DELTA DIABLO SANITATION DISTRICT

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

PREPARED BY THE
FINANCE DEPARTMENT

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BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Diablo Sanitation District
Antioch, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Delta Diablo Sanitation District (District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Delta Diablo Sanitation District as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 63-*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which became effective during the year ended June 30, 2013 and required certain title changes to the Statement of Net Position and Statement of Changes in Net Position. See Note 1J to the financial statements for relevant disclosures.

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Maze & Associates

Pleasant Hill, California
October 18, 2013

The intent of the management's discussion and analysis (MD&A) is to provide a narrative overview and analysis of the financial activities of Delta Diablo Sanitation District for the fiscal year ended June 30, 2013.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS
This section is intended to serve as an introduction to be read in conjunction with Delta Diablo Sanitation District's basic financial statements. The district-wide financial statements are shown on pages 16-43. 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 Sanitation District is improving or deteriorating.

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

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

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

FINANCIAL HIGHLIGHTS

- The District's combined net position totaled $154.4 million.
- During the fiscal year, total net position decreased by $0.3 million.
- Total assets decreased by $3.7 million or 2%
- Total liabilities decreased by $3.4 million or 11%
- Total revenues were $33.1 million, an increase of $3.1 million or 10%.
- Total expenses were $33.4 million, an increase of $3.9 million or 13%.
- Capital contributions were $2.8 million, an increase of $0.9 million or 47%

FINANCIAL ANALYSIS

Statement of Net Position. As noted earlier, the changes in net position serve as a useful indicator of Delta Diablo Sanitation District's financial position over time. The District's remains financially sound with combined total net position as of June 30, 2013 at $154.4 million. For the current fiscal year, the District's net position has decreased by $0.3 million. The last two fiscal years prior, the District's net position has steadily grown $0.5 million or less than 1%, and by $3.2 million or 2%, respectively.

The current fiscal year's decrease is a net result of capital contributions ($2.8 million) minus a loss before contributions ($3.0 million). 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 $154.4 million. This positive result is indicative of the District's strong financial position. The largest portion of Delta Diablo Sanitation District's net position (83%) is net investment in capital assets (land, treatment and collection facilities, machinery and equipment) net of related debt. These capital assets are necessary to provide services to District rate payers, so these assets are not available for future spending. For the current fiscal year, these assets decreased by $1.5 million primarily due lesser investments made in total capital assets compared to the prior fiscal year. An additional portion of the District's net position (1.0%) represents resources that are subject to external restrictions such as for debt service and for capital projects on how these resources may be used. The net decrease in restricted net position of $0.2 million for this fiscal year is primarily due to decrease in restricted investments that were used for acquisition, construction of capital assets for the current fiscal year. The remaining balance of the District's net position (16%) represents the unrestricted portion of the net position. Unrestricted net position increased by $1.4 million for the current year at $24.2 million to-date. The increase in unrestricted net position is primarily correlated to the corresponding decrease in the net investment in capital assets for the same amount. 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 decreased by $3.7 million or 2%, and total liabilities decreased by $3.4 million or 11%; resulting in a net decrease of total net position for the current fiscal year by $0.3 million compared to last fiscal year. The District does not have any deferred outflows and inflows balances as of June 30, 2013.

Assets. For fiscal year end (FYE) 2013, current and other assets decreased by $2.0 million (5%) from the prior fiscal year primarily due to decreases in cash, unrestricted and restricted investments, accounts receivable, and prepaid expenses, partially offset by increases in notes receivable, materials and supplies, designated cash and investments, and net Other Post Employment Benefit (OPEB) assets. The decrease in cash and unrestricted investments (9%) is primarily due to the Board approved $3.9 million lump-sum payment of the District's CalPERS side-fund. Restricted investments decreased (9%) due to zero escrow and reduced debt balances due to scheduled debt service payments in the current year. Decreases in accounts receivable are primarily due to timing of when invoices are billed and paid by the District's customers in the current fiscal year compared to the prior fiscal year. The increase in notes receivable is largely due a new note owed by the City of Pittsburg, for the Pittsburg recycled water project, which is being paid through a new fixed surcharge. The net increase in the designated investments is primarily due to funds set aside by the District Board for the advanced treatment process project in anticipation of more stringent future regulatory requirements offset by the decrease in funds set aside for related employee benefit costs. The decrease in designated funds for related employee benefit costs is due to the required annual payment transfers to Contra Costa County Employees Retirement Association (CCCERA) in accordance with the termination agreement to pay for the District's unfunded obligation (see note 2I for additional information). Net OPEB assets increased due to additional contributions made to the OPEB trust fund from the prior fiscal year's unspent contingency and operational savings as directed by the District Board. Capital assets (net) decreased by 1% compared to prior year as there were lesser number of large projects completed in the current year, which will be discussed further in the capital assets section of this analysis.

Liabilities. The net decrease in total liabilities of $3.4 million was attributable to a $1.4 million decrease in current and other liabilities, plus the decrease in long-term debt (net) of $2.0 million. For current and other liabilities, the net decrease is largely due to decreases in accounts payable, accrued payroll and benefits, deposits payable and unearned revenue. Decreases in accounts payable (26%) and deposits payable (98%) compared to the prior year correlates to the reduced investments in capital assets this fiscal year. The decrease in unearned revenue (25%) is primarily for project reimbursements received in advance from partner agencies in the prior year that were earned this fiscal year. Reduced accrued payroll and benefits was primarily due to the annual payment transfers to CCCERA as discussed in the previous paragraph. The decrease in net long-term debt (9%) was due scheduled principal and interest payments towards the debt obligations for the year offset by additional drawdown from new low-interest loan secured from the State of California State Revolving Fund (SRF) to fund the aerations systems improvement project. Additional information on long-term debt is discussed in the debt section of this analysis.

The following tables are shown in comparative format for fiscal year ended June 30, 2013, 2012 and 2011 with variances shown as percentages for analysis.

Condensed Statement of Net Position

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Current and other assets	$38,486,543	$40,508,133	$44,671,864	(5)%	(9)%
Capital assets *(net)*	144,586,963	146,216,647	141,066,027	(1)%	4%
Total assets	$183,073,506	$186,724,780	$185,737,891	(2)%	1%
Current and other liabilities	$7,521,700	$8,881,464	$5,165,979	(15)%	72%
Long-term debt *(net)*	21,182,111	23,198,604	26,442,120	(9)%	(12)%
Total liabilities	$28,703,811	$32,080,068	$31,608,099	(11)%	1%
Net position					
Net investment in capital assets	$128,104,632	$129,564,959	$126,558,087	(1)%	2%
Restricted	2,088,821	2,307,508	1,796,301	(9)%	28%
Unrestricted	24,176,242	22,772,245	25,775,404	6%	(12)%
Total net position	$154,369,695	$154,644,712	$154,129,792	(0)%	0%

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 current fiscal year, FYE 2013, the District's expenses exceeded its revenues by $0.3 million. In the prior two consecutive fiscal years, FYE 2012, and FYE 2011, the District's revenues exceeded its expenses by $0.5 million and $3.2 million, respectively.

This fiscal year's negative result was primarily due to a decision by the District's Board of Directors to pay off its CalPERS side-fund liability with a one-time lump-sum payment of $3.9 million. The use of low earning reserves to pay for the higher interest debt (at 7.5% interest rate) on the CalPERS side fund provides the District's ratepayers the greatest potential savings in the future compared to other alternatives considered. On a "normalized" basis, without the one-time lump-sum payment of this high cost actuarial liability for the current fiscal year, the District would have a positive net position outcome ($3.6 million) consistent with prior fiscal years' results. These positive outcomes over time were achieved due to: the District's continued efforts in aggressively securing additional funding through grants and subgrants; maintaining a stable revenue base with moderate rate increases and adding new revenue streams despite economic challenges faced by most municipalities and special districts since 2008; and containing expenditures to ensure service charge rate increases are kept as low as possible without sacrificing the level of service provided to the public.

