditures in the current year offset by depreciation and retirements. Capital assets (net) will be discussed further in the capital assets section of this analysis.

Deferred outflows of resources increased by $0.5 million or 15%, which represents District contributions in the current fiscal year after the measurement date of June 30, 2016 and are related to pension reporting requirements under the GASB 68 (third year). Details regarding deferred outflows of resources related to pensions can be found in Note 8B-Retirement.

Liabilities Plus Deferred Inflows. Total liabilities plus deferred inflows of resources increased by of $6.5 million. The $6.5 million increase is primarily due to a $10.4 million increase in long-term debt (net), a $0.1 million increase in deferred inflow of resources due to GASB 68, offset by a $4 million decrease in current and other liabilities.

Long term debt increased by $10.4 million (41%) from the prior fiscal year primarily due to increase a $7.7 million or 67% increase in SRF loans and a $2.7 million or 23% increase in additional net pension liability recognized under GASB 68 this fiscal year.

Deferred inflows of resources increased by $0.1 million which represents the unamortized pension liability as of FYE 2017 per the GASB 68 reporting requirement for pensions. Additional information on long-term debt and net pension liability are discussed in the debt section of this analysis as well as in Note 7 – Long-term Debt and Note 8 – Retirement.

Current and other liabilities decreased by $4 million primarily due a $2.7 million decrease in accreted interest related to the retirement of the 1991 certificates of participation (COPs), $0.5 million decrease in the current portion of long term debt, and a $1.4 million decrease in accounts payable offset by an $0.6 million increase in deposits payable. The decrease in accounts payable is due to timing of when invoices are received and paid and the increase in deposits payable is as result of increase in progress payment retentions resulting for increase in construction activities.

The following tables are shown in comparative format for fiscal year ended June 30, 2017, 2016 and 2015 with variances shown as percentages for analysis.

Condensed Statement of Net Position

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Current and other assets	$64,250,314	$56,781,722	$49,098,936	13%	16%
Capital assets *(net)*	140,744,217	136,602,318	137,848,523	3%	(1)%
Total assets	$204,994,531	$193,384,040	$186,947,459	6%	3%
Deferred outflow of resources *	$4,185,836	$3,632,963	$1,641,445	15%	0%
Current and other liabilities	$6,167,096	$10,150,422	$7,747,446	(39)%	31%
Long-term debt *(net)* *	35,617,169	25,197,594	24,829,730	41%	1%
Total liabilities	$41,784,265	$35,348,016	$32,577,176	18%	9%
Deferred inflows of resources *	$1,204,735	$1,125,637	$2,288,995	0.07	0%
Net position					
Net investment in capital assets	$119,128,874	$122,139,055	$123,992,770	(2)%	(1)%
Restricted	378,358	2,086,398	2,087,120	-82%	(0)%
Unrestricted	46,684,135	36,317,897	27,642,843	29%	31%
Total net position	$166,191,367	$160,543,350	$153,722,733	4%	4%

* GASB 68 requirement on pensions implemented FYE 2015. Long-term debt (net) includes net pension liability.

Statement of Revenue and Expenses and Changes in Net Position. This statement measures the success of the District's over-all operations for the fiscal year and shows cost recovery from user fees and other charges. For the fiscal year, FYE 2017, the District's revenues were $36.5 million, total expenses were $33.3 million. In FYE 2016 the District's revenues were $35.3 million and expenses were $30.7 million while in FYE 2015 the District's revenues were $33 million and expenses were $29 million.

Revenue. Total revenue, excluding capital contributions, for the current fiscal year was $36.5 million, an increase of $1.2 million, or 4.0%, over the prior year results. In FYE 2017, District revenues remained strong and consistent with prior years' results.

The increase in total revenue, excluding capital contributions was a direct result of increases in service charges of $0.8 million or 3%, an increase in other operating revenue of $0.1 million due to increase in work for others and discharge permits, an increase in property taxes of $0.2 million, and an increase in interest income of $0.06 million.

FYE 2017 service charges remained strong at $31.6 million, or 3% higher than FYE 2016 at $30.8 million, which was 7% higher than FYE 2015. The moderate increases in wastewater sewer service rates are consistent with the rate model approved by the District Board each fiscal year and ensures consistent delivery of services with the least possible impact to its rate payers. The current year increase in wastewater service charges is primarily due to a total increase in wastewater sewer service charges of 6.5% approved by the Board plus modest growth in services provided. Note that 2.7% of the 6.5% rate increase is in preparation for the new advanced treatment plant expansion that is anticipated to be built in the future due to more stringent regulatory requirements. A Board designated reserve fund for this project was established beginning in fiscal year 2011/12. For the fiscal year, overall Recycled Water rates for irrigation customers increased slightly by 3.2% primarily due to higher operating costs, particularly salary and benefit increases based on of the Total Compensation Study and increased maintenance costs necessary for the aging recycled water facility. Consumption of recycled water by Calpine (largest recycled water customer) also reduced this fiscal year compared to the prior fiscal year.

The net increase in other operating revenues of $0.1 million or 7% was primarily due to increases in work for others by $0.2 million or 35% partially offset by a decrease in discharge permits and miscellaneous revenue of $0.1 million. Both the work for others and miscellaneous revenue can vary from year-to-year depending on the operating activities related to large multi-agency collaborative and/or multi-year projects as well as when additional non-recurring revenues are collected. For this fiscal year, the decrease in miscellaneous revenue can be attributed to a lower brine discharge revenue and fats, oils, and grease (FOG) tipping fees compared to the prior fiscal year. Discharge permits were slightly lower this year due to a moderate decrease in the number of major discharge permits issued. Other operating revenue in FYE 2017 was $2.1 million, compared to $2 million and $2.1 million for the prior two fiscal years, respectively.

Property taxes and assessments for FYE 2017 at $2.4 million increased slightly by $0.2 million or 10% compared to $2.2 million and $2 million for the prior two fiscal years, respectively. The increase experienced was primarily due to moderate growth in all the three zones; the city of Pittsburg, the un-incorporated city of Bay Point and city of Antioch. The housing market has picked up moderately compared to the downward trend from the housing bubble experienced in the prior years. Interest income was $0.4 million or a 21% increase in the current fiscal year. The increase is consistent with the short-term interest rate market having slightly better interest rate yields compared to last fiscal year. Interest income for each of the prior fiscal years FYE 2016 and FYE 2015 was $0.3 million and $0.2 million, respectively.

Total capital contributions are comprised of capital facilities capacity charges (CFCC)/connection fees, and other capital contributions received from intergovernmental funding sources. Compared to the prior fiscal year, total capital contributions increased by $0.2 million, or 7%. For this fiscal year, despite having a slightly higher CFCC revenue this year, this was reduced by lower other capital contribution/grant revenue than previous fiscal year.

CFCC revenues are one-time charges assessed to connect to the District's wastewater system. These revenues are used to construct expansion projects to serve growth in the District's service area and to pay annual debt service associated with previous expansion projects. CFCC revenues totaled $2.4 million for FYE 2017, 16% or 0.4 million higher than the prior year largely due to higher residential and commercial connections. This year's total equivalent residential unit (ERU) additions were 596 compared to 442 new ERUs in FYE 2016 and 409 ERUs in FYE 2015. For FYE 2016 and FYE 2015, CFCC revenue was at $2.0 million and $1.9 million, respectively.

Other capital contributions/grant revenue can fluctuate from year-to-year depending on project activities and availability of funds primarily from Federal and State agencies. Despite a challenging year for securing grants, for FYE 2017, the District received a total of $13,000 of other capital contributions from subgrants. There were no federal grants secured for FYE 2017. Other capital contributions for FYE 2016 and FYE 2015 were $0.2 million and $0.4 million, respectively.

The following tables are shown in comparative format for fiscal year ended June 30, 2017, 2016 and 2015 with variances shown as percentages for analysis.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Service charges	$31,572,922	$30,755,640	$28,626,113	3%	7%
Other operating revenues	2,121,889	1,989,673	2,147,690	7%	(7)%
Property Taxes	2,455,507	2,230,458	1,974,773	10%	13%
Interest income	359,034	297,905	207,369	21%	44%
Other non-operating revenues	36,540	36,125	40,159	1%	(10)%
Total revenues	$36,545,892	$35,309,801	$32,996,104	4%	7%
Salaries and benefits	$16,951,986	$12,796,436	$12,304,139	32%	4%
Chemicals and utilities	2,772,504	2,649,252	2,567,767	5%	3%
Depreciation and amortization	6,881,767	6,993,567	6,959,201	(2)%	0%
Other operating expenses	6,297,325	7,378,633	6,352,457	(15)%	16%
Interest expense	371,091	662,132	735,098	(44)%	(10)%
Other non-operating expenses	(3,739)	217,711	0	(102)%	
Total expenses	$33,270,934	$30,697,731	$28,918,662	8%	0.06
Income (loss) before capital contributions	$3,274,958	$4,612,070	$4,077,442	(29)%	13%
Add: Capacity charges - connection fees	2,359,761	2,031,409	1,926,982	16%	5%
Add: Other capital contributions	13,298	177,138	363,704	(92)%	(51)%
Changes in net position	$5,648,017	$6,820,617	$6,368,128	(17)%	7%
Net position - beginning of year	$160,543,350	$153,722,733	$159,157,292	4%	(3)%
Less: GASB 68 implementation adjustment *	$0	$0	($11,802,689)	0%	(100)%
Net position - beginning of year, as restated *	$160,543,350	$153,722,733	$147,354,604		
Net position - end of year	$166,191,367	$160,543,350	$153,722,733	4%	4%

* GASB 68 requirement on pensions implemented FYE 2015.

