

**DELTA DIABLO  
(FORMERLY KNOWN AS  
DELTA DIABLO SANITATION DISTRICT)**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**PREPARED BY THE  
FINANCE DEPARTMENT**

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**DELTA DIABLO  
BASIC FINANCIAL STATEMENTS  
For the Years Ended June 30, 2016 and 2015**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delta Diablo  
Antioch, California

We have audited the accompanying financial statements of Delta Diablo (District) as of and for the years ended June 30, 2016 and June 30, 2015, 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Delta Diablo as of June 30, 2016 and 2015, and changes in the financial positions and cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

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

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 generally accepted auditing standards in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Pleasant Hill, California  
December 1, 2016

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

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 for the fiscal year ended June 30, 2016.

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's (District) basic financial statements. The District-wide financial statements are shown on pages 16-50. The District's basic financial statements are comprised of two components: 1) Fund Financial Statements and 2) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

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

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

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

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

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

**FINANCIAL HIGHLIGHTS**

- The District's combined net position totaled \$160.5 million.
- During the fiscal year, total net position increased by \$6.8 million or 4%.
- Total assets plus deferred outflow increased by \$8.4 million or 4%
- Total liabilities plus deferred inflow increased by \$1.6 million or 5%
- Total revenues were \$35.3 million, an increase of \$2.3 million or 7%.
- Total expenses were \$30.7 million, an increase of \$1.8 million or 6%.
- Capital contributions were \$2.2 million, a decrease of \$0.08 million or less than 4%.

**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 remains financially sound with combined total net position as of June 30, 2016 at \$160.5 million. For the current fiscal year, the District's net position has increased by \$6.8 million. The last two fiscal years prior, the District's net position had decreased by \$5.4 million or 3%, and increased by \$4.8 million or 3%, respectively.

The current fiscal year's increase in total net position is a net result of capital contributions (\$2.2 million) plus income before contributions (\$4.6 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 \$160.5 million. This positive result is indicative of the District's strong financial position. The largest portion of Delta Diablo Sanitation District's net position (76%) 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 \$1.9 million primarily due to 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 as to how these resources may be used such as for debt service and for capital projects. The restricted net position remained steady at \$2.1 million for this fiscal year compared to the prior fiscal year. The remaining balance of the District's net position (23%) represents the unrestricted portion of the net position. Unrestricted net position increased by \$8.7 million for the current year for a total of \$36.0 million. The net increase in unrestricted net position is primarily correlated to the corresponding decrease in the net investment in capital assets and positive operating results for the year. Unrestricted net position is a direct result of the District's cumulative operating and non-operating activities, thereby providing additional resources available for the District's use in future periods.

**Assets Plus Deferred Outflows and Liabilities Plus Deferred Inflows.** Total assets plus deferred outflows increased by \$8.4 million or 4%, and total liabilities plus deferred inflows increased by \$1.6 million or 5%; resulting in a net increase of total net position for the current fiscal year by \$6.8 million compared to last fiscal year. The District's deferred outflows and inflows balances as of June 30, 2016 are primarily due to the GASB 68 reporting requirements related to pensions.

*Assets Plus Deferred Outflows.* Total assets increased (\$6.4 million) is a net result of the increase in current and other assets, partially offset by the decrease in capital assets (net). For fiscal year end (FYE) 2016, current and other assets increased by \$7.7 million (16%) from the prior fiscal year primarily due to increases in investments, restricted cash and investments, non-current cash and investments, and net Other Post Employment Benefit (OPEB) assets, partially offset by decreases in cash, accounts receivable, notes receivable, and prepaid expenses.



DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

Investments increased primarily due to additional funds invested as higher revenues were collected this year compared to prior year. Increases in restricted cash and investments was primarily due to additional funds set aside as a reserve requirement for a number of State Revolving Fund (SRF) loans. The net increase in non-current cash and investments is primarily due to additional 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 Asset increased due to additional contributions made to the OPEB trust fund, which is consistent with the OPEB plan and funding policy (see note 9A for additional information) approved by the District board.

