

DELTA DIABLO SANITATION DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

PREPARED BY THE
FINANCE DEPARTMENT

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**DELTA DIABLO SANITATION DISTRICT
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2009 and 2008**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Delta Diablo Sanitation District
Antioch, California

We have audited the accompanying basic financial statements of the Delta Diablo Sanitation District as of and for the years ended June 30, 2009 and 2008. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Delta Diablo Sanitation District at June 30, 2009 and 2008 and the changes in financial position and cash flows, thereof for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note 9, the District implemented the provisions of GASB Statement No. 45, *Accounting and Reporting by Employers of Post Employment Benefits Other than Pensions*.

Management's Discussion and Analysis is required by the Governmental Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze & Associates

September 9, 2009

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**DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

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, 2009.

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 and be read in conjunction with Delta Diablo Sanitation District's basic financial statements. The district-wide financial statements are shown on pages 13-35. The District's basic financial statements comprise two components: 1) Fund Financial Statements, and 2) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

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

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

**DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

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 assets totaled \$145 million.
- During the fiscal year, total net assets increased by \$2.2 million or 1.5%.
- Total assets increased by \$.07 million or less than 1.0%
- Total liabilities decreased by \$2.1 million or 7.2%
- Total revenues were \$30 million, an increase of \$.3 million or 1.0%.
- Total expenses were \$27.8 million, an increase of \$3.5 million or 14.2%.

FINANCIAL ANALYSIS

The following tables are shown in comparative format for fiscal year ended June 30, 2009 and 2008 with variances shown in amounts and percent for analysis.

Condensed Statement of Net Assets

	Fiscal Year End June 30		Increase/(Decrease)	
	2009	2008	Amount	%
Current and Other Assets	\$30,164,513	\$32,591,830	(\$2,427,317)	-7.4%
Restricted Cash & Investments	4,902,692	6,314,098	(1,411,406)	-22.4%
Designated Cash & Investments	2,623,810	2,041,010	582,800	28.6%
Capital Assets (net of depreciation)	134,656,092	131,329,789	3,326,303	2.5%
Total Assets	\$172,347,107	\$172,276,727	\$70,380	0.0%
Current Liabilities	\$9,721,923	\$8,267,832	\$1,454,091	17.6%
Long Term Liabilities (net of current portion)	16,555,171	21,029,099	(4,473,928)	-21.2%
Accrued Compensated Absences	220,877	214,463	6,414	3.0%
Net OPEB Obligation	874,893		874,893	0%
Total Liabilities	\$27,372,864	\$29,511,394	(\$2,138,530)	-7.2%
Invested in Capital Assets (net of related debt)	\$114,598,118	\$106,986,213	\$7,611,905	7.1%
Restricted Net Assets	4,902,692	6,314,098	(1,411,406)	-22.4%
Unrestricted Net Assets	25,473,433	29,465,022	(3,991,589)	-13.5%
Total Net Assets	\$144,974,243	\$142,765,333	\$2,208,910	1.5%

**DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

Condensed Statement of Revenue and Expenses and Changes in Net Assets

	Fiscal Year End June 30		Increase/(Decrease)	
	2009	2008	Amount	% Change
<i>Operating Revenue</i>				
Service Charges	\$19,481,408	\$18,767,238	\$714,170	3.8%
Other Operating Revenue	2,567,079	1,603,698	963,381	60.1%
<i>Non-Operating Revenue</i>				
Interest Income	1,256,487	2,033,255	(776,768)	-38.2%
Capital Facilities Capacity Charges	2,672,259	4,175,396	(1,503,137)	-36.0%
State Grants	909,797	643,808	265,989	41.3%
Subgrants	899,270		899,270	0%
Property Taxes	2,149,559	2,289,634	(140,075)	-6.1%
Other Non-Operating Revenue	35,773	172,548	(136,775)	-79.3%
Total Revenue	\$29,971,632	\$29,685,577	\$286,055	1.0%
<i>Operating Expenses</i>				
Salaries and benefits	\$12,650,803	\$10,156,386	\$2,494,417	24.6%
Chemicals	1,590,920	1,610,274	(19,354)	-1.2%
Depreciation and amortization	4,868,388	4,609,696	258,692	5.6%
Office expense	694,827	775,195	(80,368)	-10.4%
Operating expense	600,903	663,185	(62,282)	-9.4%
Outside service and maintenance	4,162,236	3,318,397	843,839	25.4%
Travel and meetings	97,120	100,182	(3,062)	-3.1%
Utilities	1,550,981	1,395,807	155,174	11.1%
Other	131,899	187,448	(55,549)	-29.6%
<i>Non-Operating Expenses</i>				
Interest Expense	1,414,645	1,490,729	(76,084)	-5.1%
Total Expenses	\$27,762,722	\$24,307,299	\$3,455,423	14.2%
Increase in Net Assets	\$2,208,910	\$5,378,278	-\$3,169,368	-58.9%
Net Assets, Beginning of the Year	\$142,765,333	\$137,387,055	\$5,378,278	3.9%
Net Assets, Ending of the Year	\$144,974,243	\$142,765,333	\$2,208,910	1.5%

Statement of Net Assets. As noted earlier, the changes in net assets serve as a useful indicator of Delta Diablo Sanitation District's financial position. Compared to prior fiscal year, the District's Net Assets increased by \$2.2 million of 1.5%. Overall, the District's total assets exceeded total liabilities by \$145 million. This positive result is indicative of the District's strong financial position. The largest portion of Delta Diablo Sanitation District's net assets (79%) is invested in capital assets (land, treatment and collection facility, machinery and equipment) net of related debt. These assets are necessary to provide services to its rate payers

DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009

and are not available for future spending. An additional portion of the District's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the District's net assets (18%) represents the unrestricted portion of the net assets. Unrestricted net assets are resources available for the District's use in future periods.