Revenue. Total revenue excluding capital contributions for the current fiscal year was $30.4 million, an increase of $2.2 million, or 8.0%, over the prior year results. In FYE 2013, District revenues remained strong, with all major revenue categories higher compared to last fiscal year. Total revenue for FYE 2012 and FYE 2011 were $28.1 million and $26.7 million, respectively.

Total revenue, excluding capital contributions was a direct result of increases in service charges of $2.1 million (9%), along with slight increases in other operating revenue, property taxes, interest income and other non-operating revenues.

FYE 2013 service charges remained strong at $25.8 million, or 9% higher than FYE 2012 at $23.7 million, which was 10% higher than FYE 2011. The gradual moderate increases in wastewater sewer service rates are consistent with the rate model approved by the District Board and ensures consistent delivery of services with the least possible impact to its rate payers. The current year increase in services charges is primarily due to a total of 7.6% increase in wastewater sewer service charges approved by the Board plus modest growth in services provided. 2.7% of the 7.6% rate increase is in preparation for the new advance treatment plant that is anticipated to be built due to more stringent regulatory guidelines. A Board designated reserve fund for this project was established beginning in fiscal year 2011/12. Recycled water service charges also increased by 6% primarily due to higher recycled water consumed by its customers this fiscal year compared to the prior fiscal year. FYE 2013 is the first year the City of Antioch is billed for a monthly recycled water surcharge, reimbursing the District for its additional project costs share related to the recycled water Antioch project. Sewer service charges fund wastewater operations and maintenance, capital asset and capital asset replacement projects. Likewise, recycled water service charges fund recycled water operations, capital asset and capital asset replacements projects.

The net increase in other operating revenues (2%) was primarily due to higher discharge permits (25%), work for others revenue (2%) and miscellaneous revenue (1%), partially offset by a slight decrease in household hazardous waste (HHW) operating fees (3%) this year compared to prior fiscal year. Discharge permits were slightly higher this year due to a moderate increase in the number of major discharge permits issued; both 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. HHW operating fees decreased due to reduced reimbursements from partner agencies this year compared to the prior fiscal year. Other operating revenue in FYE 2013 was $2.7 million, compared to $2.6 million and $3.0 million for the prior two fiscal years, respectively.

Property taxes and assessments increased slightly by 2% for FYE 2013 at $1.6 million, compared with the two previous years' results at $1.6 million and $1.7 million, respectively. The increase experienced was primarily due to additional redevelopment funds received this year. Based on almost flat year-over-year results for the last three years, the downward trend from the housing bubble appears to have subsided. Interest income had a slight increase in the current fiscal year at $0.2 million primarily due to interest from the Antioch recycled water project monthly surcharge that started in FYE 2013. Overall interest rates are still historically low consistent with the continuing downward trend in the short-term interest rate market and over-all declines in the economy since 2008. For FYE 2012 compared to FYE 2011, interest income was $0.2 million and $0.3 million, respectively.

Total capital contributions are comprised of capital facilities capacity charges (CFCC)/connections fees and other capital contributions received from intergovernmental funding sources. Compared to the prior fiscal year, total capital contributions increased by $0.9 million, or 47%. This increase is primarily due to a moderate increase in CFCC/connection fees of $0.6 million coupled with a slight increase in other capital contribution/grant revenue of $0.3 million compared to the prior year.

CFCC revenues are one-time charges assessed to connect to the District's waste water system. These revenues are used to construct expansion projects to serve growth in the District's service area and to pay annual debt service associated with previous expansion projects. CFCC totaled $2.3 million for FYE 2013, a 35% increase over the prior year largely due to higher residential connections (47%) offset by a sharp decline in the number of commercial connections (69%). This year's total equivalent residential unit (ERU) additions were 484 compared to 392 new ERU last fiscal year. These results represent the highest number of new connections and related CFCC revenues collected since fiscal year 2008/2009. FYE 2011 had 457 ERUs, higher industrial connections due to 150 ERU's from a new energy plant. CFCC revenues are about 21% higher than the current budget assumption of 400 ERUs in line with the moderately improved building industry outlook this year, and are consistent with the five-year average of 446 ERUs. For FYE 2012 and FYE 2011, CFCC revenue was $1.7 million and $2.2 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 Federal and State grants, for FYE 2013, the District received a total of $0.5 million of other capital contribution. This includes a Federal grant for $0.2 million, plus $0.3 million from subgrants. The Federal grant received was for the District's recycled water master plan. Other capital contributions for FYE 2012 and 2011 were $0.2 million and $2.2 million, respectively. FYE 2011 was higher due to a heavily grant funded recycled water project for Antioch.

Expenses. Combined expenses for FYE 2013 totaled $33.4 million, an increase of $3.9 million, or 13%, from prior year. Total expenses for FYE 2012 and FYE 2011 were $29.5 million and $27.8 million, respectively. As discussed at the beginning of this section, for the current fiscal year, the increase in combined expenses is primarily from the $3.9 million of CalPERS side fund payment. On a "normalized basis" without this one-time, lump sum liability payment, the District's combined expenses would have been $29.5 million, which is the same as the prior year. Continued efforts were made by District staff to contain expenses for the year. Other than the sharp increase in salaries and benefits primarily due to the CalPERS side fund payment, there were moderate increases in all major expense categories, offset by decreases in net chemical and utilities expense, and interest expense compared to the prior fiscal year.

Salaries and benefits totaled $17.6 million, an increase of $3.7 million or 27% compared to the prior fiscal year. This was primarily due to a combination of the following factors: the one-time $3.9 million CalPERS side-fund payment, five promotions, salary adjustments, merit and cost-of-living adjustments (2.2%), OPEB contribution, worker's compensation (6%) and medical benefit cost (10%) increases, partially offset by lower CalPERS employer contribution and moderate cost savings in dental costs. Total salaries and benefits combined for FYE 2012 and FYE 2011 were $13.9 million and $13.1 million, respectively.

In July 2010, the Board approved the District Retiree Health Funding Plan, whereby employees pay a share of the annual OPEB obligation (1% of salaries per fiscal year up to a 3% maximum) with the District matching the employee's contribution. For FYE 2013, employees started contributing 3% towards OPEB costs that was consequently matched by the District. The net OPEB cost increase was due to the FY2012/2013 scheduled District matching contribution. For additional information on OPEB, see accompanying notes to the financial statements No.9 – OPEB. Medical benefit increases are due to slightly higher medical rates compared to prior year. Worker's compensation moderate increase is primarily attributable to the adjustments made on experience modification factor methodology by the California Sanitation Risk Management Authority (CSRMA) for this fiscal year. CalPERS employer contribution for Tier I decreased as employer contribution rates went down from 25.6% to 16.0% after the side-fund payment was made in October 2012. Dental costs decreased due to lower dental claims experienced for this year compared to prior year.

In FYE 2013, the Public Employees' Pension Reform Act (PEPRA) of 2013 was created with the passing of Assembly Bill 340 (AB 340) signed by the Governor on September 2012. PEPRA implemented reduced benefit formulas, increased retirement age, final compensation period and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of "new member" under this bill. This bill also created a Tier III pension plan for District employees, as well as some changes that affect current employees. For the most part, savings from PEPRA will financially impact the District in the future, as the majority of the changes apply only to newly-hired employees and none of these changes affect employers' existing unfunded pension liability. Benefits for the current year, includes employer contributions to all three tiers. See accompanying notes to the financial statements No.8 – Retirement Plan for additional information.

Other expense categories that increased for FYE 2013 includes depreciation expense, other operating expenses increased offset by decreases in net chemicals and utilities; and interest expense. The majority of these increases are due higher costs incurred this year compared to the prior fiscal year.