Expenses. Combined expenses for FYE 2017 totaled $33.3 million, an increase of $2.6 million, or 8%, from prior year. Total expenses for FYE 2016 and FYE 2015 were $30.7 million and $28.9 million, respectively.

Total expenses increased by $2.6 million primarily due to an increase in salaries and benefits of $4.2 million, offset by a decrease in other operating expenses, interest expense, and other non-operating expense of $1.1 million, $0.3 million, and $0.2 million respectively.

Salaries and benefits totaled $17 million, an increase of $4.2 million or 32% compared to the prior fiscal year. This was primarily due to an increase in pension expense of $3.2 million, and a combination of the following factors: less vacant positions, moderate compensation increases due to promotions, merit and cost-of-living adjustments (2.6%), plus slightly higher employee benefits compared to the prior fiscal year. Total salaries and benefits for FYE 2016 and FYE 2015 were $12.8 million and $12.3 million, respectively. See financial footnotes section Note 8 – Retirement for more detail on the pension expense.

All other operating expenses excluding salaries totaled $16.3 million, a decrease of $1.6 million or 9% from last year. The decrease is largely due to a $1.1 million decrease in outside services and maintenance this year compared to the prior year. The lower cost of outside services was primarily due to lower maintenance expenses, lower temporary labor, and lower rehabilitation costs compared to prior year. Interest expense decreased by $0.3 million consistent with the debt payment schedule and other non-operating expenses decreased by $0.2 million due to higher proceeds on fixed asset retirements in FYE 2017. All other operating expenses for FYE 2016 and FYE 2015 were $17.9 million and $16.6 million, respectively.

Depreciation remained relatively steady at $7.0 million compared to prior year. Total depreciation for FYE 2016 and FYE 2015 were $7.0 million per year.

CAPITAL ASSETS AND DEBT

Capital Assets. Capital assets (net of depreciation) for FYE 2017, FYE 2016, and FYE 2015 totaled $140.8 million, $136.6 million, and $137.8 million, respectively. In the current year, the total increase in total capital assets (net of depreciation) was 3% or $4.1 million compared to the prior year. The increase in total capital assets (net of depreciation) is the result of increases in construction in progress offset by decreases in in depreciable capital assets.

Capital Assets (net of accumulated depreciation)

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Land	$2,719,251	2,719,251	$2,719,251	0%	0%
Construction in progress	20,653,811	9,912,098	5,187,415	108%	91%
Treatment & collection system *(net)*	116,595,303	123,140,389	129,171,587	(5)%	(5)%
Equipment *(net)*	775,855	830,580	770,270	(7)%	8%
Total capital assets *(net)*	$140,744,220	$136,602,318	$137,848,523	3%	(1)%

Depreciable capital assets had a net decrease of $6.6 million, the net result of $0.3 million of capital assets added for the year, offset by accumulated depreciation (net of adjustments) for the year of $6.9 million. Additional depreciable capital assets purchased for the year were primarily due to capital investments (net of disposals) in the treatment and collection systems necessary to provide continuous reliable service to its customers.

Construction in progress had a net increase of $10.7 million or 108%; this is primarily due to a large number of capital projects that have not been completed for the fiscal year. Construction in progress totaled $20.7 million for the fiscal year consistent with the District's implementation of its Capital Improvement Program (CIP). The CIP document identifies the District's capital needs with its corresponding sources of revenue over a five-year horizon and is updated annually.

This year's major construction in progress projects (73% of $20.7 million) include:

Project Description	Acquisition Costs
Bay Area Biosolids to Energy	$2,471,157
Pittsburg Forcemain Rehabilitation	10,468,131
Bay Point Rehabilitation	2,124,661
Tower Pump Station Rehabilitation	2,074,400
Total	**$17,138,349**

Each year, the District continues to expand and improve its wastewater treatment, conveyance and collection systems to comply with stricter environmental regulations as well as to minimize sewer overflows and/or any disruptions of service. For additional information, see accompanying notes to the financial statements No.5 – Capital Assets.

Debt. Total net debt obligations for FYE 2017, FYE 2016, and FYE 2015, totaled $36.6 million, $29.4 million, and $29.1 million, respectively. Outstanding debt increased by $7.2 million or 25% this year compared to the prior year. The increase is due to SRF loan drawdown, $1.9 million was for the 2016 Bay Point rehabilitation project, which had a 30-year term with 1.9% interest and $6.7 million for the Pittsburg Forcemain rehabilitation and an increase of $2.8 million in net pension liability related to pensions under GASB 68 recognized this year of $2.8million, offset by decreases in debt related to retirement of the 1991 COPs and 1997 SRF loan.

The 1991 certificates of participation (COPs) and related interest, the 1997, 2010, 2011 and 2015 California State Revolving Fund (SRF) loans, 2015 California Energy Commission and the 2011 installment note payable decrease annually due to scheduled principal payments. The District did not issue any new bonded debt this fiscal year. The outstanding debt previously issued funded improvements, replacements and expansion of the wastewater, recycled water and sewage systems. The 1991 COPs and related interest was fully repaid in November 2016. The source of funds for repayment of debt issued for expansion purposes is the capital facility capacity charges/CFCC.

Long-term Debt including Net Pension Liability (net of amortization)

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
1991 Certificates of participation (COPs)		$642,041	$1,327,509	(100)%	(52)%
1991 COPs accreted interest		2,667,959	4,909,838	(100)%	(46)%
1997 State revolving fund loan (SRF)		212,826	421,882	(100)%	(50)%
2010 SRF loan	4,437,977	4,753,149	5,068,079	(7)%	(6)%
2011 Installment Note Payable	1,542,156	1,594,676	1,764,088	(3)%	(10)%
2011 SRF loan	4,227,632	4,438,586	4,644,195	(5)%	(4)%
2015 California Energy Commission loan	608,219	655,696	630,000	(7)%	4%
2015 Bay Point SRF loan	1,114,056	1,143,995	0	(3)%	
2016 Pittsburg Forcemain SRF loan	7,624,170	948,459	0	704%	
2016 SRF loan	2,017,507	73,835	0	2632%	
2017 SRF loan	43,626				
Net Pension Liability *	15,002,675	12,245,259	10,317,451	23%	19%
Total long-term debt *(net)*	$36,618,018	$29,376,481	$29,083,041	25%	1%

* Net pension liability under GASB 68 requirement on pensions implemented FYE 2015.

For additional information, see accompanying notes to the financial statements Note 7 – Long-term Debt.

The latest debt rating review (November 2015) received by the District resulted in the credit rating of AA being reaffirmed by Standard & Poor (S&P). S&P views the outlook for this AA rating as stable and reflects the District's very strong financial performance. S&P pointed out the primary reason for reaffirming for the second time this strong bond rating is the District Board's willingness to continue to adjust rates incrementally and the very prudent approach to start collecting and setting aside funds for the advanced treatment plant project in anticipation of nutrient removal regulations. This is evidenced by the continued strong financial performance, debt service coverage and strong liquidity; competitive rates; manageable capital plan with expansion costs historically financed from connection fees; and a stable and diverse customer base largely collected through the County's Teeter Plan.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Economic decline and recovery: affects the District's capacity/connection fees, which is based on construction growth and development; and over-all investment income, which is dependent on prevailing market interest rates. Also, the economy may affect the District's ability to collect some fees that are directly billed. Any market losses can potentially affect District investments and OPEB trust fund balances.

- Changes in the State budget and future legislation, including the recent passage of the California Pension Reform Act of 2013 and, although limited, future state borrowing from local governments. The California pension reforms will result in future savings to the District due to lower required employer contribution rates. However, should the CalPERS reduce the current assumed rate of return on investments, it will result in additional employer retirement contributions for the District.

- Changes in Federal or State budgets and legislation could affect the District's ability to secure additional grant funding and low interest loans.