Decreases in cash and prepaid expenses are primarily due to timing of when invoices are received and paid as well as cash transfers. Accounts receivable decreases 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 decrease in notes receivable is largely due to scheduled principal and interest payments made by the Cities of Antioch and Pittsburg for their share of their respective recycled water distribution systems' project costs. Capital assets (net) decreased by \$1.2 million or 1% compared to prior year due to higher depreciation and retirements, partially offset by the additional capital expenditures in the current year. Capital assets (net) will be discussed further in the capital assets section of this analysis.

Deferred outflows of resources increased by \$2.0 million or 121%, which represents District contributions in the current fiscal year after the measurement date of June 30, 2015 and are related to pension reporting requirements under the GASB68 (second year). Details regarding deferred outflows of resources related to pensions can be found in Note 8B-Retirement.

*Liabilities Plus Deferred Inflows.* The net increase in total liabilities plus deferred inflows of resources of \$1.6 million or 5% was attributable to a number of factors including increases in current and other liabilities, and in long-term debt (net), partially offset by the decrease in deferred inflows of resources.

Current and other liabilities increased primarily due higher accounts payable this year compared to prior year. The District received in June 2016 a number of large progress payments related to construction activities incurred during the fiscal year that were accrued to be paid in the following month/fiscal year. The increase in long-term debt (net) was due to an additional net pension liability of \$1.9 million under GASB68 recognized this fiscal year, partially offset by scheduled principal and interest payments towards the debt obligations for the year. Deferred inflows of resources decreased by \$1.2 million or 51%, which represents the unamortized pension liability as of FYE 2016 per the GASB68 reporting requirement for pensions. Additional information on long-term debt and net pension liability are discussed in the debt section of this analysis as well as in Note 7-Debt and Note 8-Retirement.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

The following tables are shown in comparative format for fiscal year ended June 30, 2016, 2015 and 2014 with variances shown as percentages for analysis.

*Condensed Statement of Net Position*

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Current and other assets	\$56,781,722	\$49,098,936	\$43,789,242	16%	12%
Capital assets <i>(net)</i>	136,602,318	137,848,523	140,755,638	(1)%	(2)%
Total assets	<u>\$193,384,040</u>	<u>\$186,947,459</u>	<u>\$184,544,880</u>	3%	1%
Deferred outflow of resources *	<u>\$3,632,963</u>	<u>\$1,641,445</u>	<u>\$0</u>	121%	0%
Current and other liabilities	\$10,150,422	\$7,747,446	\$7,736,462	31%	0%
Long-term debt <i>(net)</i> *	25,197,594	24,829,730	17,651,126	1%	41%
Total liabilities	<u>\$35,348,016</u>	<u>\$32,577,176</u>	<u>\$25,387,588</u>	9%	28%
Deferred inflows of resources *	<u>\$1,125,637</u>	<u>\$2,288,995</u>	<u>\$0</u>	(51)%	0%
Net position					
Net investment in capital assets	\$122,139,055	\$123,992,770	\$125,917,417	(1)%	(2)%
Restricted	2,086,398	2,087,120	2,088,848	0%	(0)%
Unrestricted	<u>36,317,897</u>	<u>27,642,843</u>	<u>31,151,027</u>	31%	(11)%
Total net position	<u>\$160,543,350</u>	<u>\$153,722,733</u>	<u>\$159,157,292</u>	4%	(3)%

\* GASB68 requirement on pensions implemented FYE 2015. Long-term debt (net) includes net pension liability.

**Statement of Revenue and Expenses and Changes in Net Position.** This statement measures the success of the District's over-all operations for the fiscal year and shows cost recovery from user fees and other charges. For the current fiscal year, FYE 2016, the District's revenues exceeded its expenses by \$6.8 million. In FYE 2015 and 2014, the District's revenue exceeded its expenses by \$6.4 million and \$4.7 million, respectively.

*Revenue.* Total revenue, excluding capital contributions, for the current fiscal year was \$35.3 million, an increase of \$2.3 million, or 7.0%, over the prior year results. In FYE 2016, District revenues remained strong and consistent with prior years' results. Total revenue for FYE 2015 and FYE 2014 were \$33.0 million and \$31.2 million, respectively.