Assets and Liabilities. Total assets increased by \$.07 million or less than 1.0%, and total liabilities decreased by \$2.1 million or 7.2%, the net result increased net assets for the year by \$2.2 million. Current and other assets decreased by \$2.4 million (7.4%) primarily due to a decrease in unrestricted cash and investments. Restricted cash and investments decreased by \$1.4 million (22.4%) due to reduction in construction retention deposits and the bond reserve fund to pay a portion of the debt service for debt issues retired in FY2008/09. The total reduction of cash and investments is a result of the District's large investments in capital projects consistent with the Board approved five-year Capital Improvement Program. Consequently, these large investments in capital assets this fiscal year resulted in a net increase in capital assets of \$3.3 million (2.5%) compared to the prior fiscal year. Designated Cash & Investments increased by \$0.6 million due to Other Post Employment Benefit (OPEB) of \$0.4 million designated by the District Board in January 2009 and related employee benefit costs of \$0.2 million. The primary purpose for the designated OPEB fund is to pay for other post-employment benefits, primarily medical benefits, instead of "pay as you go" to comply with the Government Accounting Standards Board (GASB) 45 statement. Consequently, until a qualified, irrevocable trust fund is established by the District, a Net OPEB obligation liability is recognized at \$0.9 million. An increase in current liabilities of \$1.5 million (17.6%) is a net result of decreases in accounts, deposits payable and deferred revenue totaling \$1.3 million with the increases in accrued payroll, benefits, compensated absences, current portion of long-term debt and accrued interest payable totaling \$2.7 million. Principal payments made by the District towards its obligations consistent with established debt service covenants resulted in a net decrease in the non-current portion of long-term debt. Total long-term liabilities decreased by \$4.4 million (21.2%) due to debt service payments for the year. Both the 2000 Revenue Bonds and 2001 Certificates of Participation were paid in full in December 2008. The first principal and interest payment for the 1991 Certificates of Participation is scheduled on FY09/10 (December 2009) for \$3.3 million.

Statement of Revenue and Expenses and Changes in Net Assets. This statement measures the success of the District's over-all operations for the fiscal year and shows cost recovery from user fees and other charges. At the end of the fiscal year ending June 30, 2009, the District's revenues exceeded its expenses by \$2.2 million.

Operating Revenue and Non-Operating Revenue. Combined revenue for the fiscal year totaled \$30.0 million, an increase of \$0.3 million, or 1.0%, over the prior year results. The moderate increase in combined revenue was a net result of increases in Operating Revenue of \$1.7 million offset by a decrease of Non-Operating Revenue of \$1.4 million for this fiscal year compared to the prior year. The majority of increases in Operating Revenue were due to higher Service Charges and Work for Others Revenue; the decreases in Non-Operating Revenue were primarily due to lower Interest Income, Capacity Charges and Capital Contributions partially offset by increases in Grant Revenue.

DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009

Service charges remained strong at \$19.5 million which is 3.8% slightly higher than the prior fiscal year at \$18.8 million. This is primarily due to a 4.64% rate increase in Sewer Service Charges. The moderate increase in rates is consistent with the Sewer Service Charge rate adjustment approved by the District Board in June 2008. Other operating revenue increased by about \$1.0 million primarily due to additional Work for Others Revenue earned this fiscal year compared to the prior year. The increase in Work for Others Revenue is a direct result of the District taking lead in a number of collaborative multi-agency projects including Regional Biosolids and Recycled Water projects.

Interest income decreased by \$0.8 million compared to prior year due to less than favorable interest rates, this is consistent with the continuing downward trend in the short-term interest rate market based on stressed financial markets and over-all decline in the economy since 2008. Capital Facilities Capacity Charges (CFCC) are one-time charges assessed to connect to the District's system. CFCC decreased by 36% (\$1.5 million) this year largely due to decreases in the number of new commercial and residential connections. This year's total equivalent residential unit (ERU) additions were 591 compared to 954 new ERU last year. The drop in this year's ERU is consistent with the decline experienced in the building industry and is substantially below the budget assumption of 1,000 ERUs. With the three-year average at 805 ERUs, the District board approved a reduction on the number of ERUs in the District's budget assumptions to 800 ERUs. This reduction was included in the next three-year budget cycle for FY2009/10-FY2011/12. For fiscal 2008/09, the District received additional State Grants and Subgrants funding totaling \$1.8 million: This was composed of 1) a State Grant of \$0.6 million from the State of California Water Control Resources Board's Water Recycling Funding Program and Subgrant from Contra Costa Water District of \$0.9 million for the Pittsburg Recycled Water Project; and 2) a \$0.3 million from the California Integrated Waste Management Board for the Delta Household Hazardous Waste Facility Expansion. Property taxes and assessments totaled \$2.1 million, a slight decrease from the previous fiscal year due to declining property values.

Operating and Non-Operating Expenses. Combined expenses for the fiscal year ended totaled \$27.8 million, an increase of \$3.5 million, or 14.2%, from prior year.

This increase in combined expenses was a result of increases in salaries and benefits plus moderate increases in depreciation and amortization, outside service and maintenance, and utilities, which were partially offset by decreases in chemicals, office expense, operating expense, and travel and meetings. The salaries and benefits increases of \$2.5 million compared to prior year was primarily due to a combination of the following factors: salaries increased due to vacant positions filled; additional and re-classified positions consistent with the Strategic Business Plan previously approved by the board; and merit increases; and corresponding increases in health benefits costs, cost-of-living (3.2%) and retirement expenses.

Consistent with the District's continued growth, capital assets are added which resulted in a slightly higher depreciation expense for this fiscal year. The increase in Outside Services and maintenance is due higher outside services used and moderate increase in repairs and maintenance this year compared to last year.

**DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

CAPITAL ASSETS AND DEBT

Capital Assets

	Fiscal Year End June 30		Increase/(Decrease)	
	2009	2008	Amount	% Change
<i>Capital Assets not being depreciated</i>				
Land	\$2,719,251	\$2,719,251	\$0	0.0%
Construction in Progress	33,623,525	27,452,900	6,170,625	22.5%
<i>Capital Assets being depreciated</i>				
Treatment & Collection System	165,343,328	163,636,057	1,707,271	1.0%
Equipment	5,917,875	5,614,707	303,168	5.4%
Total Capital Assets	\$207,603,979	\$199,422,915	\$8,181,064	4.1%
<i>Less:</i>				
Accumulated Depreciation	\$72,947,887	\$68,093,126	\$4,854,761	7.1%
Total Net Assets	\$134,656,092	\$131,329,789	\$3,326,303	2.5%

The increase in capital assets of \$8.2 million (4.1%) was a net result of increases in construction in progress of \$6.2 million (22.5%) coupled with \$2.0 million of additions to the treatment and collection system and new equipment. Total increase in capital assets of \$8.2 million less total increase in accumulated depreciation of \$4.9 million resulted in a net increase of \$3.3 million (2.5%) in total net assets. Construction in progress totaled \$33.6 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 on a five-year horizon and is updated annually.