- Changes in assessed property values affects the District's property tax revenue. As the housing market improves, the assessed property values should follow, thereby increasing the District's property tax revenue. Conversely, any decline with the housing market will decrease property values and correspondingly decrease property tax for the District.

- Changes in the Governmental Accounting Standard Board (GASB) pronouncements related to financial reporting, including GASB 68 pension plan reporting implemented in FYE 2015 and GASB 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

All of these factors to the extent known were considered in preparing the District's budget for FYE 2017.

Next Year's Budget and Rates. The District has a three-year operating budget cycle, with the latest covering FY2015/16 through FY2017/18. The District annually conducts reviews and updates the budget document, and the Board's policy is that the budget appropriation must be adopted by the first meeting in July. FY2017/18 is the third year of the current three-year operating budget cycle adopted on July 8, 2015.

In July 2017, the Board adopted the FY2017/18 operating budget with a budget expense appropriation of $29.3 million. As discussed in the Debt section of this report, the 1991 COPs fully matured in December 2016. In FY 2017/18, the wastewater expansion fund will start repayment of any inter-fund loan owed to other District funds. As a policy, the District Board approves any inter-fund borrowing and/or external debt financing.

As noted earlier, the District has a five-year Capital Improvement Program which is updated annually. In June 2017, the Board adopted the FY2017/18–2021/22 CIP. The 2017 update of the capital plan includes additional projects over the next five years in support of the District's five core programs: Wastewater, Recycled Water, Household Hazardous Waste, Street Sweeping and Bay Point Collection. The FY2017/18–2021/22 CIP includes approximately $95.2 million for planned projects over five years. It includes 11 new projects with an estimated combined total value of $13 million. Approval of the CIP establishes the new FY 2017/18 CIP total budget appropriation of $22 million. A majority of these large capital projects are funded through low-interest SRF loans.

In October 2017, the District acquired 28 acres of land from Dow chemical for $3.5 million. There are no immediate plans for the property, but by acquiring the property the District will be able to maintain a buffer zone from potential development on the remaining Dow parcel while strategically securing space for future expansion or process improvements.

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

Wastewater Sewer Service Charges
The District's collection of sewer service charges is primarily done through the Contra Costa County property tax roll (Teeter Plan). Actual increases to these charges, if any, are considered by the Board annually based on updated cash flow projections. At the June 14, 2017 Board meeting, the Board approved a 6.5% rate increase on sewer service charges for FY 2017/18. The total increase of 6.5% in sewer service charges is comprised of a 3.8% rate increase needed to adequately meet projected expenditures for the year, coupled with an additional increase of 2.7%, setting aside funds for a future major advanced treatment project anticipated to be required to meet likely new discharge regulations. This was the sixth year with an incremental 2.7% increase for this purpose and is expected to continue through FY 2019/20. The additional 2.7% are deposited into a Board approved designated reserve fund for future advanced treatment costs. This early initiation of funding will avoid significant rate spikes in the future. As of FYE 2017, the Advanced Treatment reserve fund has a balance of $11.2 million.

Recycled Water Service Charges
In July 2017, FY 2017/2018 recycled water rates were adopted by the Board for both irrigation customers and Calpine Corporation (Calpine), the District's primary recycled water customer. The overall recycled water rate for irrigation customers was set at $366.51 per acre foot or -0.1% decrease compared to last year. The overall recycled water rate for Calpine was set at $472.69 per acre foot or -3.8% decrease compared to last year. The overall rates are well under the costs of potable water.

The Calpine monthly stability surcharge was increased to $35,000 from $30,000 per month. This increase was to ensure that a reasonable operating reserve fund is reestablished as the current reserve level has been relatively low due to continued uncertainty about the level of future use of recycled water by the Calpine plants. It is projected that the Calpine monthly stability surcharge will continue for the foreseeable future. This will be evaluated on an annual basis. The additional recycled water surcharges from the cities of Antioch and Pittsburg are to cover each city's share of the project costs related to the recycled water. For additional information on the recycled water surcharges for each city, see the financial footnotes section Note 3 – Notes Receivable.

The Board approved in the last quarter of FY 2014/15 the expansion of the recycled water program to two additional customers on three sites: Pittsburg Unified School District (Pittsburg High School and Rancho Medanos Junior High School) and Contra Costa Waste Service. These new sites are now in operation and has provided additional recycled water revenue. Caltrans was also added as a recycled water customer in FY2016/17. The expansion of the recycled water program will result in a favorable environmental and fiscal impact for the District and its rate-payers. The recycled water rate was reviewed and recommended for approval by the recycled water Advisory Committee on rates composed of Calpine, the cities of Pittsburg and Antioch, and District staff.

Cost of Living Adjustments (COLA)
The bargaining unit MOUs provide that COLA will be effective the first full pay period after July 1 each year, from a minimum of 2% up to 5%, based on the April to April change in the Consumer Price Index (CPI), San Francisco/Bay Area, Wage Earners. The April 2017 year-over-year CPI was 3.7% or 0.7% more than previously assumed, which will be effective in FY 2017/18.

OPEB and the District's Retiree Health Funding Plan
The District participates in a qualified, irrevocable trust fund that is established solely for the purpose of paying OPEB obligations. As of FYE 2017, the irrevocable trust fund has a balance of $11.4 million. In July 2011, per the Board approved District Retiree Health Funding Plan, employees began contributing to the OPEB trust. The maximum employee contribution towards OPEB of 3% of base salary was reached in July 2012. Contributions are expected to continue in FY 2017/18 and the District will be matching the employees' contribution. It is projected that the combination of employees' and the District required match contribution will fund over half of the FYE 2018 Annual Required Contribution (ARC). The District's required matching contribution and an additional $500 thousand contribution to OPEB is included in the FY 2017/18 benefits budget. The Board's adopted OPEB funding policy states the Board's intent to fully fund the remaining annual obligation. For additional information on OPEB, see accompanying notes to the financial statements Note .9 – Other Post-Employment Benefits (OPEB).

Pensions
On November 9, 2011, the District's Board approved side letters to each of the three employee bargaining unit's Memoranda of Understanding (MOU) related to pension reform. This initiative will result in Tier I employees making the full employee contribution of 8% to CalPERS over time. It also created a second tier pension plan (Tier II) for employees hired on or after July 1, 2012, which will result in substantially lower employer contributions by the District, as well as these new employees fully paying the employee contributions. In addition, there are provisions for the District matching of employee deferred compensation contributions of up to 4% over time for Tier I plan employees and up to 3.5% for Tier II employees immediately upon hire. The financial impact of these changes began in FY 2013/14, with the Tier I employee payments into CalPERS at 1% of salaries. Employee payments will increase to 5% in FY 2017/18, further reducing costs that otherwise would have been budgeted as District-paid benefits. The District match increased to 2% of employee contributions into a deferred compensation account in FY 2016/17. The California Public Employees' Pension Reform Act of 2013 (AB 340 or PEPRA) was implemented in fiscal year 2012/13. After PEPRA, the District now has three pensions (Tiers I-III), and has reduced benefit formulas for Tiers II and III relative to Tier I. For the most part, savings from PEPRA will come far in the future, as the majority of the changes apply only to newly-hired employees, and none of these changes affect the existing unfunded pension liability.

Since the implementation of the Tier II retirement plan, the District has experienced difficulty in finding highly qualified and/or certified employees for positions that would be best filled by "classic" employees with public agency, particularly special district experience. Highly technical positions such as engineers and treatment plant operators, which require specialized experience to meet certification standards, have been particularly challenging. On September 14, 2016, the District board approved side letters for Tier II employees changing the Tier II retirement benefit formula from 2.0% at age 55 to 2.5% at age 55 on a prospective basis. This "modified" pension benefit is currently being reviewed by CalPERS and will take time to get a determination. Until implemented, an alternate plan comparable to 2.5% at age 55 was approved providing Tier II employees an additional 1.281% employer contribution to their 401(a) account until a contract amendment with Calpers becomes effective for the new retirement formula.

CalPERS Rate of Return Reductions and Employer Contribution Rates
In December 2016, The CalPERS Board of Directors reduced its assumed annual rate of return from 7.5% to 7% over a three-year period. Under the three-year reduction the rate of return for the pension fund would be reduced to 7.35%, 7.25%, and 7.0% for each fiscal year beginning in in July 1,2017. Differences in the assumed rate and actual rate of return would have an impact on the District's pension liability.

Starting FY 2015/16 CalPERS collects employer contributions towards the unfunded liability as dollar amounts instead of the prior method (as a percent of payroll), which was included as part of the contribution rate. In July 2017, the District made a pre-payment of $654 thousand towards the unfunded liability (included in the FY 2017/18 benefits budget) instead of paying in monthly increments. The savings resulted from pre-payment is approximately 4.0% in interest earnings on the principal amount.