Total revenue, excluding capital contributions was a direct result of increases in service charges of \$2.1 million (7%) and slight increases in property taxes of \$0.3 million and interest income partially offset with decreases in other operating revenue due to a slight decrease in work for others and discharge permits.

FYE 2016 service charges remained strong at \$30.8 million, or 7% higher than FYE 2015 at \$28.6 million, which was 5% higher than FYE 2014. The gradual moderate increases in wastewater sewer service rates are consistent with the rate model approved by the District Board each fiscal year and ensures consistent delivery of services with the least possible impact to its rate payers. The current year increase in wastewater service charges is primarily due to a total of 6.5% increase in wastewater sewer service charges approved by the Board plus modest growth in services provided. 2.7% of the 6.5% rate increase is in preparation for the new advanced 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. For the fiscal year, overall Recycled Water service charges slightly increased by 9% primarily due to higher recycled water variable charges consistent with the higher recycled water consumption by its customers, primarily Calpine (largest recycled water customer) for this fiscal year compared to the prior fiscal year.

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For the Fiscal Year Ended June 30, 2016 and 2015

The net decrease in other operating revenues (7%) was primarily due to decreases in work for others (25%) and discharge permits (8%), partially offset by higher household hazardous waste (HHW) operating fees (4%) and miscellaneous revenue (9%). Both the work for others and miscellaneous revenue can vary from year-to-year depending on the operating activities related to large multi-agency collaborative and/or multi-year projects as well as when additional non-recurring revenues are collected. For this fiscal year, the increase in miscellaneous revenue can be attributed to a higher brine discharge revenue and fats, oils, grease (FOG) tipping fees compared to the prior fiscal year. Discharge permits were slightly lower this year due to a moderate decrease in the number of major discharge permits issued; HHW operating fees increased due to increased reimbursements from partner agencies this year compared to the prior fiscal year. Other operating revenue in FYE 2016 was \$1.9 million, compared to \$2.1 million and \$2.2 million for the prior two fiscal years, respectively.

Property taxes and assessments increased slightly by 13% for FYE 2016 at \$2.2 million, compared to \$2.0 million and \$1.7 million for the prior two fiscal years, respectively. The increase experienced was primarily due to moderate growth in all the three zones the District serves, with the City of Pittsburg having the highest growth at 18%, followed by the un-incorporated City of Bay Point at 17% and City of Antioch at 9%, plus moderately higher redevelopment funds received this year. The housing market started to pick up moderately compared to the downward trend from the housing bubble experienced in the prior years. Interest income (\$0.3 million) had a 44% increase in the current fiscal year consistent with the short-term interest rate market having slightly better interest rate yields compared to last fiscal year. Interest income for each of the prior fiscal years FYE 2015 and FYE 2014 was \$0.2 million and slightly less than \$0.2 million, respectively.

Total capital contributions are comprised of capital facilities capacity charges (CFCC)/connection fees, and other capital contributions received from intergovernmental funding sources. Compared to the prior fiscal year, total capital contributions decreased by \$0.1 million, or 4%. For this fiscal year, despite having a slightly higher CFCC revenue this year, this was reduced by lower other capital contribution/grant revenue than previous fiscal year.

CFCC revenues are one-time charges assessed to connect to the District's 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 revenues totaled \$2.0 million for FYE 2016, 5% higher than the prior year largely due to higher residential connections (36%) offset by a decrease in the number of commercial connections (67%). This year's total equivalent residential unit (ERU) additions were 442 compared to 409 new ERUs in FYE 2015 and 477 ERUs in FYE2014. For FYE 2015 and FYE 2014, CFCC revenue was at \$2.0 million and \$2.3 million, respectively.