Depreciation totaled $6.5 million, increasing by $0.2 million, or 4%, due to the additional capital assets that depreciated this fiscal year compared to prior year. Total depreciation for FYE 2012 and FYE 2011 were $6.3 million and $6.0 million, respectively. Other operating expenses totaled $5.7 million, an increase of $0.2 million from last year primarily due to higher operating expenses incurred largely due to higher cost and usage of gas & oil, higher usage of operating supplies, offset by lower solid waste disposal costs this year compared to the prior year. Other operating expenses for FYE 2012 and FYE 2011 were $5.5 million and $5.0 million, respectively. Interest expense decreased due to the downward trend in market rates and payment of principal owed on debt.

Chemicals and utilities decreased by less than $0.1 million to a total of $2.8 million primarily due to slightly lower utility costs offset by higher chemical costs than prior year. Utilities are lower due combination of operational efficiencies including utility savings from the Solar project. Higher chemical costs were primarily due to increase in price for some chemicals and moderately higher procurement costs. A major factor on the higher freight costs is the cost of gasoline and oil that has been steadily increasing over the years due to market supply and demand. Total chemicals and utilities combined for FYE 2012 and FYE 2011 were $2.8 million and $2.6 million, respectively.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2013	2012	2011	2013 vs. 2012	2011 vs. 2010
Service charges	$25,824,829	$23,741,202	$21,650,025	9%	10%
Other operating revenues	2,677,605	2,615,692	3,029,475	2%	(14)%
Property Taxes	1,627,706	1,591,167	1,662,436	2%	(4)%
Interest income	189,139	151,223	275,653	25%	(45)%
Other non-operating revenues	56,507	41,244	35,773	37%	15%
Total revenues	$30,375,786	$28,140,528	$26,653,362	8%	6%
Salaries and benefits	$17,593,719	$13,892,968	$13,089,446	27%	6%
Chemicals and utilities	2,755,742	2,815,572	2,586,077	(2)%	9%
Depreciation and amortization	6,506,348	6,279,367	5,990,441	4%	5%
Other operating expenses	5,683,360	5,483,266	4,954,305	4%	11%
Interest expense	868,105	1,025,593	1,174,581	(15)%	(13)%
Other non-operating expenses	0	0	0		
Total expenses	$33,407,274	$29,496,766	$27,794,850	13%	6%
Income (loss) before capital contributions	($3,031,488)	($1,356,238)	($1,141,488)	124%	19%
Add: Capacity charges - connection fees	2,280,985	1,687,667	2,160,678	35%	(22)%
Add: Other capital contributions	475,486	183,491	2,156,104	159%	(91)%
Changes in net position	($275,017)	$514,920	$3,175,294	(153)%	(84)%
Net position - beginning of year	$154,644,712	$154,129,792	$150,954,498	0%	2%
Net position - end of year	$154,369,695	$154,644,712	$154,129,792	(0)%	0%

CAPITAL ASSETS AND DEBT

Capital Assets. Capital assets (net of depreciation) for FYE 2013, FYE 2012, and FYE 2011 totaled $144.6 million, $146.2 million and $141.1 million, respectively. In the current year, the total decrease in total capital assets (net of depreciation) was 1% or $1.6 million compared to the prior year. The reduction in total capital assets (net of depreciation) is the result of the construction in progress increasing, offset by the decrease in depreciable capital assets.

Construction in progress had a net increase of $2.3 million; this is primarily due to additional projects that are still classified as in-progress and not completed. Construction in progress totaled $13.4 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.

Depreciable capital assets had a net decrease of $4.0 million, the net result of $2.4 million of capital assets added for the year, offset by accumulated depreciation (net of adjustments) for the year of $6.4 million. Additional depreciable capital assets purchased for the year were due to capital investments (net of disposals) in the treatment and collection systems of $2.3 million, and machinery and equipment of $0.1 million, necessary to provide continuous reliable service to its customers.

Capital Assets (net of accumulated depreciation)

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Land	$2,719,251	$2,719,251	$2,719,251	0%	0%
Construction in progress	13,402,243	11,075,100	16,619,908	21%	(33)%
Treatment & collection system *(net)*	127,681,595	131,577,040	120,654,213	(3)%	9%
Equipment *(net)*	783,879	845,256	1,072,655	(7)%	(21)%
Total capital assets *(net)*	$144,586,968	$146,216,647	$141,066,027	(1)%	4%

Each year, the District continues to expand and improve its wastewater treatment, conveyance and collection systems to comply with stricter environmental regulations as well as to minimize sewer overflow and/or any disruptions of service.

Major treatment and collection systems purchased and/or constructed by the District (94% of $2.3 million) for the fiscal year include:

Project Description	**Acquisition Costs**
WWTP Primary Influent Line/Grit Chamber	$1,572,781
Pittsburg & Antioch Pump St VFD Replacement	387,604
Pittsburg Recycled Water Project Retrofit	200,000
Total	**$2,160,385**

This year's major construction in progress projects (85% of $13.4 million) include:

Project Description	**Acquisition Costs**
Aeration Systems Improvement Construction	$5,351,366
Photovoltaic Energy Gen Project	3,045,123
Bay Area Biosolids To Energy Project Planning	1,262,568
Pittsburg Recycled Water Line Rehabilitation	1,252,458
Conveyance & Treatment System Reliability Improvements	448,232
Total	**$11,359,747**

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

Debt. Total net debt obligations for FYE 2013, FYE 2012, and FYE 2011 totaled $25.4 million, $27.2 million and $26.4 million, respectively. Outstanding debt decreased by $1.8 million or 7% this year compared to the prior year. This net decrease was due to total scheduled principal payments on outstanding debt of $4.0 million, offset by final funds drawn for 2011 SRF loan of $1.3 million plus accreted interest (1991 COP) of $0.8 million.

The 1991 certificates of participation and related interest, both the 1997 and 2010 California State Revolving Fund (SRF) loans, and the 2011 installment note payable decrease annually due to scheduled principal payments. The District did not issue any new bonded debt this fiscal year. This outstanding debt previously issued funded improvements, replacements and expansion of the wastewater, recycled water and sewage systems. The source of funds for repayment of debt issued for expansion purposes is the capital facility capacity charges/CFCC. In the current year, final funds were drawn for the 2011 SRF loan for the aeration systems improvements project. As of June 30, 2013 the total amount of funds drawn for this obligation is $5.0 million; annual payments will commence on April 2014 with interest rate at 2.6% and a 20-years payment term.

Long-term Debt (net of discount)

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
1991 Certificates of participation (COP)	$2,841,714	$3,684,374	$4,583,569	(23)%	(20)%
1991 COP accreted interest	8,872,598	10,509,432	11,934,180	(16)%	(12)%
1997 State revolving fund loan (SRF)	828,955	1,027,100	1,221,736	(19)%	(16)%
2010 SRF loan	5,697,212	6,011,416	6,358,425	(5)%	(5)%
2011 Installment Note Payable	2,072,577	2,212,746	2,344,210	(6)%	(6)%
2011 SRF loan	5,041,873	3,716,052		36%	0%
Total long-term debt *(net)*	$25,354,929	$27,161,120	$26,442,120	(7)%	3%

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

- Changes in the State budget and future legislation, including the recent passage of the California Pension Reform Act of 2013 and, although limited, future state borrowing from local governments. The California pension reforms will result in future savings to the District. However, with the State facing a continued budget crisis and unfavorable economic conditions, it may seek to borrow from local governments as has been done in the past.

- Changes in Federal budget and legislation could affect the District's ability to secure additional Federal 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 revenues for the District.