For fiscal year 2017/18, the required employer contribution for pension Tiers I, II and III employees are 12.3%, 9.4%, and 7%, respectively. See accompanying notes to the financial statements No.8 – Retirement Plan for additional information.

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

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DELTA DIABLO
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	$11,230,529	$2,168,573
Investments (Note 2)	29,579,996	33,478,014
Accounts receivable	1,207,308	1,033,378
Interest receivable	83,720	47,945
Notes receivable, current portion (Note 3)	327,406	323,917
Employee computer loans receivable, current portion (Note 4)	10,222	13,722
Materials and supplies (Note 1H)	930,157	967,658
Prepaid expenses	110,509	163,799
Total current assets	43,479,847	38,197,006
NON-CURRENT ASSETS		
Restricted investments (Note 2H)	745,747	2,254,027
Designated investments (Note 2I)	12,397,780	9,089,791
Other Assets:		
Notes receivable, less current portion (Note 3)	4,365,727	4,693,133
Employee computer loans receivable, less current portion (Note 4)	5,779	8,814
Net OPEB asset (Note 9)	3,255,434	2,538,951
Total other assets	7,626,940	7,240,898
Capital Assets (Note 5):		
Capital assets, non-depreciable	23,373,062	12,631,349
Depreciable capital assets, net of accumulated depreciation	117,371,155	123,970,969
Total capital assets, net	140,744,217	136,602,318
Total noncurrent assets	161,514,684	155,187,034
TOTAL ASSETS	204,994,531	193,384,040
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions (Note 8)	4,185,836	3,632,963

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2,016
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$2,693,491	$4,050,078
Accrued payroll and benefits	610,248	656,006
Deposits payable	843,958	220,965
Unearned revenue	82,209	84,022
Compensated absences - current portion (Note 6)	799,037	723,696
Current portion of long-term debt (Note 7)	1,000,849	1,510,928
Accreted interest (Note 7)		2,667,959
Accrued interest payable	12,132	4,076
Total current liabilities	6,041,924	9,917,730
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7):		
State revolving fund loans	19,130,664	11,410,179
Installment sale agreement	1,483,830	1,542,156
Total long-term debt, net of current portion	20,614,494	12,952,335
Compensated absences -net of current portion (Note 6)	94,051	201,571
Property tax refund	31,121	31,121
Net pension liability (Note 8)	15,002,675	12,245,259
Total long-term liabilities	35,742,341	25,430,286
TOTAL LIABILITIES	41,784,265	35,348,016
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 8)	1,204,735	1,125,637
NET POSITION (Note 11)		
Net investment in capital assets	119,128,874	122,139,055
Restricted for debt service	378,358	2,086,398
Unrestricted	46,684,135	36,317,897
TOTAL NET POSITION	$166,191,367	$160,543,350

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Service charges	$31,572,922	$30,755,640
Discharge permits	124,250	145,750
Household hazardous waste operating fees	472,479	468,206
Miscellaneous	613,001	699,005
Work for others	912,159	676,712
Total operating revenues	33,694,811	32,745,313
OPERATING EXPENSES		
Salaries and benefits	16,951,986	12,796,436
Chemicals	1,027,234	1,160,518
Depreciation (Note 5)	6,881,767	6,993,567
Office expense	1,000,593	1,002,275
Operating expense	902,781	855,157
Outside service and maintenance	4,137,773	5,265,128
Travel and meetings	95,369	85,006
Utilities	1,745,270	1,488,734
Other	160,809	171,067
Total operating expenses	32,903,582	29,817,888
OPERATING INCOME	791,229	2,927,425
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(371,091)	(662,132)
Interest income	359,034	297,905
Capital facilities capacity charges (Note 1I)	2,359,761	2,031,409
Lease revenue (Note 12)	36,540	36,125
Gain (Loss) on sale of asset	3,739	(217,711)
State grants		37,500
Subgrants	13,298	139,638
Property taxes	2,455,507	2,230,458
Total nonoperating revenues (expenses), net	4,856,788	3,893,192
NET INCOME	5,648,017	6,820,617
NET POSITION, BEGINNING OF YEAR	160,543,350	153,722,733
NET POSITION, END OF YEAR	$166,191,367	$160,543,350

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$33,520,881	$32,866,632
Payments to employees	(14,029,799)	(12,017,606)
Payments to utilities	(1,745,270)	(1,488,734)
Payments to contractual/professional services	(3,514,780)	(5,177,630)
Payments to suppliers	(4,196,404)	(660,064)
Other receipts (payments)	(257,991)	(257,762)
Net Cash Provided by Operating Activities	9,776,637	13,264,836
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	2,455,507	2,230,458
State, federal and sub grants	13,298	177,138
Receipts (payments) on employee computer loans	6,535	(1,178)
Cash Flows from Noncapital Financing Activities	2,475,340	2,406,418
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(11,023,667)	(8,336,006)
Proceeds from sale of capital assets	3,739	(217,711)
Proceeds from loan agreements	8,705,233	2,663,768
Interest paid on long-term debt	(3,030,994)	(705,832)
Payment of long-term debt	(1,553,152)	(4,298,137)
Connection fees	2,359,761	2,031,409
Cash Flows (used for) Capital and Related Financing Activities	(4,539,080)	(8,862,509)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption and acquisition of investments	665,343	(8,317,325)
Receipts on note	323,917	320,566
Interest received on investments	323,259	267,356
Interest received on lease	36,540	36,125
Cash Flows provided by Investing Activities	1,349,059	(7,693,278)
NET INCREASE IN CASH	9,061,956	(884,533)
Cash, beginning of year	2,168,573	3,053,106
Cash, end of year	$11,230,529	$2,168,573
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$791,229	$2,927,425
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	6,881,767	6,993,567
Change in assets and liabilities:		
Receivables, net	(173,930)	121,319
Materials and supplies	37,501	(60,914)
Prepaid expenses	53,290	147,567
Accounts payable and accrued expenses	(1,356,587)	2,271,233
Accrued payroll and related expenses	(77,937)	120,086
Deposits payable	622,993	87,498
Unearned revenue	(1,813)	(1,689)
Net OPEB asset	716,483	746,804
Net pension liability	2,283,641	(88,060)
Net cash provided by operating activities	$9,776,637	$13,264,836
SCHEDULE OF NON CASH ACTIVITY		
Accreted interest on bonds	($2,667,959)	($2,241,879)
Change in fair value of investments	(49,507)	(9,368)

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Investments with Trustees:		
Cash equivalents	$330,663	$330,147
Fixed income mutual funds	4,247,309	6,072,506
Equity mutual funds	6,824,200	2,742,687
Total investments	11,402,172	9,145,340
Total Assets	$11,402,172	$9,145,340
NET POSITION		
Net position held in trust for OPEB benefits	$11,402,172	$9,145,340

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 YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
ADDITIONS		
Contributions:		
District	$1,836,275	$1,558,803
Total contributions	1,836,275	1,558,803
Investment income:		
Interest, dividends and other	896,887	(68,781)
Less: investment expenses	(19,883)	(45,224)
Total net investment income	877,004	(114,005)
Total additions	2,713,279	1,444,798
Distributions:		
Payments made to retirees	456,447	487,973
Total distributions	456,447	487,973
Change in net position	2,256,832	956,825
NET POSITION		
Beginning of year as restated (Note 1.M.)	9,145,340	8,188,515
End of year	$11,402,172	$9,145,340

See accompanying notes to basic financial statements

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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 territory of the cities of Antioch and Pittsburg and the community of Bay Point. Treatment of the wastewater collected from the three communities began in 1982.

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

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

Other Post-Employment Benefits Plan – 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, 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 is 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, benefit and enjoyment of the public served by the District. The Corporation has no members and the Board of Directors of the Corporation consists of the same persons who are serving as the Board of Directors of the District. There are no 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 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 the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Plan 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

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

E. Use of Estimates

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

F. Compensated Absences

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

G. Cash and Cash Equivalents

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

H. Materials and Supplies

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Revenues – Capital Facilities Capacity Charges

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

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

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. The District has only one item that qualifies for reporting in this category.

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 or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category.

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 City 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2017.

GASB Statement No. 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans* - The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement had no effect on the financial statements.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units of all states and local governments. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement had no effect on the financial statements.

GASB Statement No. 82 - Pension Issues – an amendment of GASB Statements No. 67, No. 68,and No. 73 - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement had no effect on the financial statements.

M. Restatement of Assets and Net Position

During fiscal year 2017, the District determined that the OPEB Trust established in 2008 should be reported as an OPEB Trust Fund. As a result, beginning net position of the Trust fund has been restated in the amount of $8,188,515 for fiscal year 2016.