Other capital contributions/grant revenue can fluctuate from year-to-year depending on project activities and availability of funds primarily from Federal and State agencies. Despite a challenging year for securing grants, for FYE 2016, the District received a total of \$0.2 million of other capital contributions. This total is comprised of 21% in State grants and 79% from sub-grants. There was no Federal grant secured for FYE 2016. Other capital contributions for FYE 2015 and 2014 were \$0.4 million and \$1.4 million, respectively.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

The following tables are shown in comparative format for fiscal year ended June 30, 2016, 2015 and 2014 with variances shown as percentages for analysis.

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

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Service charges	\$30,755,640	\$28,626,113	\$27,151,658	7%	5%
Other operating revenues	1,989,673	2,147,690	2,161,304	(7)%	(1)%
Property Taxes	2,230,459	1,974,773	1,698,185	13%	16%
Interest income	297,905	207,369	174,179	44%	19%
Other non-operating revenues	36,125	40,159	36,125	(10)%	11%
Total revenues	<u>\$35,309,802</u>	<u>\$32,996,104</u>	<u>\$31,221,451</u>	7%	6%
Salaries and benefits	\$12,796,436	\$12,304,139	\$13,500,132	4%	(9)%
Chemicals and utilities	2,649,252	2,567,767	2,767,263	3%	(7)%
Depreciation and amortization	6,993,567	6,959,201	6,821,159	0%	2%
Other operating expenses	7,378,633	6,352,457	5,911,463	16%	7%
Interest expense	662,132	735,098	695,818	(10)%	6%
Other non-operating expenses	217,711	0	415,681		(100)%
Total expenses	<u>\$30,697,731</u>	<u>\$28,918,662</u>	<u>\$30,111,516</u>	6%	(4)%
Income (loss) before capital contributions	\$4,612,071	\$4,077,442	\$1,109,935	13%	267%
Add: Capacity charges - connection fees	2,031,409	1,926,982	2,250,790	5%	(14)%
Add: Other capital contributions	177,138	363,704	1,426,873	(51)%	(75)%
Changes in net position	<u>\$6,820,618</u>	<u>\$6,368,128</u>	<u>\$4,787,598</u>	7%	33%
Net position - beginning of year	\$153,722,733	\$159,157,292	\$154,369,695	(3)%	3%
Less: GASB68 implementation adjustment *	\$0	(\$11,802,689)	\$0	(100)%	0%
Net position - beginning of year, as restated *	<u>\$153,722,733</u>	<u>\$147,354,604</u>	<u>\$154,369,695</u>		
Net position - end of year	<u>\$160,543,352</u>	<u>\$153,722,733</u>	<u>\$159,157,292</u>	(3)%	3%

\* GASB68 requirement on pensions implemented FYE 2015.

*Expenses.* Combined expenses for FYE 2016 totaled \$30.7 million, an increase of \$1.8 million, or 6%, from prior year. Total expenses for FYE 2015 and FYE 2014 were \$28.9 million and \$30.1 million, respectively.

Total expenses increased primarily due to salaries and benefits, other operating and non-operating expenses, partially offset by a small decrease in interest expense compared to the prior year. Additionally, all other expense categories including chemicals and utilities had minor increases due to slightly higher costs incurred this year compared to the prior fiscal year.

Salaries and benefits totaled \$12.8 million, an increase of \$0.5 million or 4% compared to the prior fiscal year. This was primarily due to a combination of the following factors: lesser vacant positions, moderate compensation increases due to promotions, merit and cost-of-living adjustments (2.0%), plus slightly higher employee benefits compared to the prior fiscal year. Total salaries and benefits combined for FYE 2015 and FYE 2014 were \$12.3 million and \$13.5 million, respectively.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

Other operating expenses totaled \$7.4 million, an increase of 16% from last year largely due to higher cost of outside services (13%) and maintenance (40%) this year compared to the prior year. The higher cost of outside services was primarily due to higher temporary labor, and large rehabilitation projects for the Tower Pump Station, Pittsburg Forcemain and Bay Point. Repairs and maintenance was higher this year due to plant-wide painting and coating, and additional building, equipment and machinery maintenance projects. Other operating expenses for FYE 2015 and FYE 2014 were \$6.4 million and \$5.9 million, respectively. Other non-operating expenses increased largely due to a net loss on fixed asset retirements, partially offset by a slight decrease in interest expense consistent with the debt payment schedule.