This year's top ten major capital projects (\$31.7 million of the \$33.6 million) impacting construction in progress are:

Project Description	Amount
Bridgehead Phase III	\$13,232,167
Digester Projects	6,630,373
Pittsburg Recycled Water Project	3,711,299
Activated Sludge Process Improvement	1,842,418
W. Pass San Marco Pipeline Phase B	1,663,073
Future Rehabilitation Projects	1,390,921
Antioch Recycled Water Project	1,312,789
Delta HHW Facility Expansion	646,119
Conveyance System Cathodic Replacement	629,811
Aeration System Improvements	623,028

Most of these projects are expected to be completed within the next two fiscal years.

**DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009**

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

Outstanding Debt

	Fiscal Year End June 30		Increase/(Decrease)	
	2009	2008	Amount	% Change
<i>Certificates of Participation (COP)</i>				
1991 COP	\$6,569,950	\$6,569,950	\$0	0.0%
2001 COP	0	1,505,000	(1,505,000)	-100.0%
Accreted Interest 1991 COP	11,887,299	12,868,393	(981,094)	-7.6%
<i>Revenue Bonds</i>				
2000 Revenue Bonds	0	1,625,000	(1,625,000)	-100.0%
<i>State Revolving Fund Loan</i>				
1997 SRF Loan	1,600,725	1,785,202	(184,477)	-10.3%
Total Debt	\$20,057,974	\$24,353,545	(\$4,295,571)	-17.6%

The District did not issue any new debt this fiscal year. The 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. Principal payments of \$3.3 million *plus* 1991 accreted interest of \$1.0 million resulted in the reduction of outstanding debts by \$4.3 million (17.6%) for the fiscal year. In February 2009, the District requested a rating review due to potential for new debt within two years. The District rating was upgraded by Standard & Poors (S&P) from AA- to AA. S&P views the outlook for this AA rating as stable and reflects the District's very strong financial performance, 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.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District has a three-year operating budget cycle. The District annually conducts reviews and updates the budget document. The District board adopts budget appropriations annually in June for the upcoming fiscal year starting in July. In June 2009, the District Board approved the next three-year operating budget for FY2009/10-FY2011/12. For FY2009/10, a total budget appropriation of \$20.8 million was adopted and the District Board authorized a fund transfer of \$0.5 million from Wastewater Capital Asset Replacement (CAR) fund to the Wastewater General Fund. The fund transfer is due to a number of projects that were previously charged to the CAR fund that have been determined in the CIP to actually be projects to be paid by the General Fund. This means that the funding of these projects previously has been accumulating in the CAR fund rather than the General Fund. This transfer will match where the funding was collected to where it will actually be charged.

DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009

For FY2009/10, the District plans to participate in a qualified, irrevocable trust fund that is established solely for the purpose of paying OPEB obligations. In November 2009, the District Board approved the selection of an OPEB trust fund provider and has reviewed the conceptual OPEB funding policy. As of FY2008/09, the District has a designated OPEB Reserve fund of \$0.8 million.

As noted earlier, the District has a five-year Capital Improvement Program which is updated annually. In May 2009 the Board adopted the FY2009/10-FY2013/14 CIP. The 2009 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. Included in the CIP plan update for FY2009/10 are the following five major projects (budget of \$1.0 million and above per project): 1) Photovoltaic Energy Generation Project, 2) Cogeneration Engine Replacement Project, 3) Antioch Recycled Water Project, 4) Bay Area Biosolids to Energy Project Planning, and 5) Grease Receiving Facility. Due to large capital projects planned for wastewater capital asset and expansion funds within the next five years, additional funding may be provided to these funds in late FY2009/10 through short-term inter-fund borrowing from the Capital Asset Replacement Fund. The District is looking into potential external debt financing within two years. As a policy, the District Board approves any inter-fund borrowing and/or external debt financing.

The majority of District's service charges are collected through the County property tax roll. In April 2007, pursuant to Proposition 218, the District sent notices to all property owners within the District of a public hearing held on June 2007 to review the proposed rate increase and establishment of a new maximum cap for future sewer service charges increases of up to an additional 9.8%. Actual increases, if any, are considered by the Board based on updated cash flow projections. The proposed rate increase and maximum cap was based on a comprehensive rate study completed in early 2007. On June 11, 2007 the Board reviewed and approved the proposed rate increase for FY2007/08 and set the new maximum cap for future periods. On June 10, 2009 the Board reviewed and approved the proposed rate increase for FY2009/10 of 4.6%; this is within the established maximum cap previously set in 2007. Sewer service charges fund wastewater operations and maintenance, capital asset and capital asset replacement projects.

The District receives a share of general property tax revenues collected within Contra Costa County known as "ad valorem" taxes. These have been redirected by the State to fund other state obligations in the past. Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government, thereby safeguarding funding for local services. Provisions can be suspended only if the Governor declares a fiscal necessity and two-thirds of the Legislature concurs.

The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor as part of the 2009/10 budget package on July 28, 2009. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. The State will be required to repay those obligations plus interest by June 30, 2013. The State Department of Finance has established that the interest rate to be paid on funds borrowed will be 2%, which is consistent with the requirement that the rate be higher than the

**DELTA DIABLO SANITATION DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
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Pooled Money Investment Account and the Local Agency Investment Fund (LAIF), which was 0.99% as of July 30, 2009. A borrowing of 8% of the District's share of ad valorem taxes would amount to approximately \$163,379.

Authorized under the State budget legislation, the Proposition 1A Securitization Program was instituted by California Communities (a joint powers authority sponsored by the California State Association of Counties and the League of California Cities) to enable local agencies to sell their respective Proposition 1A Receivables to California Communities. Under the Securitization Program, California Communities will simultaneously purchase the Proposition 1A Receivables, issue bonds ("Prop 1A Bonds") and provide each local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010 (to coincide with the dates that the State will be shifting property tax from local agencies). The purchase price paid to the local agencies will equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest will be paid by the State of California. Participating local agencies will have no obligation on the bonds and no credit exposure to the State. On November 4, 2009, the District board approved participation in the Proposition 1A Securitization Program, thereby authorizing the sales of the District's Proposition 1A receivable to California Communities for 100% of the receivable.