Next Year's Budget and Rates. The District has a three-year operating budget cycle, with the latest covering FY2012/13 through FY2014/15. The District annually conducts reviews and updates the budget document although Board policy is that the budget appropriation must be adopted by the first meeting in July. The District Board typically adopts budget appropriations annually in June for the upcoming fiscal year starting in July. FY2013/14 is the second year of the current three-year operating budget cycle.

In July 2013, the Board adopted the FY2013/14 operating budget with a total District budget expense appropriation of $34.4 million. Included in the budget Board docket, the Board also authorized short-term borrowings between funds, which will be re-paid with interest. An inter-fund loan of up to $2.3 million was approved from wastewater capital asset replacement fund to wastewater expansion ($1.6 million) and to wastewater capital asset fund ($0.7 million). The wastewater expansion fund is projected to use more funds than available during FY 2013/14 primarily due to anticipated CFCC revenues being lower than scheduled debt service payments. The wastewater capital asset fund is projected to use more funds than available from revenues received and its reserve fund balance in FY 2013/14 based on the adopted CIP. 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 May 2013 the Board adopted the FY2013/14–2017/18 CIP. The 2013 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 FY 2013/14 - 2017/18 CIP includes approximately $52.6 million for planned projects over five years. It includes 17 new projects with an estimated combined total value of $18.5 million. Approval of the CIP establishes the new FY 2013/14 CIP total budget appropriation of $5.7 million.

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

Wastewater Sewer Service Charges

The District's collection of sewer service charges is primarily done through the County Property Tax Roll (Teeter Plan). Actual increases to these charges, if any, are considered by the Board annually based on updated cash flow projections. At the June 13, 2013 Board meeting, the Board approved a total of 6.5% rate increase on sewer service charges for FY 2013/14. This increase is 1.2% lower than projected in last year's rate analysis, primarily due to the Board-approved payoff of the nearly $3.9 million CalPERS side-fund, which was previously being paid over time at an interest rate of 7.5%. This results in savings to ratepayers of nearly 14% of previously projected yearly increases. The total increase of 6.5% in sewer service charges comprises 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 that is required to meet new discharge regulations. This was the third year with an incremental 2.7% increase for this purpose. The additional 2.7% are deposited into a Board approved designated reserve fund for future advance treatment costs. This early initiation of funding will avoid significant rate spikes in the future. It is estimated that the Advance Treatment plant will be designed by FY 2021/22 and complete construction in late FY 2023/24.

Recycled Water Service Charges

On June 2013, the new recycled water rates were established for fiscal year 2013/14 and approved by the District board. The variable rate component was increased by $7.04 per acre foot, or 2.7% with the overall recycled water rates to $320.80 cost per acre foot or 2.2% compared to last year. The rates are well under the costs of treated water.

The new recycled water rates also included one new component for fiscal year 2013/14, a monthly Pittsburg recycled water project surcharge. When the Pittsburg recycled water distribution system was constructed, an existing City pipeline was reused for a portion of the project. This pipeline was near the end of its useful life and subsequently required rehabilitation that was 75% grant funded and 25% locally funded. The local share is the responsibility of the City, which requested that the District recover those costs over time through a recycled water surcharge. The City of Pittsburg recycled water rehabilitation final project cost share was $328,582.50, to be repaid at monthly surcharge amount of $3,365.92 over a ten-year term at 4.25%. The Calpine revenue stability surcharge and the monthly Antioch recycled water project surcharge was also approved to continue for fiscal year 2013/14. The monthly stability surcharge of $20,000 per month will remain due to the continued uncertainty about the level of future use of recycled water by the Calpine plants. This will be evaluated on an annual basis. The additional Antioch recycled water surcharge is to cover the City's share of the project costs in the amount of $1.1 million that exceeded the $5.0 million in principal payments for the low interest SRF loan secured by the District in 2010 on behalf of the City. The $1.1 million owed by the City will be repaid through a monthly recycled water surcharge of $6,825.65 that started in July 2012 over a 20-year period at 4.25% interest.

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 2013 year-over-year CPI was 2.2% or 0.8% less than previously assumed (same as FY2012/13 COLA), which will be effective in fiscal year 2013/14.

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 2013, the irrevocable trust fund has a balance of $5.1 million. In July 2011, per the Board approved District Retiree Health Funding Plan, employees will begin contributing to the OPEB trust a total of 3% of their salaries, which is 1% higher than prior year. 3% is the maximum that will be contributed by employees towards OPEB, which was reached in July 2012. The District will be matching the employee's contribution. It is projected that the combination of employees' and the District required match contribution will fund half of the FYE 2014 annual required contribution. The Board's adopted OPEB funding policy states the Board's intent to fully fund the remaining annual obligation. For additional information on OPEB, see accompanying notes to the financial statements No.9 – OPEB.

Pensions

On November 9, 2011, the District's Board approved side letters to each of the three employee bargaining unit's Memorandum of Understanding (MOU) related to pension reform. This initiative will result in current employees making the full employee contribution of 8% to CalPERS over time. It also created a second tier pension plan (Tier II) for employees hired on or after July 1, 2012, which will result in substantially lower employer contributions by the District, as well as these new employees fully paying the employee contributions. In addition, there are provisions for the District matching of employee deferred compensation contributions of up to 4% over time for Tier I plan employees and up to 3.5% for Tier II employees immediately upon hire. The financial impact of these changes will begin in FY 2013/14, with the Tier I employee payments into CalPERS at 1% of salaries. Employee payments will increase to 2% in FY2014/15, the third year of the new three year budget, further reducing costs that otherwise would have been budgeted as District-paid benefits. Also, beginning in FY2014/15, the District will match up to 1% of employee contributions into a deferred compensation account. The new 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.

CalPERS Rate of Return Reductions and Employer Contribution Rates

The CalPERS Board of Directors reduced its annual rate of return assumption from 7.75% to 7.5%, which CalPERS estimated increasing employer contribution rates by up to 2% beginning in FY2013/14. CalPERS recently decided to phase the increase over two fiscal years, but have not provided specific estimates of how it would be allocated each year. Therefore, the full 2% has been added in FY2013/14 budget. CalPERS issues an annual valuation report, the most recent valuation available was as of June 30, 2011. The District had only Tier I plan employees as of June 30, 2011, the funding status reported is for that risk pool only. The next valuation will be as of June 30, 2012, which will also pertain only to Tier I employees. The June 30, 2013 valuation will also include the Tier II (2.0% at 55) and Tier III (2.0% at 62) plans.

For fiscal year 2013/14, the required employer contribution for pension Tiers I, II and III employees is 16.2%, 11.2%, and 6.7%, 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 Sanitation District - Finance Division at 2500 Pittsburg Antioch Highway, Antioch, California 94509.

DELTA DIABLO SANITATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	$1,590,900	$3,017,682
Investments (Note 2)	23,204,168	24,353,441
Accounts receivable	1,299,010	1,799,380
Interest receivable	13,563	16,438
Notes receivable, current portion (Note 3)	316,735	287,843
Employee computer loans receivable, current portion (Note 4)	11,727	11,575
Materials and supplies (Note 1H)	748,944	716,220
Prepaid expenses	67,345	139,255
Total current assets	27,252,392	30,341,834
NON-CURRENT ASSETS		
Restricted cash and investments (Note 2H)	2,088,821	2,307,478
Cash and investments (Note 2I)	2,892,655	2,192,443
Other Assets:		
Notes receivable, less current portion (Note 3)	5,654,971	5,643,124
Employee computer loans receivable, less current portion (Note 4)	5,958	6,216
Interest receivable		57
Net OPEB asset (Note 9)	591,746	16,981
Total other assets	6,252,675	5,666,378
Capital Assets (Note 5):		
Capital assets, non-depreciable	16,121,494	13,794,351
Depreciable capital assets, net of accumulated depreciation	128,465,469	132,422,296
Total capital assets, net	144,586,963	146,216,647
Total noncurrent assets	155,821,114	156,382,946
TOTAL ASSETS	183,073,506	186,724,780