Chemical and utility costs increased less than \$0.1 million or 3% this fiscal year compared to the prior year. Slightly higher chemical costs were primarily due to higher procurement costs for polymer and ferrous chemicals. Utilities costs remained relatively the same as prior year. Total chemicals and utilities combined for FYE 2015 and FYE 2014 were at \$2.6 million and \$2.8 million, respectively.

Depreciation remained relatively steady at \$7.0 million compared to prior year. Total depreciation for FYE 2015 and FYE 2014 were \$7.0 million and \$6.8 million, respectively.

**CAPITAL ASSETS AND DEBT**

**Capital Assets.** Capital assets (net of depreciation) for FYE 2016, FYE 2015, and FYE 2014 totaled \$136.6 million, \$137.8 million and \$140.8 million, respectively. In the current year, the total decrease in total capital assets (net of depreciation) was 1% or \$1.2 million compared to the prior year. The reduction in total capital assets (net of depreciation) is the result of decreases in depreciable capital assets, partially offset by increases in construction in progress.

*Capital Assets (net of accumulated depreciation)*

	Fiscal Year Ended June 30			% Increase/(Decrease)	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Land	\$2,719,251	\$2,719,251	\$2,719,251	0%	0%
Construction in progress	9,912,098	5,187,415	7,056,213	91%	(26)%
Treatment & collection system <i>(net)</i>	123,140,389	129,171,587	129,930,580	(5)%	(1)%
Equipment <i>(net)</i>	830,580	770,270	1,049,594	8%	(27)%
Total capital assets <i>(net)</i>	\$136,602,318	\$137,848,523	\$140,755,638	(1)%	(2)%

Depreciable capital assets had a net decrease of \$6.0 million, the net result of \$0.7 million of capital assets added for the year, offset by accumulated depreciation (net of adjustments) for the year of \$6.7 million. Additional depreciable capital assets purchased for the year were primarily due to capital investments (net of disposals) in the treatment and collection systems necessary to provide continuous reliable service to its customers.

Construction in progress had a net increase of \$4.7 million or 91%; this is primarily due to a large number of capital projects that have not been completed for the fiscal year. Construction in progress totaled \$9.9 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.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
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This year's major construction in progress projects (86% of \$9.9 million) include:

Project Description	Acquisition Costs
Bay Area Biosolids To Energy Project Planning	\$2,298,502
Pittsburg Forcemain Rehabilitation	4,577,964
Bay Point Rehabilitation	1,641,209
<b>Total</b>	<b>\$8,517,675</b>

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

**Debt.** Total net debt obligations for FYE 2016, FYE 2015, and FYE 2014 totaled \$29.4 million, \$29.1 million and \$21.8 million, respectively. Outstanding debt increased by \$0.3 million or 1% this year compared to the prior year. This increase was primarily due to net pension liability related to pensions under GASB68 recognized this year of \$1.9 million, partially offset by the net total scheduled principal payments (net of accreted interest) on outstanding debt of \$3.8 million, plus new SRF loan drawdown of \$2.2 million as of June 30, 2016. The new SRF loans secured by the District were for the large rehabilitation projects for Bay Point and the Pittsburg Forcemain. Of the \$2.2 million SRF loan drawdown, \$1.2 million was for the 2015 Bay Point rehabilitation project, which had a 30-year term with 1.9% interest. The remaining balance of \$1.0 million was for the Pittsburg Forcemain rehabilitation (\$0.9 million) and Wastewater Infrastructure rehabilitation and repair project (\$0.1 million).