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. On June 2008, the Board directed that property tax revenues to no longer be included for rate modeling purposes in the wastewater capital asset replacement fund, but that the Board would consider annually how property tax revenues most effectively be used.

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.

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DELTA DIABLO SANITATION DISTRICT
 STATEMENTS OF NET ASSETS
 JUNE 30, 2009
 With Comparative Totals as of June 30, 2008

ASSETS

CURRENT ASSETS	2009	2008
Cash (Note 2)	\$1,931,128	\$2,857,107
Investments (Note 2)	25,329,418	27,909,215
Accounts receivable	1,910,102	948,063
Interest receivable	44,183	78,736
Notes receivable, current portion (Note 3)	11,969	16,586
Employee computer loans receivable, current portion (Note 4)	15,261	12,725
Materials and supplies (Note 1. H.)	608,141	459,856
Prepaid expenses	179,099	90,197
Total current assets	30,029,301	32,372,485
RESTRICTED CASH AND INVESTMENTS (Note 2)		
Escrow	409,549	840,036
Debt service	1,757,127	2,801,504
Capital expansion	2,736,016	2,672,558
Total restricted cash and investments	4,902,692	6,314,098
DESIGNATED CASH AND INVESTMENTS (Note 2)		
Operations and maintenance rate stabilization	600,000	600,000
Other Post-Employment Benefits	765,845	377,036
Related employee benefit costs	757,965	563,974
Insurance	500,000	500,000
Total designated cash and investments	2,623,810	2,041,010
NON-CURRENT ASSETS		
Capital assets, non-depreciable (Note 5)	36,342,776	30,172,151
Depreciable capital assets, net of Accumulated depreciation (Note 5)	98,313,316	101,157,638
OTHER ASSETS		
Unamortized bond issuance costs		3,656
Notes receivable, less current portion (Note 3)	126,536	203,761
Employee computer loans receivable, less current portion (Note 4)	8,676	11,928
Total non-current assets	135,212	219,345
TOTAL ASSETS	172,347,107	172,276,727

(Continued)

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2009
With Comparative Totals as of June 30, 2008

LIABILITIES

CURRENT LIABILITIES	2009	2008
Accounts payable	\$1,461,672	\$2,216,209
Accrued payroll and benefits	1,301,620	1,090,371
Deposits payable	419,049	849,536
Deferred revenue	273,606	352,274
Compensated absences - due within one year (Note 6)	459,171	414,696
Current portion of long-term debt (Note 7)	3,502,803	3,314,477
Accrued interest payable	2,304,002	30,269
Total current liabilities	9,721,923	8,267,832
 LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7)		
Certificates of participation	5,544,521	6,559,981
Loans payable	1,412,922	1,600,725
Accreted interest	9,597,728	12,868,393
Total long-term debt, net of current portion	16,555,171	21,029,099
Compensated absences - due in more than one year (Note 6)	220,877	214,463
Net OPEB obligation (Note 9)	874,893	
Total long-term liabilities	17,650,941	21,243,562
TOTAL LIABILITIES	27,372,864	29,511,394
 NET ASSETS (Note 11)		
Invested in capital assets, net of related debt	114,598,118	106,986,213
Restricted for debt service	1,757,127	2,801,504
Restricted for capital projects	3,145,565	3,512,594
Unrestricted	25,473,433	29,465,022
TOTAL NET ASSETS	\$144,974,243	\$142,765,333

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009
With Comparative Totals for the Year Ended June 30, 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Service charges	\$19,481,408	\$18,767,238
Discharge permits	196,375	189,983
Household hazardous waste operating fees	408,039	403,852
Miscellaneous	336,606	306,902
Work for others	<u>1,626,059</u>	<u>702,961</u>
Total operating revenues	<u>22,048,487</u>	<u>20,370,936</u>
OPERATING EXPENSES		
Salaries and benefits	12,650,803	10,156,386
Chemicals	1,590,920	1,610,274
Depreciation and amortization	4,868,388	4,609,696
Office expense	694,827	775,195
Operating expense	600,903	663,185
Outside service and maintenance	4,162,236	3,318,397
Travel and meetings	97,120	100,182
Utilities	1,550,981	1,395,807
Other	<u>131,899</u>	<u>187,448</u>
Total operating expenses	<u>26,348,077</u>	<u>22,816,570</u>
OPERATING (LOSS)	<u>(4,299,590)</u>	<u>(2,445,634)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(1,414,645)	(1,490,729)
Interest income	1,256,487	2,033,255
Capital facilities capacity charges (Note 1.I.)	2,672,259	4,175,396
Capital contributions		136,730
Lease revenue (Note 12)	35,773	35,818
State grants	909,797	643,808
Subgrants	899,270	
Property taxes	<u>2,149,559</u>	<u>2,289,634</u>
Total nonoperating revenues (expenses), net	<u>6,508,500</u>	<u>7,823,912</u>
NET INCOME	2,208,910	5,378,278
NET ASSETS, BEGINNING OF YEAR	<u>142,765,333</u>	<u>137,387,055</u>
NET ASSETS, END OF YEAR	<u>\$144,974,243</u>	<u>\$142,765,333</u>