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,	
	2017	2016
Cash, available for District operations	$11,230,529	$2,168,573
Investments, available for District operations	29,579,996	33,478,014
Restricted cash and investments	745,747	2,254,027
Designated cash and investments	12,397,780	9,089,791
Total Cash and Investments	$53,954,052	$46,990,405

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

	June 30, 2017	June 30, 2016
Cash on hand	$800	$800
Investment in County Treasury Pool	2,897,035	1,374,667
Deposits with financial institutions	4,679,973	866,681
Investments	46,376,244	44,748,257
Total Cash and Investments	$53,954,052	$46,990,405

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
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
Local Agency Investment Fund	n/a		$40 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

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

E. Interest Rate Risk

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call dates, at June 30, 2017:

Investment Type	12 Months or less	Total
Held by District:		
Corporate Notes	$1,002,168	$1,002,168
California Local Agency Investment Fund	41,353,966	41,353,966
Money Market Mutual Funds (U.S. Securities)	4,020,110	4,020,110
Total Investments	$46,376,244	$46,376,244

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, 2016:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
Held by District:				
U.S. Government Agency Obligations		$1,950,981		$1,950,981
Corporate Notes		2,011,649	$1,004,332	3,015,981
California Local Agency Investment Fund	$37,977,232			37,977,232
Money Market Mutual Funds (U.S. Securities)	42,054			42,054
Held by Trustees:				
Certificates of Deposit	1,761,996			1,761,996
Money Market Mutual Funds (U.S. Securities)	13			13
Total Investments	$39,781,295	$3,962,630	$1,004,332	$44,748,257

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, 2017 and 2016, these investments matured in an average of 194 and 169 days, respectively.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Money market mutual funds are available for withdrawal on demand. At June 30, 2017 and 2016, these investments matured in an average of 43 and 42 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, 2017 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, 2017 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	Total
Held by District:		
Corporate Notes	$1,002,168	$1,002,168
Money Market Mutual Funds (U.S. Securities)	4,020,110	4,020,110
Totals	$5,022,278	5,022,278
Not rated:		
California Local Agency Investment Fund		41,353,966
Total Investments		$46,376,244

Presented below is the actual rating as of June 30, 2016 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	Total
Held by District:		
U.S. Government Agency Obligations	$1,950,981	$1,950,981
Corporate Notes	3,015,981	3,015,981
Money Market Mutual Funds (U.S. Securities)	42,054	$42,054
Held by Trustees:		
Certificates of Deposit	1,761,996	1,761,996
Money Market Mutual Funds (U.S. Securities)	13	13
Totals	$6,771,025	6,771,025
Not rated:		
California Local Agency Investment Fund		37,977,232
Total Investments		$44,748,257

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. Concentration Risk

There are no instances of concentration risk at June 30, 2017 and June 30, 2016.

H. Restricted Cash and Investments

The District has the following restrictions on cash and investments:

Restricted for Debt Service – 1991 Bonds - The District has moneys held by Wells Fargo Bank as trustee, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by the Bank. The investment amounts for June 30, 2016 are $37,447 and $1,722,593 respectively, totaling $1,760,040. The 1991 Bonds were paid off by the District in 2017; as such no investments were reported at June 30, 2017.

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 $378,358 and $326,358 at June 30, 2017 and 2016, respectively.

Restricted for Escrow – Pittsburg Force Main Improvement Project – The District held $367,389 as of June 30, 2017 in escrow related to retentions on the construction project. The retentions are to be paid out once the project has been completed and accepted by the District.

I. Board Designated Investments

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

Designated for Advanced Treatment Plant - The District has designated investments for the anticipation of the need for an advanced treatment plant in the amount of $11,187,962, and $7,736,961 at June 30, 2017 and 2016, respectively.

Designated for Operations and Maintenance Rate Stabilization - The District has designated investments for rate increases due to loss of revenue, increased retirement costs or other unanticipated significant expenses in the amount of $600,000, at June 30, 2017 and 2016, respectively.

Designated for Related Employee Benefits Costs - The District has designated investments in accordance with employee labor contracts for the purpose of paying future benefits in connection with salary continuation in the amount $109,818, and $132,000 at June 30, 2017 and 2016, respectively.

The District has designated investments to fund future increases associates with employee benefit costs related to Contra Costa County Employees Retirement Association (CCCERA) retirement plan. The District discontinued participation in the CCCERA retirement plant effective June 20, 2004. The termination agreement provides for an evaluation of any additional liability owed to CCCERA ever three years. See additional information in Note 8C. As of June 30, 2017 and 2016, the amount designated for CCCERA employee benefit costs is $0 and $120,830, respectively.

NOTE 2 – CASH AND INVESTMENTS (Continued)

As of June 30, 2017 and 2016, respectively, the total amount for designated related employee benefits costs is $109,818 and $252,830.

Designated for Insurance - The District has designated investments for potential insurance claims in the amount of $500,000, at both June 30, 2017 and 2016, respectively.

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, 2017:

Investment Type	Level 2	Total
Investments Measured at Fair Value:		
U.S. Securities	$4,020,110	$4,020,110
Corporate Notes	1,002,168	1,002,168
Investment in County Treasury Pool	2,897,035	2,897,035
Total Investments	$7,919,313	$7,919,313
Investments Measured at Amortized Cost:		
California Local Agency Investment Fund		41,353,966
Cash in banks and on hand		4,680,773
Total Cash and investments		$53,954,052

U.S. Securities and Corporate Notes categorized as Level 2 are valued based on matrix pricing which uses observable market inputs such as yield curves and market indices that are derived principally from or corroborated by observable inputs market data by correlation to other means.

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2016:

Investment Type	Level 2	Exempt	Total
California Local Agency Investment Fund		$37,977,232	$37,977,232
U.S. Government Agency Obligations	$1,950,981		1,950,981
U.S. Securities	42,054		42,054
Corporate Notes	3,015,981		3,015,981
Investment in County Treasury Pool	1,374,667		1,374,667
Held by Trustees:			
Money Market Mutual Fund		13	13
Certificates of Deposits		1,761,996	1,761,996
Total Investments	$6,383,683	$39,739,241	46,122,924
Cash in banks and on hand			867,481
Total Cash and investments			$46,990,405

NOTE 3 – NOTES RECEIVABLE

Notes receivable at June 30 consisted of the following:

	2017	2016
RWF:		
City of Antioch	$3,508,074	$3,757,207
City of Antioch - Surcharge	907,330	949,695
City of Pittsburg - Surcharge	213,582	244,187
HHW:		
Contra Costa County	64,147	65,961
Total Notes Receivable	4,693,133	5,017,050
Less: Current Portion	(327,406)	(323,917)
Long-Term Portion	$4,365,727	$4,693,133

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, 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.

In fiscal year 2011/2012, 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.

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 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).

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.

NOTE 3 – NOTES RECEIVABLE (Continued)

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 its share in full.

NOTE 4 – EMPLOYEE COMPUTER LOANS RECEIVABLE

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

	2017	2016
Employee computer loans	$16,001	$22,536
Less: current portion	(10,222)	(13,722)
Long-term portion	$5,779	$8,814

NOTE 5 – CAPITAL ASSETS

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

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

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

NOTE 5 – CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2016	Additions	Transfers	Retirement	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	$2,719,251				$2,719,251
Construction in Progress	9,912,098	$10,968,755	($227,042)		20,653,811
Total capital assets not being depreciated	12,631,349	10,968,755	(227,042)		23,373,062
Capital assets being depreciated:					
Treatment & Collection System	229,356,754				229,356,753
Equipment	4,909,401	54,912	227,042	($7,378)	5,183,977
Total capital assets being depreciated	234,266,155	54,912	227,042	(7,378)	234,540,730
Less accumulated depreciation for:					
Treatment & Collection System	106,216,365	6,545,087			112,761,452
Equipment	4,078,821	336,680		(7,378)	4,408,123
Total accumulated depreciation	110,295,186	$6,881,767		($7,378)	117,169,575
Net capital assets being depreciated	123,970,969				117,371,155
Total Capital Assets, net	$136,602,318				$140,744,217

Construction in progress represents construction of treatment and collection facilities.

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.