(Continued)

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$1,014,659	$1,369,745
Accrued payroll and benefits	681,273	867,375
Deposits payable	12,658	812,971
Unearned revenue	722,652	969,125
Compensated absences - current portion (Note 6)	646,977	639,775
Current portion of long-term debt (Note 7)	1,644,110	1,495,176
Accreted interest (Note 7)	2,528,708	2,467,340
Accrued interest payable	7,473	9,259
Total current liabilities	7,258,510	8,630,766
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7):		
Certificates of participation	2,060,422	2,841,714
State revolving fund loans	10,854,597	10,242,220
Installment sale agreement	1,923,202	2,072,578
Accreted interest	6,343,890	8,042,092
Total long-term debt, net of current portion	21,182,111	23,198,604
Compensated absences -net of current portion (Note 6)	232,069	219,577
Property tax refund	31,121	31,121
Total long-term liabilities	21,445,301	23,449,302
TOTAL LIABILITIES	28,703,811	32,080,068
NET POSITION (Note 11)		
Net investment in capital assets	128,104,632	129,564,959
Restricted for debt service	2,088,821	2,201,996
Restricted for capital projects		105,512
Unrestricted	24,176,242	22,772,245
TOTAL NET POSITION	$154,369,695	$154,644,712

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Service charges	$25,824,829	$23,741,202
Discharge permits	186,200	148,900
Household hazardous waste operating fees	457,034	471,627
Miscellaneous	554,666	547,008
Work for others	1,479,705	1,448,157
Total operating revenues	28,502,434	26,356,894
OPERATING EXPENSES		
Salaries and benefits	17,593,719	13,892,968
Chemicals	1,311,718	1,266,027
Depreciation (Note 5)	6,506,348	6,279,367
Office expense	840,356	717,931
Operating expense	812,437	707,657
Outside service and maintenance	3,810,858	3,833,246
Travel and meetings	90,789	97,319
Utilities	1,444,024	1,549,545
Other	128,920	127,113
Total operating expenses	32,539,169	28,471,173
OPERATING INCOME (LOSS)	(4,036,735)	(2,114,279)
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(868,105)	(1,025,593)
Interest income	189,139	151,223
Capital facilities capacity charges (Note 1I)	2,280,985	1,687,667
Lease revenue (Note 12)	36,125	35,949
Gain on sale of asset	20,382	5,295
State grants	(1,742)	1,742
Federal grants	205,043	
Subgrants	272,185	181,749
Property taxes	1,627,706	1,591,167
Total nonoperating revenues (expenses), net	3,761,718	2,629,199
NET INCOME (LOSS)	(275,017)	514,920
NET POSITION, BEGINNING OF YEAR	154,644,712	154,129,792
NET POSITION, END OF YEAR	$154,369,695	$154,644,712

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$29,002,804	$25,992,778
Payments to employees	(17,185,362)	(14,437,225)
Payments to utilities	(1,444,024)	(1,549,545)
Payments to contractual/professional services	(4,611,171)	(3,346,656)
Payments to suppliers	(3,280,411)	(2,718,601)
Other receipts (payments)	(466,182)	(114,951)
Net Cash Provided by Operating Activities	2,015,654	3,825,800
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	1,627,706	1,570,494
State, federal and sub grants	475,486	183,491
Receipts on employee computer loans	106	7,512
Cash Flows from Noncapital Financing Activities	2,103,298	1,761,497
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(4,876,664)	(11,438,206)
Proceeds from sale of capital assets	20,382	5,295
Proceeds from SRF loan	1,325,821	3,716,052
Interest paid on long-term debt	(869,891)	(1,027,348)
Payment of long-term debt	(1,222,182)	(1,572,304)
Connection fees	2,280,985	1,687,667
Cash Flows from (used for) Capital and Related Financing Activities	(3,341,549)	(8,628,844)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption and acquisition of investments, net	667,718	5,826,446
Change in fair value of investments	(3,059,466)	(355,731)
Receipts on note	(40,633)	(1,075,697)
Interest received on investments	192,071	159,625
Interest received on lease	36,125	35,949
Cash Flows from (used for) Investing Activities	(2,204,185)	4,590,592
NET INCREASE (DECREASE) IN CASH	(1,426,782)	1,549,045
Cash, beginning of year	3,017,682	1,468,637
Cash, end of year	$1,590,900	$3,017,682
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (loss)	($4,036,735)	($2,114,279)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	6,506,348	6,279,367
Change in assets and liabilities:		
Receivables, net	500,370	(364,116)
Materials and supplies	(32,724)	96,710
Prepaid expenses	71,910	135,740
Accounts payable and accrued expenses	(355,086)	(259,436)
Accrued payroll and related expenses	(166,408)	(44,875)
Deposits payable	(800,313)	486,590
Unearned revenue	(246,473)	109,481
Net OPEB obligation and asset	574,765	(499,382)
Net cash provided by operating activities	$2,015,654	$3,825,800
SCHEDULE OF NON CASH ACTIVITY		
Accreted interest on bonds	($1,698,202)	($1,481,283)
Change in fair value of investments	(3,059,466)	(355,731)

See accompanying notes to financial statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

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

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

B. Reporting Entity

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

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

C. Basis of Accounting

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Budgets and Budgetary Accounting*

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

E. *Use of Estimates*

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

F. *Compensated Absences*

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

G. *Cash and Cash Equivalents*

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

H. *Materials and Supplies*

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

I. *Revenues – Capital Facilities Capacity Charges*

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Reclassification

For the year ended June 30, 2013, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform to the fiscal year 2012 presentation.

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

GASB Statement No. 60 – In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnerships. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement had no impact on the District's financial statements for fiscal year ending June 30, 2013.

GASB Statement No. 61 – In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. This Statement did not have a material impact on the District's financial statements for fiscal year ending June 30, 2013.

GASB Statement No. 62 – In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement did not have a material impact on the District's financial statements for fiscal year ending June 30, 2013.

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. In addition to assets, the statement of financial position or 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 or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or 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 an inflow of resources (revenue) until that time.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement changed certain financial statement titles and nomenclature on the District's financial statements for fiscal year ending June 30, 2013.

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.

	2013	2012
Cash, available for District operations	$1,590,900	$3,017,682
Investments, available for District operations	23,204,168	24,353,441
Restricted cash and investments	2,088,821	2,307,478
Designated cash and investments	2,892,655	2,192,443
Total Cash and Investments	$29,776,544	$31,871,044

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

	2013	2012
Cash on hand	$800	$800
Deposits held by County Treasury	1,114,117	775,280
Deposits with financial institutions	442,225	2,192,925
Investments	28,219,402	28,796,527
Restricted cash in escrow		105,512
Total Cash and Investments	$29,776,544	$31,871,044

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

The District's Investment Policy and the California Government Code allow the District to invest in the following, 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, 2013:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
Held by District:				
U.S. Government Agency Obligations	$1,006,964	$601,433		$1,608,397
Corporate Notes	1,007,590	611,801		1,619,391
California Local Agency Investment Fund	23,186,031			23,186,031
Money Market Mutual Funds (U.S. Securities)	33,758			33,758
Held by Trustees:				
Certificates of Deposit	509,730	501,495	$760,593	1,771,818
Money Market Mutual Funds (U.S. Securities)	7			7
Total Investments	$25,744,080	$1,714,729	$760,593	$28,219,402

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, 2013 and 2012, these investments matured in an average of 278 and 268 days, respectively.

Money market mutual funds are available for withdrawal on demand. At June 30, 2013 and 2012, these investments matured in an average of 37 and 40 days, respectively.