See accompanying notes to financial statements

DELTA DIABLO SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
With Comparative Totals for the Year Ended June 30, 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$21,086,448	\$20,489,377
Payments to employees	(11,513,772)	(9,814,790)
Payments to utilities	(1,550,981)	(1,395,807)
Payments to contractual/professional services	(4,592,723)	(3,074,751)
Payments to suppliers	(2,369,300)	(2,090,935)
Other receipts (payments)	(307,687)	(204,257)
	<u>751,985</u>	<u>3,908,837</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	2,149,559	2,289,634
State and sub grants	1,809,067	
Other	716	(3,675)
	<u>3,959,342</u>	<u>2,285,959</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets net of adjustments for physical inventory	(8,181,064)	(11,751,555)
Interest paid on long-term debt	(405,770)	(1,499,783)
Payment of long-term debt	(1,014,937)	(3,171,519)
Accreted interest	(3,270,665)	1,225,926
Connection fees	2,672,259	4,175,396
	<u>(10,200,177)</u>	<u>(11,021,535)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption and acquisition of investments, net	3,154,216	2,801,781
Receipts on note	81,842	15,622
Interest received on investments	1,291,040	2,171,850
Interest received on lease	35,773	35,818
	<u>4,562,871</u>	<u>5,025,071</u>
NET INCREASE IN CASH	(925,979)	198,332
Cash, beginning of year	<u>2,857,107</u>	<u>2,658,775</u>
Cash, end of year	<u>\$1,931,128</u>	<u>\$2,857,107</u>
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating loss	(\$4,299,590)	(\$2,445,634)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation and amortization	4,868,388	4,609,696
Change in assets and liabilities:		
Receivables, net	(962,039)	118,441
Materials and supplies	(148,285)	(294,343)
Prepaid expenses	(88,902)	75,316
Accounts payable and accrued expenses	754,537	1,176,746
Accrued payroll and related expenses	262,138	341,596
Deposits payable	(430,487)	243,646
Deferred revenue	(78,668)	83,373
Net OPEB Obligation	874,893	
	<u>\$751,985</u>	<u>\$3,908,837</u>
SCHEDULE OF NON CASH ACTIVITY		
Accreted interest on bonds	<u>(\$3,270,665)</u>	<u>\$1,225,926</u>

See accompanying notes to financial statements

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *General*

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

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

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

B. *Reporting Entity*

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

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

C. *Basis of Accounting*

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

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

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

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2 – CASH AND INVESTMENTS

A. Policies

The District and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the District employs the Trust Department of a bank as the custodian of all District managed investments, regardless of their form.

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

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

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Classification

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

	<u>2009</u>	<u>2008</u>
Cash, available for District operations	\$1,931,128	\$2,857,107
Investments, available for District operations	25,329,418	27,909,215
Restricted cash and investments	4,902,692	6,314,098
Designated cash and investments	<u>2,623,810</u>	<u>2,041,010</u>
Total Cash and Investments	<u><u>\$34,787,048</u></u>	<u><u>\$39,121,430</u></u>

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

	<u>2009</u>	<u>2008</u>
Cash on hand	\$800	\$800
Deposits with County	1,352,274	2,281,407
Deposits with Financial Institutions	422,692	573,822
Investments	32,601,733	35,425,365
Restricted cash in escrow	<u>409,549</u>	<u>840,036</u>
Total cash and investments	<u><u>\$34,787,048</u></u>	<u><u>\$39,121,430</u></u>

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:

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

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

E. Interest Rate Risk

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

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 date:

Investment Type	12 Months or less	13 to 24 Months	Total
<i>Held by District:</i>			
U.S. Government Agency Obligations	\$9,737,496	\$6,973,832	\$16,711,328
U.S. Treasury Notes	1,005,742		1,005,742
California Local Agency Investment Fund	12,974,755		12,974,755
Money Market Mutual Funds (U.S. Securities)	152,781		152,781
<i>Held by Trustees:</i>			
U.S. Government Agency Obligations	1,720,000		1,720,000
Money Market Mutual Funds (U.S. Securities)	37,127		37,127
Total Investments	<u>\$25,627,901</u>	<u>\$6,973,832</u>	<u>\$32,601,733</u>

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2009, these investments matured in an average of 235 days.

Money market funds are available for withdrawal on demand and at June 30, 2009, matured in an average of 51 days.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. 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, 2009 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	Total
<i>Held by District:</i>		
U.S. Government Agency Obligations	\$16,711,328	\$16,711,328
Money Market Mutual Funds (U.S. Securities)	152,781	152,781
<i>Held by Trustees:</i>		
U.S. Government Agencies	1,720,000	1,720,000
Money Market Mutual Funds (U.S. Securities)	37,127	37,127
Totals	<u>\$18,621,236</u>	18,621,236
<i>Not rated:</i>		
California Local Agency Investment Fund		12,974,755
<i>Exempt from credit rate disclosure:</i>		
U.S. Treasury Notes		<u>1,005,742</u>
Total Investments		<u>\$32,601,733</u>

H. Concentration Risk

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	\$7,864,200
Federal Home Loan Mortgage Corporation	Federal agency securities	4,396,881
Federal National Mortgage Association	Federal agency securities	4,450,247

I. 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 amount of \$409,549.

Restricted for Debt Service - 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 are \$34,547 and \$1,722,580 respectively, totaling \$1,757,127.

Restricted for Capital Expansion - The District has restricted investments for the acquisition, construction and reconstruction of the wastewater collection, conveyance, treatment and disposal facilities of the District in the amount of \$2,736,016.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 – CASH AND INVESTMENTS (Continued)

J. Board Designated Investments

The District has the following designations on investments as of June 30, 2009:

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.

Designated for Other Post-Employment Benefits (OPEB) and 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 the medical insurance programs and salary continuation in the amounts of \$765,845 and \$98,143 respectively. The primary purpose of the OPEB reserve fund is to pay for other post-employment benefits, primarily medical benefits instead of “pay as you go” basis to comply with the Government Accounting Standards Board (GASB) 45 Statement.

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 first assessment was conducted by CCCERA is scheduled on December 31, 2009 to evaluate the District’s share of any additional liability arising from the actuarial study. 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 cost increases. As of June 30, 2009, the amount designated by the District for Employee Benefit Costs is \$659,822.

Designated for Insurance - The District has designated investments for potential insurance claims in the amount of \$500,000.

NOTE 3 – NOTES RECEIVABLE

The District owns and operates a household hazardous waste and 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.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 – NOTES RECEIVABLE (Continued)

The total capital costs were allocated to the Subscribers based on the number of housing units in each Subscriber's jurisdiction, and will be repaid over fifteen years at an interest rate of 6% per annum. The amounts outstanding at June 30 shown below are subject to revision upon the final determination of total costs incurred.

Notes receivable at June 30 consisted of the following:

	<u>2009</u>	<u>2008</u>
Ironhouse Sanitary District	\$81,238	\$87,851
City of Brentwood		70,569
Contra Costa County	<u>57,267</u>	<u>61,927</u>
Total Notes Receivable	138,505	220,347
Less: Current Portion	<u>(11,969)</u>	<u>(16,586)</u>
Long-Term Portion	<u>\$126,536</u>	<u>\$203,761</u>

The City of Brentwood fully paid their note receivable balance in July 2008.