As of June 30, the changes in compensated absences were as follows:

	2017	2016
Beginning Balance	$925,267	$818,112
Additions	787,530	941,907
Payments	(819,709)	(834,752)
Ending Balance	$893,088	$925,267
Current Portion	$799,037	$723,696
Non Current Portion	$94,051	$201,571

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, 2017 was $108,673 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

	Original Issue Amount	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Amount due within one year
1991 Certificates of Participation Wastewater Facilities Expansion Project, 4.6-6.25%, due 12/01/2016	$17,454,950	$642,041		$642,041		
Accreted interest on 1991 Certificates		2,667,959		2,667,959		
1997 State Revolving Fund Loan 1.80%, due 12/31/2016	3,611,046	212,826		212,826		
2010 State Revolving Fund Loan .077% due 4/03/2030	6,325,503	4,753,149		315,172	$4,437,977	$315,415
2011 Installment Sale Agreement 4.9%, due 6/24/2031	2,344,210	1,594,676		52,520	1,542,156	58,326
2011 State Revolving Fund Loan 2.60%, due 4/03/2033	5,041,873	4,438,586		210,954	4,227,632	216,439
2015 California Energy Commission Loan 1.00%, due 06/22/2029	630,000	655,696		47,477	608,219	47,953
2015 Bay Point State Revolving Fund Loan 1.9% due 11/01/2044	1,188,820	1,143,995		29,939	1,114,056	30,506
2016 PB State Revolving Fund Loan 1.9% due 11/1/2046	12,000,000	948,459	$6,675,711		7,624,170	271,746
2016 WW State Revolving Fund Loan 1.9% due 12/30/2046	2,054,000	73,835	1,985,895	42,223	2,017,507	60,464
2017 WW State Revolving Fund Loan 1.9% due 6/1/2048	6,000,000		43,626		43,626	
Total Long-Term Debt		17,131,222	$8,705,232	$4,221,111	$21,615,343	$1,000,849
Less: Amount due within one year		(4,278,887)			(1,000,849)	
Total Long-Term Debt, net		$12,852,335			$20,614,494	

B. 1991 Subordinated Certificates of Participation

The District issued Certificates of Participation (COPs) on November 1, 1991, to finance the acquisition and construction of public improvements of the wastewater and sewage systems. The bonds are payable from revenues of the District. Final maturity of the COP is due in December 2016. The principal and interest for the 1991 COPs start maturing on December 1, 2010 and every year thereafter through fiscal year 2017. The District paid off the bonds in fiscal year 2017.

C. 1997 State Revolving Fund (SRF) Loan

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

NOTE 7 – LONG-TERM DEBT (Continued)

D. 2010 State Revolving Fund (SRF) Loan

The District entered into a loan contract with the State of California (State Water Resources Control Board) on July 8, 2009, for the purpose of financing the Antioch/Delta Diablo Sanitation District Recycled Water Project. The loan amount totals $6,325,503 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.

E. 2011 Installment Sale Agreement

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

F. 2011 State Revolving Fund (SRF) Loan

The District entered into a loan contract with the State of California (State Water Resources Control Board) on March 25, 2011, for the purpose of financing the Aeration System Improvement Project. The loan amount totals $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. The principal and interest payments are payable from all net revenue of the District.

On April 8, 2015 the District amended an agreement with the State of California (State Water Resources Control Board) to loan up to $4,929,680 at zero percent interest. However, the District agrees to pay a Small Community Grant Fund Charge at 2.6% per annum. Principal and additional charges are due beginning on April 3, 2015 through the fiscal year 2033.

G. 2015 California Energy Commission

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.

H. 2015 Bay Point State Revolving Fund (SRF) Loan

On October 8, 2014, the District entered into a loan agreement with the State of California (State 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.

NOTE 7 – LONG-TERM DEBT (Continued)

I. 2016 Wastewater State Revolving Loan

On August 8, 2014, the District entered into a loan agreement with the State of California (State 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, 2044.

J. 2016 Pittsburg State Revolving Fund (SRF) Loan

On October, 24, 2014, the District entered into a loan agreement with the State of California (state 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 state 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.

K. 2017 Wastewater State Revolving Loan

On September 23, 2016, the District entered into a loan agreement with the State of California (State Water Resources Control Board) for the purpose of financing the Recycled Water System Storage Tank Project. The loan principal totals $6,000,000 with a 30-year term and stated interest of 1% per annum. Principal and interest payments are due semi-annually, on November 1 and May 1, commencing on December 1, 2018 and maturing on December 1, 2048.

L. Debt Service Requirements

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

For The Year Ending June 30	Principal	Interest	Total
2018	$1,000,849	$381,817	$1,382,666
2019	1,003,037	379,710	1,382,747
2020	946,654	364,667	1,311,321
2021	965,665	349,015	1,314,680
2022	985,354	332,767	1,318,121
2023 - 2027	5,248,385	1,396,843	6,645,228
2028 - 2032	5,511,545	951,581	6,463,126
2033 - 2037	2,226,612	473,548	2,700,160
2038 - 2042	2,096,839	266,609	2,363,448
2043 - 2045	1,630,403	73,682	1,704,085
Total payments due	$21,615,343	$4,970,239	$26,585,582

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, 2016, 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	8.0%	7.0%	6.5%
Required employer contribution rates	12.252%	9.343%	7.066%

NOTE 8 – RETIREMENT (Continued)

Beginning in fiscal year 2017, 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 on July 2016. The District's total annual required contribution was $1,353,075 in fiscal year 2017.

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's 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:

	2017	2016
	Miscellaneous Tier I, II & III	Miscellaneous Tier I, II & III
Contributions - employer	$1,246,445	$1,353,075
Contributions - employee (paid by employer)	416,592	316,837

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 positon 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:

	2017	2016
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
Miscellaneous Tier I, II & III	$13,258,795	$10,279,890
Total Net Pension Liability	$13,258,795	$10,279,890

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, 2015, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	Miscellaneous Tier I, II & III
Proportion - June 30, 2015	0.37470%
Proportion - June 30, 2016	0.38167%
Change - Increase (Decrease)	0.00697%

For the year ended June 30, 2017, the District's recognized pension expense of $2,505,130. At June 30, 2017, 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	$1,663,037	
Differences between actual and expected experience	48,063	($11,013)
Changes in assumptions		(454,718)
Net differences in actual contributions and proportionate contributions	108,078	
Net differences between projected and actual earnings on pension plan investments	2,366,658	
Adjustments due to differences in proportion		(739,004)
Total	$4,185,836	($1,204,735)

Deferred outflows of $1,663,037 related to contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended June 30, 2017.

NOTE 8 – RETIREMENT (Continued)

At June 30, 2016, 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	$1,669,912	
Differences between actual and expected experience	79,249	
Changes in assumptions		($749,769)
Net differences in actual contributions and proportionate contributions	189,147	
Net differences between projected and actual earnings on pension plan investments		(375,868)
Adjustments due to differences in proportion	1,694,655	
Total	$3,632,963	($1,125,637)

Deferred outflows of $1,669,912 related to contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Miscellaneous -Tier I, II, & III	
Year Ended June 30	
2018	($258,251)
2019	(130,957)
2020	1,094,279
2021	612,993
Thereafter	0
Total	$1,318,064

NOTE 8 – RETIREMENT (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5% (1)

(1) Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2016 actuarial experience study for the period 1997 to 2011, 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.

Change of Assumptions **–** GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.5 percent used for the June 30, 2016 measurement date was net of administrative expenses. The discount rate of 7.5 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2016 measurement date were the same as those used for the June 30, 2016 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

NOTE 8 – RETIREMENT (Continued)

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 (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Policy Strategic Allocation	Market Value ($ Billion)
Global Equity	50.0%	$158.2
Private Equity	14.0%	$31.5
Global Fixed Income	17.0%	$58.8
Liquidity	4.0%	$9.0
Real Assets	11.0%	$29.6
Inflation Sensitive Assets	4.0%	$9.9
Absolute Return Strategy (ARS)	0.0%	$4.5
Total	100%	$301.5

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:

	Miscellaneous · Tier I, II & III
1% Decrease	6.65%
Net Pension Liability	$20,550,801
Current Discount Rate	7.65%
Net Pension Liability	$13,258,795
1% Increase	8.65%
Net Pension Liability	$7,232,314

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. 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 to employee benefit costs increases. On December 16, 2013, CCCERA's actuary has conducted and determined the District's termination liability using the triennial experience analysis as of December 31, 2012. Based on this analysis and in accordance with the termination agreement with CCCERA, the District's unfunded obligation of $2,953,683 is to be amortized over 15 years, resulting in annual payments of $329,438 starting December 31, 2013. The next triennial actuarial valuation is expected on December 2016. As of June 30, 2017, in accordance with GASB 68, the District recorded a net pension liability of $1,743,880 under the CCCERA plan.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Plan Description and Funding Policy

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

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

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

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

At June 30, 2017 to total participants were:

Number of Participants	
Active	80
Retirees and Spouses Covered	50
Total	130

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2012 actuarial valuation, the most recent available, using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.5% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3% inflation rate and (d) health care cost trend rates from 5.0% to 6.7% for medical benefits. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least tri-ennially as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis. As of June 30, 2017, there were 21-years remaining in the initial 30-year amortization period.