NOTE 2 – CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2013 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	Total
Held by District:		
U.S. Government Agency Obligations	$1,608,397	$1,608,397
Corporate Notes	1,619,391	1,619,391
Money Market Mutual Funds (U.S. Securities)	33,758	33,758
Held by Trustees:		
Certificates of Deposit	1,771,818	1,771,818
Money Market Mutual Funds (U.S. Securities)	7	7
Totals	$5,033,371	5,033,371
Not rated:		
California Local Agency Investment Fund		23,186,031
Total Investments		$28,219,402

G. Concentration Risk

At June 30, 2013, significant investments in the securities of any individual issuers, other than U.S. Treasury securities, mutual funds, and external investment pools, are set forth below:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	$1,006,904
Federal National Mortgage Association	Federal agency securities	601,432

H. Restricted Cash and Investments

The District has the following restrictions on cash and investments:

Restricted for Escrow – The District has restricted investments in an escrow account for various construction projects in the amounts of $0 and $105,512 as of June 30, 2013 and June 30, 2012, respectively.

Restricted for Debt Service – 1991 Bonds - The District has moneys held by Wells Fargo Bank as trustee, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by the Bank. The cash and investment amounts for June 30, 2013 are $39,883 and $1,722,580 respectively, totaling $1,762,463. The cash and investment amounts for June 30, 2012 were $59,386 and $1,722,580 respectively, totaling $1,781,966.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Restricted for Debt Service – State Revolving Fund Loan- The District has restricted investments in reserves as required by the agreement between the District and the California State Water Resources Control Board State Revolving Fund Loan (SRF) in the amount of $326,358 and $420,000 at June 30, 2013 and 2012, respectively.

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 $1,340,392 and $471,225 at June 30, 2013 and 2012, 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, 2013 and 2012.

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 $128,287 and $131,421 at June 30, 2013 and 2012, respectively.

The District has designated investments to fund future increases associated with employee benefit costs. The District discontinued participation in the Contra Costa County Employees Retirement Association (CCCERA) effective June 20, 2004. The termination agreement provides for an evaluation of any additional liability owed to CCCERA every three years. CCCERA retained certain assets contributed by the District and they remain responsible for retiree benefits for retirees and deferred vested members who were not transferred to the CalPERS system. The designation of 2.44% of payroll annually for Employee Benefit Costs will be a source of funds to address this or other liabilities due to employee benefit costs increases. On December 17, 2010, CCCERA's actuary has conducted and determined the District's termination liability using the triennial experience analysis as of December 31, 2009. Based on this analysis and in accordance with the termination agreement with CCCERA, the District's unfunded obligation is $3,130,886 to be amortized in 15 years, resulting in an annual payment transfer of $360,215 starting December 31, 2010. As of June 30, 2013, the amount designated by the District for Employee Benefit Costs is $323,976, the majority of which will cover the December 2013 payment.

As of June 30, 2013 and 2012, respectively, the total amount for designated related employee benefits costs is $452,263 and $621,218.

Designated for Insurance - The District has designated investments for potential insurance claims in the amount of $500,000 at both June 30, 2013 and 2012.

NOTE 3 – NOTES RECEIVABLE

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).

In fiscal year 2013/2014, the City's share of the actual cost of this rehabilitation amounted to $328,583. 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.

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.

NOTE 3 – NOTES RECEIVABLE (Continued)

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

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

Notes receivable at June 30 consisted of the following:

	2013	2012
RWF:		
City of Antioch	$4,503,457	$4,751,824
City of Antioch - Surcharge	1,066,520	1,102,272
City of Pittsburg - Surcharge	328,582	
HHW:		
Contra Costa County	70,682	72,043
La Chicana	2,465	4,828
Total Notes Receivable	5,971,706	5,930,967
Less: Current Portion	(316,735)	(287,843)
Long-Term Portion	$5,654,971	$5,643,124

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:

	2013	2012
Employee computer loans	$17,685	$17,791
Less: current portion	(11,727)	(11,575)
Long-term portion	$5,958	$6,216

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

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

	Balance at June 30, 2012	Additions	Transfers	Retirement	Balance at June 30, 2013
Capital assets not being depreciated:					
Land	$2,719,251				$2,719,251
Construction in Progress	11,075,100	$4,865,283	($2,538,140)		13,402,243
Total capital assets not being depreciated	13,794,351	4,865,283	(2,538,140)		16,121,494
Capital assets being depreciated:					
Treatment & Collection System	213,289,122		2,300,148		215,589,270
Equipment	4,112,683	11,381	237,992	($146,289)	4,215,767
Total capital assets being depreciated:	217,401,805	11,381	2,538,140	(146,289)	219,805,037
Less accumulated depreciation for:					
Treatment & Collection System	81,712,082	6,195,593			87,907,675
Equipment	3,267,427	310,755		(146,289)	3,431,893
Total accumulated depreciation	84,979,509	$6,506,348		($146,289)	91,339,568
Net capital assets being depreciated	132,422,296				128,465,469
Total Capital Assets, net	$146,216,647				$144,586,963

Construction in progress represents construction of treatment and collection facilities.

NOTE 6 – ACCRUED COMPENSATED ABSENCES

Accumulated unpaid vacation and compensatory time have been accrued at June 30, 2013 in the amount of $879,046 Accumulated unpaid sick pay is not included in the amount for accrued benefits due to the contingent nature of any future payment.

The changes in compensated absences were as follows at June 30, 2013:

Beginning Balance	$859,352
Additions	613,380
Payments	(593,686)
Ending Balance	$879,046
Current Portion	$646,977

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, 2013 was $112,734 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, 2012	Additions	Retirements	Balance June 30, 2013	Amount due within one year
1991 Certificates of Participation Wastewater Facilities Expansion Project, 4.6-6.25%, due 12/01/2016	$17,454,950	$3,684,374		$842,660	$2,841,714	$781,292
Accreted interest on 1991 Certificates		10,509,432	$830,506	2,467,340	8,872,598	2,528,708
1997 State Revolving Fund Loan 1.80%, due 12/31/2016	3,611,046	1,027,100		198,145	828,955	201,718
2010 State Revolving Fund Loan .077%, due 12/31/2030	6,325,503	6,011,416		314,204	5,697,212	314,445
2011 Installment Sale Agreement 4.9%, due 6/24/2031	2,344,210	2,212,746		140,169	2,072,577	149,375
2011 State Revolving Fund Loan 2.60%, due 4/03/2033	5,041,873	3,716,052	1,325,821		5,041,873	197,280
Total Long-Term Debt		27,161,120	$2,156,327	$3,962,518	25,354,929	$4,172,818
Less:						
Amount due within one year		(3,962,516)			(4,172,818)	
Total Long-Term Debt, net		$23,198,604			$21,182,111	

NOTE 7 – LONG-TERM DEBT (Continued)

B. 1991 Subordinated Certificates of Participation

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

C. 1997 State Revolving Fund (SRF) Loan

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

D. 2010 State Revolving Fund (SRF) Loan

The District entered into a loan contract with the State of California (State Water Resources Control Board) on July 8, 2009, for the purpose of financing the Antioch/Delta Diablo Sanitation District Recycled Water Project. The loan amount totals $6,358,425 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 $6,343,146 with a stated interest rate of 2.60% per annum. During fiscal year ended June 30, 2013, the District drew down $1,325,821 of the available funds. Principal payments will be due annually beginning on April 3, 2014 through the fiscal year 2033. The principal and interest payments will be payable from all net revenue of the District.