NOTE 4 – EMPLOYEE COMPUTER LOANS RECEIVABLE

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

	<u>2009</u>	<u>2008</u>
Employee computer loans	\$23,937	\$24,653
Less: current portion	<u>(15,261)</u>	<u>(12,725)</u>
	<u>\$8,676</u>	<u>\$11,928</u>

NOTE 5 – CAPITAL ASSETS

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

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – CAPITAL ASSETS (Continued)

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

Conveyance system	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, 2008	Additions	Transfers	Balance at June 30, 2009
Capital assets not being depreciated:				
Land	\$2,719,251			\$2,719,251
Construction in Progress	27,452,900	\$8,068,323	(\$1,897,698)	33,623,525
Total capital assets not being depreciated	<u>30,172,151</u>	<u>\$8,068,323</u>	<u>(\$1,897,698)</u>	<u>36,342,776</u>
Capital assets being depreciated:				
Treatment & Collection System	163,636,057		\$1,707,271	165,343,328
Equipment	5,614,707	\$112,741	190,427	5,917,875
Total capital assets being depreciated:	<u>169,250,764</u>	<u>\$112,741</u>	<u>\$1,897,698</u>	<u>171,261,203</u>
Less accumulated depreciation for:				
Treatment & Collection System	63,793,016	\$4,562,467		68,355,483
Equipment	4,300,110	292,294		4,592,404
Total accumulated depreciation	<u>68,093,126</u>	<u>\$4,854,761</u>		<u>72,947,887</u>
Net capital assets being depreciated	<u>101,157,638</u>			<u>98,313,316</u>
Total capital assets, net	<u>\$131,329,789</u>			<u>\$134,656,092</u>

Construction in progress represents construction of treatment and collection facilities.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 6 – ACCRUED COMPENSATED ABSENCES

Accumulated unpaid vacation and compensatory time have been accrued at June 30, 2009 in the amount of \$680,048. 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, 2009:

Beginning Balance	\$629,159
Additions	489,111
Payments	<u>(438,222)</u>
Ending Balance	<u>\$680,048</u>
Current Portion	<u>\$459,171</u>

In addition, the Board has set up a Catastrophic Leave Bank, which accumulates up to 40 hours from each terminated employee's forfeited sick leave. Employees may also donate vacation hours. This time may be used by employees who have used all their sick leave due to catastrophic illness and need additional time off. Accumulated Catastrophic Leave at June 30, 2009 was \$107,625, and is included in the balance of Accrued Payroll and Benefits on the Statements of Net Assets.

NOTE 7 – LONG-TERM DEBT

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2008	Retirements	Balance June 30, 2009	Amount due within one year
1991 Certificates of Participation					
Wastewater Facilities Expansion Project, 4.6-6.25%, due 12/01/2017	\$17,454,950	\$6,569,950		\$6,569,950	\$1,025,429
Accreted interest on 1991 Certificates		12,868,393	\$981,094	11,887,299	2,289,571
2000 Refunding Revenue Bonds					
4.25-5.25%, due 12/01/08	8,510,000	1,625,000	1,625,000		
2001 Certificates of Participation					
Wastewater Revenue Certificates					
3.0-3.75%, due 12/01/08	10,505,000	1,505,000	1,505,000		
State Revolving Fund Loan					
1.80%, due 12/31/16	3,611,046	<u>1,785,202</u>	<u>184,477</u>	<u>1,600,725</u>	<u>187,803</u>
Total Long-Term Debt		24,353,545	<u>\$4,295,571</u>	20,057,974	<u>\$3,502,803</u>
Less:					
Amount due within one year		(3,314,477)		(3,502,803)	
Unamortized bond discounts		<u>(9,969)</u>			
Total Long-Term Debt, net		<u>\$21,029,099</u>		<u>\$16,555,171</u>	

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 December 1, 2010 and every year thereafter through fiscal year 2018.

C. 2000 Refunding Revenue Bonds

The District issued Refunding Revenue Bonds on September 20, 2000, to refund a portion of the District's 1991 Subordinated Certificates of Participation. The bonds are payable from revenues of the Wastewater Enterprise. The revenue bonds pay interest semi-annually on June 1 and December 1. This debt fully matured in fiscal year 2009.

D. 2001 Wastewater Revenue Certificates of Participation

The District issued Revenue Certificates of Participation on August 23, 2001, to refinance the District's 1992 Installment Purchase Contract Obligations. The bonds are payable from revenues of the Wastewater Enterprise. The revenue certificates of participation pay interest semi-annually on June 1 and December 1. This debt fully matured in fiscal 2009.

E. 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 year 2016.

F. Debt Service Requirements

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

<u>For The Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$3,211,127	\$320,537	\$3,531,664
2011	3,024,440	507,224	3,531,664
2012	2,845,747	680,917	3,526,664
2013	2,682,583	844,081	3,526,664
2014	2,523,862	1,002,802	3,526,664
2015 - 2017	6,751,309	3,833,683	10,584,992
Total payments due	<u>21,039,068</u>	<u>\$7,189,244</u>	<u>\$28,228,312</u>
Less: Accreted Interest Repayment	<u>(981,094)</u>		
	<u>\$20,057,974</u>		

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 – RETIREMENT PLAN

A. Pension Plan

All District employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The District's employees participate in the Miscellaneous (non-safety) Employee Plans. Benefit provisions under both Plans are established by State statute and District resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CALPERS; the District must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2009, are summarized as follows:

	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement Age	50
Monthly benefits, as a % of annual salary	2.0%-2.7%
Required employee contribution rates	8.0%
Required employer contribution rates	24.43%

The District's labor contracts require it to pay employee contributions as well as its own.

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% is assumed, including inflation at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 – RETIREMENT PLAN (Continued)

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 11 years as of June 30, 2005. The required contributions and related rates for the year ended June 30 were as follows:

	<u>Contribution Amount</u>	<u>Contribution Rate</u>
2007	\$1,269,890	25.80%
2008	1,384,863	24.08%
2009	1,693,936	24.43%

CALPERS' latest available actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation of June 30, 2007.