C. Funding Progress and Funded Status

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

Net OPEB Obligation (Asset) at June 30, 2015		($1,792,147)
Annual OPEB cost - fiscal 2015/2016:		
Annual required contribution (ARC)	$813,000	
Interest on Net OPEB Obligation	(81,000)	
Adjustments to ARC	80,000	
Annual OPEB cost - fiscal 2015/2016	812,000	
Less contributions made during fiscal year 2015/2016:		
Contributions made to PARS irrevocable trust	1,558,804	
Total contributions	1,558,804	
(Decrease) in net OPEB obligation		(746,804)
Net OPEB Obligation (Asset) at June 30, 2016		(2,538,951)
Annual OPEB cost - fiscal 2016/2017:		
Annual required contribution (ARC)	924,000	
Interest on Net OPEB Asset	(165,000)	
Adjustments to ARC	167,000	
Annual OPEB cost - fiscal 2016/2017	926,000	
Less contributions made during fiscal year 2016/2017:		
Contributions made to PARS irrevocable trust	1,642,483	
Total contributions	1,642,483	
Increase in net OPEB asset		(716,483)
Net OPEB Obligation (Asset) at June 30, 2017		($3,255,434)

As of the June 30, 2016 Actuarial Valuation, the actuarial accrued liability (AAL) representing the present value of future benefits amounted to $12,598,000.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2017	$926,000	$1,642,483	177%	($3,255,434)
June 30, 2016	812,000	1,558,804	192%	(2,538,951)
June 30, 2015	790,000	1,333,769	169%	(1,792,147)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the last three actuarial studies are presented in the Required Supplementary Information section.

D. OPEB Trust Fund

Plan Administration

The Public Agency Retirement Services (PARS) administers the District's retiree healthcare benefit plan – an Agent Multiple-Employer OPEB Plan that provides healthcare benefits for eligible employees of the District.

	Fiscal Year Ended June 30, 2017
Plan Type	Agent Multiple Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The District invests in the Balanced HighMark PLUS portfolio; the dual goals of the Balanced Strategy are growth of principal and income. The following is the District adopted asset allocation policy as of June 30, 2017.

Asset Class	Target Allocation
Equity	60%
Fixed Income	35%
Cash	5%
Total	100%

Investments of the OPEB Trust fund at June 30, 2017 consisted of $11,402,172.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Investment Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2017, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	$15,896,000	$9,145,000	$6,751,000
Changes Recognized for the Measurement Period:			
Service Cost	702,000		702,000
Interest on the total OPEB liability	1,056,000		1,056,000
Changes in benefit terms	-		-
Difference between expected and actual experience	(12,000)		(12,000)
Changes of assumptions	-		-
Contributions from the employer	-	1,505,000	(1,505,000)
Contributions from the employee	-	262,000	(262,000)
Net investment income	-	1,236,000	(1,236,000)
Administrative expenses	-	(26,000)	26,000
Benefit payments and refunds	(720,000)	(720,000)	-
Net Changes during July 1, 2016 to June 30, 2017	1,026,000	2,257,000	(1,231,000)
Balance at June 30, 2017 (Measurement Date)	$16,922,000	$11,402,000	$5,520,000

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Measurement Date	June 30, 2016	
Funding Policy	Pre-funding to PARS Trust	
Trend	**Non-Medicare**	**Medicare**
	6.5%	6.7%
	6.0%	6.1%
	5.5%	5.6%
	5.0%	5.0%
Actuarial Assumptions:		
Discount Rate	6.50%	
Inflation	3.00%	
Investment Rate of Return	6.50%	
Mortality	Modified MP-2014	

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2017. 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 future benefit payments of current plan members. 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.

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

In accordance with GASB 74, regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2017, calculated using the discount rate of 6.50%, as well as what the Plan'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 rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (5.5%)	Current Discount Rate (6.5%)	Discount Rate +1% (7.5%)
$7,782,000	$5,520,000	$3,673,000

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Healthcare Cost Trend Rates	Discount Rate +1%
$3,336,000	$5,520,000	$8,230,000

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.

NOTE 10 – RISK MANAGEMENT (Continued)

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 Authority as of June 30, 2017:

Type of Coverage	Limits	Deductibles
General Liability	$15,000,000	$100,000
Excess General Liability	25,500,000	15,000,000
Worker's Compensation	750,000	None
Excess Worker's Compensation Liability	Statutory Limit	750,000
Special Form Property	168,243,643	25,000
Public Entity Pollution Liability	2,000,000	75,000
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.

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 captions. 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 $1,192,125 at June 30, 2017. 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
2018	$36,540
2019	36,540
2020	36,540
2021	36,540
2022	36,540
2023 - 2027	182,700
2028 - 2032	182,700
2033 - 2037	182,700
2038 - 2042	182,700
2043 - 2047	182,700
2048 - 2050	109,620
	$1,205,820

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 $10,969,622 and $2,646,664 as of June 30, 2017 and 2016, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

Delta Diablo, a Cost-Sharing Defined Pension Plan
As of fiscal year ending June 30, 2017
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	Miscellaneous		
	Tier I & II	**Tier I & II**	**Tier I & II**
	6/30/2016	**6/30/2015**	**6/30/2014**
Plan's Proportion of the Net Pension Liability/Asset	0.3817%	0.3747%	0.3345%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$13,258,795	$10,279,890	$10,961,818
Plan's Covered Payroll	$7,557,557	$8,138,640	$7,681,566
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	175.44%	126.31%	142.70%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	24.48%	20.43%	24.57%

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

Delta Diablo, a Cost-Sharing Defined Pension Plan

As of fiscal year ending June 30, 2017

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	Miscellaneous Tier I, II, & III Fiscal Year 2016-2017	**Miscellaneous Tier I, II, & III Fiscal Year 2015-2016**	**Miscellaneous Tier I, II, & III Fiscal Year 2014-2015**
Actuarially determined contribution	$1,663,037	$1,669,912	$1,251,178
Contributions in relation to the actuarially determined contributions	(1,663,037)	(1,669,912)	(1,251,178)
Contribution deficiency (excess)	$0	$0	$0
Covered payroll	$8,274,225	$7,557,557	$8,138,640
Contributions as a percentage of covered payroll	20.10%	22.10%	15.37%
Notes to Schedule			
Valuation date:	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	7.65%, net of pension plan investment and administrative expenses,	7.5%, net of pension plan investment and administrative expenses,
Retirement age	55 yrs. Misc., 62 yrs. Tier 2	
Mortality	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.

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

Other Post Retirement Benefits Trend Data

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
June 30, 2016	$9,604,000	$15,896,000	$6,292,000	60.42%	$8,148,000	77.22%
June 30, 2014	6,768,000	12,598,000	5,830,000	53.72%	7,923,000	73.58%
June 30, 2012	3,416,000	10,963,000	7,547,000	31.16%	8,054,000	93.70%

Delta Diablo
As of fiscal year ending June 30, 2017

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*
Other Post-Employment Benefits (OPEB)

Measurement period		2016-17
Total OPEB liability		
Service cost	$	702,000
Interest		1,056,000
Differences between expected and actual experience		(12,000)
Assumption changes		-
Benefit payments, including refunds of employee contributions		(720,000)
Net change in total OPEB liability		1,026,000
Total OPEB liability - beginning		15,896,000
Total OPEB liability - ending (a)	$	16,922,000
OPEB fiduciary net position		
Contributions - employer	$	1,505,000
Contributions - employee		262,000
Net investment income		1,236,000
Benefit payments, including refunds of employee contributions		(720,000)
Administrative expense		(26,000)
Net change in plan fiduciary net position		2,257,000
Plan fiduciary net position - beginning		9,145,000
Plan fiduciary net position - ending (b)	$	11,402,000
Plan net OPEB liability - ending (a) - (b)	$	5,520,000
Plan fiduciary net position as a percentage of the total OPEB liability		67.38%
Covered payroll	$	8,724,000
Plan net OPEB liability as a percentage of covered payroll		63.27%

Historical information is required only for the measurement periods for which GASB 75 is applicable.
* Fiscal year 2017 was the 1st year of implementation.