NOTE 7 – LONG-TERM DEBT (Continued)

G. *Debt Service Requirements*

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

For The Year Ending June 30	Principal	Interest	Total
2014	$4,172,818	$248,160	$4,420,978
2015	3,530,291	897,988	4,428,279
2016	3,378,141	1,047,515	4,425,656
2017	4,065,914	235,966	4,301,880
2018	590,180	188,195	778,375
2019 - 2023	3,142,565	799,508	3,942,073
2024 - 2028	3,518,200	515,302	4,033,502
2029 - 2033	2,956,820	164,684	3,121,504
Total payments due	$25,354,929	$4,097,318	$29,452,247

NOTE 8 – RETIREMENT PLAN

A. *Pension Plan*

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

The Public Employees' Pension Reform Act (PEPRA) of 2013 was created with the passing of Assembly Bill 340 (AB 340) signed by the Governor on September 2012. PEPRA implemented new benefit formulas, final compensation period and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of "new member" under this bill.

NOTE 8 – RETIREMENT PLAN (Continued)

The table below reflects the Plans' provisions and benefits in accordance with PEPRA at June 30, 2013, 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 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 annual salary	2.7%	2.0%	2.0%
Required employee contribution rates	8.0%	7.0%	6.5%
Required employer contribution rates	15.996%	10.868%	6.700%

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

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% has been assumed in the past, but was revised to 7.5% for the future valuations, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

As required by State law, effective July 1, 2005, the District's Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the District true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The District satisfied its Miscellaneous Plan's unfunded liability of $6,512,365 by agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 6 years as of June 30, 2010. In October 2012, the District fully repaid its Side Fund by paying a lump sum of $3,856,463.

NOTE 8 – RETIREMENT PLAN (Continued)

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

Annual Pension Cost (APC)	Contribution Amount	Percent APC Contributed	Contribution Rate
2013	$2,137,266	100%	16.00%
2012	1,958,493	100%	25.00%
2011	1,709,454	100%	22.96%

CalPERS' latest available actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation of June 30, 2011.

Miscellaneous Plan - State Pool:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2011	$2,486,708,579	$1,981,073,089	$505,635,490	79.67%	$427,300,410	118.33%
2010	2,297,871,345	1,815,671,616	482,199,729	79.02%	434,023,381	111.10%
2009	2,140,438,884	1,674,260,302	466,178,582	78.22%	440,071,499	105.93%

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

Actuarially required contributions were $2,137,266, $1,958,493 and $1,709,454 for fiscal years 2013, 2012 and 2011, respectively. The District made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

The District 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.

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).

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

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, 2013, 31 retirees were receiving benefits.

B. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 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 8.9% 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, 2012, there were 26-years remaining in the initial 30-year amortization period.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2011		$516,363
Annual OPEB cost - fiscal 2011/2012:		
Annual required contribution (ARC)	$962,000	
Interest on Net OPEB Obligation	26,000	
Adjustments to ARC	(23,000)	
Annual OPEB cost - fiscal 2011/2012	965,000	
Less contributions made during fiscal year 2011/2012:		
Contributions made to PARS irrevocable trust	(1,262,809)	
District's portion of current year premiums paid	(235,535)	
Total contributions	(1,498,344)	
(Decrease) in net OPEB obligation		(533,344)
Net OPEB Obligation (Asset) at June 30, 2012		(16,981)
Annual OPEB cost - fiscal 2012/2013:		
Annual required contribution (ARC)	974,000	
Interest on Net OPEB Asset	(1)	
Adjustments to ARC	1	
Annual OPEB cost - fiscal 2012/2013	974,000	
Less contributions made during fiscal year 2012/2013:		
Contributions made to PARS irrevocable trust	1,548,765	
Total contributions	1,548,765	
Increase in net OPEB asset		(574,765)
Net OPEB Obligation (Asset) at June 30, 2013		($591,746)

As of the June 30, 2012 Actuarial Valuation, the actuarial accrued liability (AAL) representing the present value of future benefits amounted to $10,963,000.

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, 2013	$974,000	$1,548,765	159%	($591,746)
June 30, 2012	965,000	1,498,344	155%	(16,981)
June 30, 2011	1,040,000	1,292,127	124%	516,363

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
June 30, 2012	$3,416,000	$10,963,000	$7,547,000	31.16%	$8,054,000	93.70%
June 30, 2010	2,163,000	7,949,000	5,786,000	27.21%	7,602,000	76.11%
March 2, 2010	770,000	6,817,000	6,047,000	11.30%	7,109,000	85.06%

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 60 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays an annual premium to CSRMA for its general liability, property damage, workers compensation insurance and automobile coverage.

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

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

NOTE 10 – RISK MANAGEMENT (Continued)

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2013:

Type of Coverage	Limits	Deductibles
General Liability	$15,500,000	$100,000
Excess General Liability	25,500,000	15,500,000
Worker's Compensation	750,000	None
Excess Worker's Compensation Liability	Statutory Limit	750,000
Special Form Property	137,201,028	25,000
Public Entity Physical Damage	689,936	1,000/2,000
Commercial Crime - Employee Dishonesty, Forgery or Alteration	1,000,000	10,000
Commercial Crime - Theft, Disappearance, Destruction, or Computer Fraud	500,000	10,000
Fiduciary Liability	1,000,000	1,000
Differences in Conditions - Earthquake/Flood	5,000,000	50,000

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

NOTE 11 – NET 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 $35,773 per year. The area leased is 260 feet by 50 feet, on land that is not targeted for District improvements. The agreement terminates May 31, 2050. Minimum future rentals total $1,323,601 at June 30, 2013. 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
2014	$35,773
2015	35,773
2016	35,773
2017	35,773
2018	35,773
2019 - 2023	178,865
2024 - 2028	178,865
2029 - 2033	178,865
2034 - 2038	178,865
2039 - 2043	178,865
2044 - 2048	178,865
2049 - 2050	71,546
	$1,323,601

B. Joint Power Agreement with City of Pittsburg

Delta Diablo Sanitation District and the City of Pittsburg (City) entered into a Joint Powers Agreement on September 24, 1999, for the purpose of development and operation of a "Recycled Water Program" (the Project). Under the provisions of the agreement, the Project is to be jointly funded by the District and the City. The City will be responsible for the design and construction of the Project, and the District will own and operate the system once construction is complete. The original project and additional retro-fitting costs has been completed and amounted to $7,305,239 in project expenditures as of June 30, 2013.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

The funding sources for the Project include approximately $3,095,989 costs from the City of Pittsburg Redevelopment Agency. The District has secured for its share of the project costs funding as follows: $1,259,250 Prop 50, Chapter 7, WRFP grant award from a State Water Resources Control Board (SWRCB), $1,000,000 Prop 50, Chapter 8, IRWMP sub-grant award from the SWRCB through Contra Costa Water District (CCWD) and a $1,650,000 grant (net) from the U.S. Department of Interior, Bureau of Reclamation. When the Federal appropriations were received, it was repaid to wastewater ad valorem taxes, which originally provided the advance funding for this project. In the previous fiscal year, the District was able to secure an increase of the sub-grant award from the SWRCB through CCWD of $200,000 to fund additional project costs that was completed as of June 30, 2013. This amount was passed-through to the City of Pittsburg. As of June 30, 2013, the District has remitted $4,109,248 to the City of Pittsburg for Project costs.

C. Joint Power Agreement with City of Antioch

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

The Project was originally estimated to cost $12,800,000, with each agency's share estimated at $6,400,000 The District plans to fund its share of the Project costs through the following funding sources: $6,322,312 State Revolving Fund Loan (SRF), $2,563,697 Prop 13 WRFP grant award from a State Water Resources Control Board (SWRCB), $600,000 Prop 50, Chapter 8, IRWMP sub-grant award from the SWRCB through Contra Costa Water District, two grants totaling $2,131,000 from the U.S. Department of Interior, Bureau of Reclamation with the balance funded by the District from wastewater ad valorem taxes. The wastewater ad valorem taxes will be repaid if Federal and or State Appropriations applied for are received. The SRF loan of $6,322,312 was secured by the District with .077% interest for this project. The City of Antioch funded its share of the project costs primarily from the SRF loan of up to $5,000,000. The City will reimburse the District for about 79% of the SRF loan payments with the balance of their share of the project costs to be paid monthly through a Recycled Water surcharge. The Antioch Recycled Water surcharge will be assessed by the District for 20 years at 4.25% interest. As of June 30, 2013, the District has incurred expenditures of $12,977,936 for this project.