Miscellaneous Plan - State Pool:

Actuarial						Unfunded (Overfunded)
<u>Valuation Date</u>	<u>Entry Age Accrued Liability</u>	<u>Value of Assets</u>	<u>Unfunded (Overfunded) Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Liability as % of Payroll</u>
2005	\$872,346,612	\$729,556,809	\$142,789,803	83.63%	\$203,995,039	70.00%
2006	1,280,157,040	1,069,546,974	210,610,066	83.55%	304,898,179	69.08%
2007	1,627,025,950	1,362,059,317	264,966,633	83.71%	376,292,121	70.42%

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

Actuarially required contributions were \$1,693,936, \$1,384,863 and \$1,269,890 for fiscal years 2009, 2008 and 2007 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.

DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

During fiscal year 2009, the District implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior year's financial statements. 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, employees retiring after age 55 with a minimum of 10 years service are entitled to remain on the District's medical insurance program. The District's 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 paid by the District on a pay-as-you-go basis. The District has designated \$765,845 to be set-aside for these OPEB costs (see Note 2.J.). The long-term strategy for funding the benefits provided under the Plan is currently being evaluated.

B. *Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a June 30, 2008 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) 4.5% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health care cost trend rates from 4.5% to 10.1% 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.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Progress and Funded Status

The District's Net OPEB Obligation (NOO) is recorded in the Statement of Net Assets and is calculated as follows:

Annual pension cost	\$1,059,000
Annual OPEB cost	1,059,000
Contributions made:	
District's portion of retiree medical premiums paid	184,107
Total contributions	184,107
 (Decrease) increase in net OPEB obligations	 874,893
Net OPEB obligation (asset) June 30, 2008	0
Net OPEB obligation (asset) June 30, 2009	\$874,893

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2008, amounted to \$8,844,000.

The Plan's annual required contributions and actual contributions for fiscal year ended June 30, 2009 is set forth below:

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net OPEB Obligation (Asset)
June 30, 2009	\$1,059,000	\$184,107	17%	\$874,893

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 June 30, 2008 actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2008	\$0	\$8,844,000	\$8,844,000	0.00%	\$6,668,000	132.63%

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 – RISK MANAGEMENT

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

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

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

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2009:

Type of Coverage	Limits	Deductibles
General Liability	\$15,750,000	\$100,000
Employment Practices Liability	15,750,000	25,000
Worker's Compensation	750,000	None
Excess Worker's Compensation Liability	Statutory Limit	None
Primary Insurance Program / Auto Physical Damage	250,000	1,000
Special Form Property	111,106,333	25,000
Mobile Equipment	330,000	2,000
Commercial Crime - Employee Dishonesty, Forgery or Alteration	1,000,000	5,000
Commercial Crime - Theft, Disappearance, Destruction, or Computer Fraud	500,000	5,000
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.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 11 – NET ASSETS

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

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

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

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

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 starts at \$32,500 per year and escalates every five years based on changes in the Consumer Price Index. 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 \$1,319,931 at June 30, 2009. The lessee, DEC, retains an option to terminate the lease agreement by providing a thirty-day written notice to the District.

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 Project is estimated to cost \$7,100,000.

The funding sources for the Project include \$2,600,000 from the City of Pittsburg, \$1,259,250 from a State Water Resources Control Board (SWRCB) grant award to the District, \$1,000,000 from a SWRCB grant award to Contra Costa Water District with the District as sub-grantee, and \$2,240,750 District funding from wastewater ad valorem taxes to be repaid if Federal appropriations are received. As of June 30, 2009, the District has remitted \$3,543,091 to the City of Pittsburg for Project costs.

**DELTA DIABLO SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)
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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.

The Project is estimated to cost \$11,419,205, with each agency’s share estimated at \$5,709,602. The District will fund its share of the Project costs through a State Revolving Fund Loan (SRF), a SWRCB grant award to Contra Costa County with the District as sub-grantee and advalorem taxes to be repaid if Federal and or State Appropriations applied for are received. To date, a total of \$8,900,000 SRF loan with .056% interest was secured by the District for this project. The City of Antioch will reimburse the District for one-half of the SRF loan payments. As of June 30, 2009, the District has incurred expenditures of \$1,312,789.

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SUPPLEMENTARY INFORMATION

DELTA DIABLO SANITATION DISTRICT
 SUPPLEMENTARY SCHEDULE OF NET ASSETS - PROPRIETARY FUND TYPE
 ENTERPRISE FUNDS
 JUNE 30, 2009

	Waste Water ^(A)	Waste Water Expansion ^(B)	Recycled Water Facility	Hazardous Waste
ASSETS				
CURRENT ASSETS				
Cash	\$1,273,751	(\$2,816,544)	\$1,799,372	\$509,457
Investments	23,232,103		1,120,205	
Accounts receivable	687,018	84,865	970,499	132,647
Interfund receivable	1,643,000		878,000	161,879
Interest receivable	14,424	10,293	12,306	
Current portion of notes receivable	10,174			1,795
Current portion of employee computer loans receivable	15,261			
Inventory	519,721		88,420	
Prepaid expenses	171,671		7,428	
Total current assets	<u>27,567,123</u>	<u>(2,721,386)</u>	<u>4,876,230</u>	<u>805,778</u>
RESTRICTED CASH AND INVESTMENTS				
Escrow	379,889	29,660		
Debt service		1,757,127		
Capital expansion		2,736,016		
Total restricted cash and investments	<u>379,889</u>	<u>4,522,803</u>		
DESIGNATED CASH AND INVESTMENTS				
Operations and maintenance rate stabilization	600,000			
Other Post-Employment Benefits	765,845			
Related Employee Benefits Costs	757,965			
Insurance	500,000			
Total designated cash and investments	<u>2,623,810</u>			
CAPITAL ASSETS, non depreciable	<u>13,378,086</u>	<u>15,588,176</u>	<u>5,339,242</u>	<u>646,119</u>
CAPITAL ASSETS, net of accumulated depreciation	<u>76,831,822</u>		<u>20,292,022</u>	<u>161,379</u>
NONCURRENT ASSETS				
Unamortized bond issuance costs				
Notes receivable less current portion	107,555			18,981
Employee notes receivable less current portion	8,676			
Total noncurrent assets	<u>116,231</u>			<u>18,981</u>
TOTAL ASSETS	<u>120,896,961</u>	<u>17,389,593</u>	<u>30,507,494</u>	<u>1,632,257</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	831,237	112,107	192,078	241,593
Accrued payroll and benefits	1,261,506	2,986	18,029	6,438
Interfund payable	912,879	868,000	878,000	24,000
Deposits payable	389,389	29,660		
Deferred revenue	252,830			20,776
Compensated absences - due within one year	459,171			
Current portion of long-term debt		3,502,803		
Accrued interest payable		2,304,002		
Total current liabilities	<u>4,107,012</u>	<u>6,819,558</u>	<u>1,088,107</u>	<u>292,807</u>
LONG-TERM LIABILITIES				
Long-term debt, net of current portion				
Certificates of participation		5,544,521		
Loans payable		1,412,922		
Accreted Interest		9,597,728		
Compensated absences - due in more than one year	220,877			
Net OPEB obligation	874,893			
Total long-term liabilities	<u>1,095,770</u>	<u>16,555,171</u>		
TOTAL LIABILITIES	<u>5,202,782</u>	<u>23,374,729</u>	<u>1,088,107</u>	<u>292,807</u>
NET ASSETS				
Invested in capital assets, net of related debt	90,209,908	(4,469,798)	25,631,264	807,498
Restricted for debt service		1,757,127		
Restricted for capital projects	379,889	2,765,676		
Unrestricted	25,104,382	(6,038,141)	3,788,123	531,952
TOTAL NET ASSETS (DEFICITS)	<u>\$115,694,179</u>	<u>(\$5,985,136)</u>	<u>\$29,419,387</u>	<u>\$1,339,450</u>