Delta Diablo

As of fiscal year ending June 30, 2017

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*
Other Post-Employment Benefits (OPEB)

Year ended June 30	Actuarially determined contributions	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered payroll *	Contributions as a percentage of covered employee payroll
2008	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A
2010	$849,000	$965,000	($116,000)	N/A	N/A
2011	1,032,000	1,221,000	($189,000)	N/A	N/A
2012	962,000	1,354,000	($392,000)	N/A	N/A
2013	974,000	1,317,000	($343,000)	N/A	N/A
2014	1,006,000	1,425,000	($419,000)	N/A	N/A
2015	793,000	1,114,000	($321,000)	N/A	N/A
2016	813,000	1,307,000	($494,000)	N/A	N/A
2017	924,000	1,505,000	($581,000)	8,724,000	10.59%

*GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 06/30/17.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date 6/30/2016

Discount Rate 6.50%

Long-Term Net Rate of Return 6.50%

Municipal Bond Rate N/A

Source of Municipal Bond Rate N/A

General Inflation 3.00%

Aggregate Payroll Increases 3.25%

Merit Payroll Increases CalPERS 1997 - 2011

Demographic Assumptions CalPERS 1997 - 2011

Mortality Improvement Scale Modified MP - 2014

Healthcare Trend:

	Non-Medicare	Medicare
2018	6.5%	6.7%
2019	6.0%	6.1%
2020	5.5%	5.6%
2021+	5.0%	5.0%

Actuarial Cost Method Entry Age Normal Level Percent of Pay

SUPPLEMENTARY INFORMATION

DELTA DIABLO
SUPPLEMENTARY SCHEDULE OF NET POSITION - PROPRIETARY FUND TYPE
ENTERPRISE FUNDS
JUNE 30, 2017

	Waste Water [(A)]	Waste Water Expansion [(B)]	Recycled Water Facility	Hazardous Waste
ASSETS				
CURRENT ASSETS:				
Cash	$7,325,718	$1,768,414	$347,270	$204,552
Investments	21,423,278	73,195	3,802,244	160,000
Accounts receivable	476,290	1,220	601,179	114,688
Interfund receivable	8,790,000		60,000	
Interest receivable	67,028	169	7,648	
Current portion of notes receivable			325,457	1,949
Current portion of employee computer loans receivable	10,222			
Inventory	882,585		47,572	
Prepaid expenses	100,957		9,552	
Total current assets	39,076,078	1,842,998	5,200,922	481,189
NON-CURRENT ASSETS:				
Restricted cash and investments	601,900	91,847		
Cash and investments	12,397,780			
CAPITAL ASSETS:				
Capital assets, non depreciable	17,331,403	2,623,254	1,293,744	
Capital assets, net of accumulated depreciation	81,752,833		31,168,740	1,380,891
Total capital assets, net	99,084,236	2,623,254	32,462,484	1,380,891
OTHER ASSETS				
Notes receivable less current portion			4,303,529	62,198
Employee notes receivable less current portion	5,779			
Net OPEB asset	3,255,434			
Total other assets	3,261,213		4,303,529	62,198
Total Noncurrent Assets	115,345,129	2,715,101	36,766,013	1,443,089
TOTAL ASSETS	154,421,207	4,558,099	41,966,935	1,924,278
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	4,185,836			
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	1,670,771	255,883	516,006	156,471
Accrued payroll and benefits	569,317	943	22,840	4,682
Interfund payable		8,790,000	60,000	
Deposits payable	645,794	163,093	35,071	
Deferred revenue	18,062			64,147
Compensated absences - due within one year	799,037			
Current portion of long-term debt	594,464		315,415	
Accrued interest payable	8,257	2,917		
Total current liabilities	4,305,702	9,212,836	949,332	225,300
NON-CURRENT LIABILITIES:				
Long-term debt, net of current portion:				
Certificates of participation				
State revolving fund loans	10,017,840	1,906,042	4,166,188	
Installment sale agreement	1,483,830			
Compensated absences - due in more than one year	94,051			
Property tax refund, net of current portion	31,121			
Net pension liability	15,002,675			
Total long-term liabilities	26,629,517	1,906,042	4,166,188	
TOTAL LIABILITIES	30,935,219	11,118,878	5,115,520	225,300
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	1,204,735			
NET POSITION				
Net investment in capital assets	86,988,102	717,212	27,980,881	1,380,891
Restricted for debt service	378,358			
Restricted for capital projects	275,542			
Unrestricted	38,825,087	(7,277,991)	8,870,534	318,087
TOTAL NET POSITION (DEFICIT)	$126,467,089	($6,560,779)	$36,851,415	$1,698,978

[(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 designations for Advanced Treatment Plant.
[(B)] Wastewater Expansion is funded by developers for connection fees.
[(C)] Street Sweeping is funded by user charges. Street sweeping activities prior to fiscal year 06/07 were reported under Waste Water.
[(D)] Bay Point is funded by user charges. Bay Point activities prior to fiscal year 06/07 were reported under Waste Water.

Street Sweeping [C]	Bay Point [D]	Total
$253,576	$1,330,999	$11,230,529
860,377	3,260,902	29,579,996
$56	13,875	1,207,308
		8,850,000
1,718	7,157	83,720
		327,406
		10,222
		930,157
		110,509
1,115,727	4,612,933	52,329,847
	52,000	745,747
		12,397,780
	2,124,661	23,373,062
	3,068,691	117,371,155
	5,193,352	140,744,217
		4,365,727
		5,779
		3,255,434
		7,626,940
	5,245,352	161,514,684
1,115,727	9,858,285	213,844,531
		4,185,836
76,754	17,606	2,693,491
	12,466	610,248
		8,850,000
		843,958
		82,209
		799,037
	90,970	1,000,849
	958	12,132
76,754	122,000	14,891,924
	3,040,594	19,130,664
		1,483,830
		94,051
		31,121
		15,002,675
	3,040,594	35,742,341
76,754	3,162,594	50,634,265
		1,204,735
	2,061,788	119,128,874
		378,358
		275,542
1,038,973	4,633,903	46,408,593
$1,038,973	$6,695,691	$166,191,367

DELTA DIABLO
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND TYPE ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Waste Water (A)	Waste Water Expansion (B)	Recycled Water Facility	Household Hazardous Waste
OPERATING REVENUES				
Service charges	$26,676,210		$3,252,975	
Discharge permits	124,250			
Household hazardous waste operating fees				$472,479
Miscellaneous	612,292	$78		631
Work for others	810,435		104,600	(2,876)
Total operating revenues	28,223,187	78	3,357,575	470,234
OPERATING EXPENSES				
Salaries and benefits	15,887,983		521,274	176,442
Chemicals	628,581		398,588	
Depreciation	5,455,608		1,290,784	39,588
Office expense	958,712		27,034	11,312
Operating expense	819,250		38,647	23,895
Outside services and maintenance	2,799,345	(11,888)	229,663	482,678
Travel and meetings	90,997		1,513	2,376
Utilities	1,334,200		410,368	702
Other	91,803			
Total operating expenses	28,066,479	(11,888)	2,917,871	736,993
OPERATING INCOME (LOSS)	156,708	11,966	439,704	(266,759)
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(246,122)	(81,078)	(3,660)	
Interest income	226,278	12,107	81,352	9,376
Capital facilities capacity charges		2,354,833	4,928	
Lease revenue	36,540			
Gain (Loss) on sale of assets	3,739			
Subgrants			13,298	
Property taxes	2,303,068	152,439		
Total nonoperating revenues	2,323,503	2,438,301	95,918	9,376
NET INCOME (LOSS) BEFORE TRANSFERS	2,480,211	2,450,267	535,622	(257,383)
Transfers In	312,165	760,671		224,296
Transfers (Out)	(142,451)	(84,592)	(1,070,089)	
Total transfers in (out)	169,714	676,079	(1,070,089)	224,296
NET INCOME (LOSS) AFTER TRANSFERS	2,649,925	3,126,346	(534,467)	(33,087)
NET POSITION (DEFICIT), BEGINNING OF YEAR	123,817,164	(9,687,125)	37,385,882	1,732,065
NET POSITION (DEFICIT), END OF YEAR	$126,467,089	($6,560,779)	$36,851,415	$1,698,978

(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 designations for Advanced Treatment Plant.

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

(C) Street Sweeping is funded by user charges. Street sweeping activities prior to fiscal year 06/07 were reported under Waste Water.

(D) Bay Point is funded by user charges. Bay Point activities prior to fiscal year 06/07 were reported under Waste Water.

Street Sweeping (C)	Bay Point (D)	Total
$618,407	$1,025,330	$31,572,922
		124,250
		472,479
		613,001
		912,159
618,407	1,025,330	33,694,811
274	366,013	16,951,986
	65	1,027,234
	95,787	6,881,767
	3,535	1,000,593
	20,989	902,781
594,937	43,038	4,137,773
	483	95,369
		1,745,270
	69,006	160,809
595,211	598,916	32,903,582
23,196	426,414	791,229
	(40,231)	(371,091)
6,156	23,765	359,034
		2,359,761
		36,540
		3,739
		13,298
		2,455,507
6,156	(16,466)	4,856,788
29,352	409,948	5,648,017
		1,297,132
		(1,297,132)
29,352	409,948	5,648,017
1,009,621	6,285,743	160,543,350
$1,038,973	$6,695,691	$166,191,367

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