D. Purchase Commitments

The District has a number of purchase commitments for ongoing operating and capital projects that involves multi-year contracts. Purchase commitments related to these multi-year contracts are approximately $2,152,898 and $4,305,074 as of June 30, 2013 and 2012, respectively.

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SUPPLEMENTARY INFORMATION

DELTA DIABLO SANITATION DISTRICT
SUPPLEMENTARY SCHEDULE OF NET POSITION - PROPRIETARY FUND TYPE
ENTERPRISE FUNDS
JUNE 30, 2013

	Waste Water [A]	Waste Water Expansion [B]	Recycled Water Facility	Hazardous Waste
ASSETS				
CURRENT ASSETS:				
Cash	$998,425	$312,672	$16,844	$7,837
Investments	17,160,592	81,469	1,917,186	323,000
Accounts receivable	733,788		419,566	133,931
Interfund receivable	5,700,000		375,000	
Interest receivable	10,595	101	1,236	
Current portion of notes receivable		2,465	312,808	1,462
Current portion of employee computer loans receivable	11,727			
Inventory	674,666		74,278	
Prepaid expenses	62,348		4,997	
Total current assets	25,352,141	396,707	3,121,915	466,230
NON-CURRENT ASSETS:				
Restricted cash and investments	326,358	1,762,463		
Cash and investments	2,892,655			
CAPITAL ASSETS:				
Capital assets, non depreciable	14,320,077	168,219	1,593,388	
Capital assets, net of accumulated depreciation	90,321,806		34,471,327	1,539,246
Total capital assets, net	104,641,883	168,219	36,064,715	1,539,246
OTHER ASSETS				
Notes receivable less current portion			5,585,751	69,220
Employee notes receivable less current portion	5,958			
Net OPEB asset	591,746			
Total other assets	597,704		5,585,751	69,220
Total Noncurrent Assets	108,458,600	1,930,682	41,650,466	1,608,466
TOTAL ASSETS	133,810,741	2,327,389	44,772,381	2,074,696
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	688,527	1,697	94,063	151,050
Accrued payroll and benefits	664,026	387	8,614	2,541
Interfund payable	100,000	5,700,000	275,000	
Deposits payable	12,658			
Deferred revenue	651,970			70,682
Compensated absences - due within one year	646,977			
Current portion of long-term debt	346,655	983,010	314,445	
Accreted interest		2,528,708		
Accrued interest payable		7,473		
Total current liabilities	3,110,813	9,221,275	692,122	224,273
NON-CURRENT LIABILITIES:				
Long-term debt, net of current portion:				
Certificates of participation		2,060,422		
State revolving fund loans	4,844,593	627,237	5,382,767	
Installment sale agreement	1,923,202			
Accreted interest		6,343,890		
Compensated absences - due in more than one year	232,069			
Property tax refund, net of current portion	31,121			
Total long-term liabilities	7,030,985	9,031,549	5,382,767	
TOTAL LIABILITIES	10,141,798	18,252,824	6,074,889	224,273
NET POSITION				
Net investment in capital assets	97,527,433	(3,502,450)	30,367,503	1,539,246
Restricted for debt service	326,358	1,762,463		
Restricted for capital projects				
Unrestricted	25,815,152	(14,185,448)	8,329,989	311,177
TOTAL NET POSITION (DEFICITS)	$123,668,943	($15,925,435)	$38,697,492	$1,850,423

[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
$39,134	$215,988	$1,590,900
854,343	2,867,578	23,204,168
$154	11,571	1,299,010
		6,075,000
22	1,609	13,563
		316,735
		11,727
		748,944
		67,345
893,653	3,096,746	33,327,392
		2,088,821
		2,892,655
	39,810	16,121,494
	2,133,090	128,465,469
	2,172,900	144,586,963
		5,654,971
		5,958
		591,746
		6,252,675
	2,172,900	155,821,114
893,653	5,269,646	189,148,506
65,489	13,833	1,014,659
92	5,613	681,273
		6,075,000
		12,658
		722,652
		646,977
		1,644,110
		2,528,708
		7,473
65,581	19,446	13,333,510
		2,060,422
		10,854,597
		1,923,202
		6,343,890
		232,069
		31,121
		21,445,301
65,581	19,446	34,778,811
	2,172,900	128,104,632
		2,088,821
828,072	3,077,300	24,176,242
$828,072	$5,250,200	$154,369,695

DELTA DIABLO SANITATION DISTRICT
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND TYPE
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Waste Water [A]	Waste Water Expansion [B]	Recycled Water Facility	Household Hazardous Waste
OPERATING REVENUES				
Service charges	$20,641,440		$3,707,951	
Discharge permits	186,200			
Household hazardous waste operating fees				$457,034
Miscellaneous	552,728			1,938
Work for others	1,092,449		384,197	3,059
Total operating revenues	22,472,817		4,092,148	462,031
OPERATING EXPENSES				
Salaries and benefits	16,074,554		849,009	210,466
Chemicals	670,008		641,710	
Depreciation	5,121,434		1,253,383	38,188
Office expense	801,387		17,399	17,842
Operating expense	698,684		88,532	18,878
Outside services and maintenance	2,071,264	$1,500	656,336	429,467
Travel and meetings	86,212		740	3,111
Utilities	1,053,020		390,514	490
Other	68,007			
Total operating expenses	26,644,570	1,500	3,897,623	718,442
OPERATING INCOME (LOSS)	(4,171,753)	(1,500)	194,525	(256,411)
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(420)	(861,648)	(6,037)	
Interest income	78,764	37,841	57,806	5,143
Capital facilities capacity charges		2,280,985		
Lease revenue	36,125			
Gain on sale of assets	20,382			
State grants	(1,742)			
Federal grants			205,043	
Subgrants			272,185	
Property taxes	1,442,828	184,878		
Total nonoperating revenues	1,575,937	1,642,056	528,997	5,143
NET INCOME (LOSS) BEFORE TRANSFERS	(2,595,816)	1,640,556	723,522	(251,268)
Transfers In	1,526,099	760,671		1,012,414
Transfers (Out)	(2,158,775)		(1,140,409)	
Total transfers in (out)	(632,676)	760,671	(1,140,409)	1,012,414
NET INCOME (LOSS) AFTER TRANSFERS	(3,228,492)	2,401,227	(416,887)	761,146
NET POSITION (DEFICITS), BEGINNING OF YEAR	126,897,435	(18,326,662)	39,114,379	1,089,277
NET POSITION (DEFICITS), END OF YEAR	$123,668,943	($15,925,435)	$38,697,492	$1,850,423

[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
$593,526	$881,912	$25,824,829
		186,200
		457,034
		554,666
		1,479,705
593,526	881,912	28,502,434
13,419	446,271	17,593,719
		1,311,718
	93,343	6,506,348
1,254	2,474	840,356
2	6,341	812,437
527,833	124,458	3,810,858
	726	90,789
		1,444,024
	60,913	128,920
542,508	734,526	32,539,169
51,018	147,386	(4,036,735)
		(868,105)
1,516	8,069	189,139
		2,280,985
		36,125
		20,382
		(1,742)
		205,043
		272,185
		1,627,706
1,516	8,069	3,761,718
52,534	155,455	(275,017)
		3,299,184
		(3,299,184)
52,534	155,455	(275,017)
775,538	5,094,745	154,644,712
$828,072	$5,250,200	$154,369,695

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