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

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

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

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

<u>Street Sweeping (C)</u>	<u>Bay Point (D)</u>	<u>Total</u>
\$378,715	\$786,377	\$1,931,128
97,353	879,757	25,329,418
\$51	35,022	1,910,102
		2,682,879
1,192	5,968	44,183
		11,969
		15,261
		608,141
		179,099
<u>477,311</u>	<u>1,707,124</u>	<u>32,712,180</u>
		409,549
		1,757,127
		2,736,016
		4,902,692
		600,000
		765,845
		757,965
		500,000
		2,623,810
	1,391,153	36,342,776
	1,028,093	98,313,316
		126,536
		8,676
		135,212
<u>477,311</u>	<u>4,126,370</u>	<u>175,029,986</u>
58,309	26,348	1,461,672
279	12,382	1,301,620
		2,682,879
		419,049
		273,606
		459,171
		3,502,803
		2,304,002
<u>58,588</u>	<u>38,730</u>	<u>12,404,802</u>
		5,544,521
		1,412,922
		9,597,728
		220,877
		874,893
		17,650,941
<u>58,588</u>	<u>38,730</u>	<u>30,055,743</u>
	2,419,246	114,598,118
		1,757,127
		3,145,565
<u>418,723</u>	<u>1,668,394</u>	<u>25,473,433</u>
<u>\$418,723</u>	<u>\$4,087,640</u>	<u>\$144,974,243</u>

DELTA DIABLO SANITATION DISTRICT
 SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND TYPE
 ENTERPRISE FUNDS
 JUNE 30, 2009

	Waste Water ^(A)	Waste Water Expansion ^(B)	Recycled Water Facility	Household Hazardous Waste
OPERATING REVENUES				
Service charges	\$16,061,820		\$2,032,698	
Discharge permits	196,375			
Household hazardous waste operating fees				\$408,039
Miscellaneous	336,606			
Work for others	1,025,338		573,123	12,276
Total operating revenues	17,620,139		2,605,821	420,315
OPERATING EXPENSES				
Salaries and benefits	11,811,672	\$21,799	349,535	150,396
Chemicals	883,866		707,043	
Depreciation and amortization	4,288,626	13,626	496,571	5,188
Office expense	634,700	64	38,773	13,467
Operating expense	483,441		100,464	14,341
Outside services and maintenance	2,969,948	14,351	186,040	362,688
Travel and meetings	91,422		9	4,102
Utilities	1,235,589		313,417	1,126
Other	72,874	2,654		
Total operating expenses	22,472,138	52,494	2,191,852	551,308
OPERATING INCOME (LOSS)	(4,851,999)	(52,494)	413,969	(130,993)
NONOPERATING REVENUES (EXPENSES)				
Interest expense		(1,414,645)		
Interest income	1,015,931	103,403	98,647	1,296
Capital facilities capacity charges		2,672,259		
Lease revenue	35,773			
State grants			609,797	300,000
Subgrants			899,270	
Property taxes	2,090,674	58,885		
Total nonoperating revenues	3,142,378	1,419,902	1,607,714	301,296
NET INCOME (LOSS) BEFORE TRANSFERS	(1,709,621)	1,367,408	2,021,683	170,303
Transfers In	9,062,589	383,244	283,091	137,879
Transfers (Out)	(5,705,726)	(3,205,673)	(955,404)	
Total transfers in (out)	3,356,863	(2,822,429)	(672,313)	137,879
NET INCOME (LOSS) AFTER TRANSFERS	1,647,242	(1,455,021)	1,349,370	308,182
NET ASSETS (DEFICITS), BEGINNING OF YEAR	114,046,937	(4,530,115)	28,070,017	1,031,268
NET ASSETS (DEFICITS), END OF YEAR	\$115,694,179	(\$5,985,136)	\$29,419,387	\$1,339,450

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

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

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

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

Street Sweeping ^(C)	Bay Point ^(D)	Total
\$584,453	\$802,437	\$19,481,408
		196,375
		408,039
		336,606
	15,322	1,626,059
<u>584,453</u>	<u>817,759</u>	<u>22,048,487</u>
7,242	310,159	12,650,803
	11	1,590,920
	64,377	4,868,388
	7,823	694,827
	2,657	600,903
468,227	160,982	4,162,236
	1,587	97,120
	849	1,550,981
	56,371	131,899
<u>475,469</u>	<u>604,816</u>	<u>26,348,077</u>
<u>108,984</u>	<u>212,943</u>	<u>(4,299,590)</u>
		(1,414,645)
4,514	32,696	1,256,487
		2,672,259
		35,773
		909,797
		899,270
		2,149,559
<u>4,514</u>	<u>32,696</u>	<u>6,508,500</u>
<u>113,498</u>	<u>245,639</u>	<u>2,208,910</u>
		9,866,803
		(9,866,803)
<u>113,498</u>	<u>245,639</u>	<u>2,208,910</u>
<u>305,225</u>	<u>3,842,001</u>	<u>142,765,333</u>
<u>\$418,723</u>	<u>\$4,087,640</u>	<u>\$144,974,243</u>

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