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

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

	Fiscal Year Ended June 30			%	
				Increase/(Decrease)	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
1991 Certificates of participation (COP)	\$642,041	\$1,327,509	\$2,060,422	(52)%	(36)%
1991 COP accreted interest	2,667,959	4,909,838	7,007,460	(46)%	(30)%
1997 State revolving fund loan (SRF)	212,826	421,882	627,237	(50)%	(33)%
2010 SRF loan	4,753,149	5,068,079	5,382,766	(6)%	(6)%
2011 Installment Note Payable	1,594,676	1,764,088	1,923,203	(10)%	(8)%
2011 SRF loan	4,438,586	4,644,195	4,844,593	(4)%	(4)%
2015 California Energy Commission loan	655,696	630,000	0	4%	
2015 Bay Point SRF loan	1,143,995	0	0		
2016 Pittsburg Forcemain SRF loan	948,459	0	0		
2016 SRF loan	73,835	0	0		
Net Pension Liability *	12,245,259	10,317,451	0	19%	
Total long-term debt (net)	\$29,376,481	\$29,083,041	\$21,845,681	1%	33%

\* Net pension liability under GASB68 requirement on pensions implemented FYE 2015.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

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

The latest debt rating review (November 2015) 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 for the second time this strong bond rating is the District board's willingness to continue to adjust rates incrementally and the very prudent approach to start collecting and setting aside funds for the advanced treatment plant project in anticipation of nutrient removal regulations. This is evidenced by the continued strong financial performance, debt service coverage and strong liquidity; competitive rates; manageable capital plan with expansion costs historically financed from connection fees; and a stable and diverse customer base largely collected through the County's Teeter Plan.

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

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

- 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 directly billed. Any market losses can potentially affect District investments and OPEB trust fund balances.
- Changes in the State budget and future legislation, including the recent passage of the California Pension Reform Act of 2013 and, although limited, future state borrowing from local governments. The California pension reforms will result in future savings to the District due to lower required employer contribution rates. However, should the CalPERS reduce the current assumed rate of return on investments, it will result in additional employer retirement contributions for the District.
- Changes in Federal or State budgets and legislation could affect the District's ability to secure additional grant funding and low interest loans.
- Changes in assessed property values affects the District's property tax revenue. As the housing market improves, the assessed property values should follow, thereby increasing the District's property tax revenue. Conversely, any decline with the housing market will decrease property values and correspondingly decrease property tax for the District.
- Changes in the Governmental Accounting Standard Board (GASB) pronouncements related to financial reporting, including its latest pronouncement GASB 68 pension plan reporting implemented in FYE 2015.

All of these factors to the extent known were considered in preparing the District's budget for FYE 2016.

**Next Year's Budget and Rates.** The District has a three-year operating budget cycle, with the latest covering FY2015/16 through FY2017/18. The District annually conducts reviews and updates the budget document, and the Board's policy is that the budget appropriation must be adopted by the first meeting in July. The District Board typically adopts budget appropriations annually in June for the upcoming fiscal year starting in July. FY2016/17 is the second year of the current three-year operating budget cycle adopted on July 8, 2015.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

In July 2016, the Board adopted the FY2016/17 operating budget with a total District budget expense appropriation of \$59.0 million. As part of that action, the Board also authorized short-term borrowings between funds, which will be re-paid with interest. An inter-fund loan of up to \$0.9 million from the wastewater capital asset replacement fund to the wastewater expansion fund was approved by the Board. The wastewater expansion fund is projected to use more funds than available during FY 2016/17 primarily due to anticipated CFCC revenues being lower than scheduled debt service payments. As discussed in the Debt section of this report, the 1991 COP will fully mature in December 2016. After FY 2016/17, the wastewater expansion fund is expected to start repaying any inter-fund loan owed to other District funds. As a policy, the District Board approves any inter-fund borrowing and/or external debt financing.

As noted earlier, the District has a five-year Capital Improvement Program which is updated annually. In May 2016 the Board adopted the FY2016/17–2020/21 CIP. The 2016 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 FY2016/17–2020/21 CIP includes approximately \$107 million for planned projects over five years. It includes 14 new projects with an estimated combined total value of \$26.2 million. Approval of the CIP establishes the new FY 2016/17 CIP total budget appropriation of \$25.9 million. A majority of these large capital projects are funded through low-interest SRF loans.

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

Wastewater Sewer Service Charges

The District's collection of sewer service charges is primarily done through the 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 8, 2016 Board meeting, the Board approved a 6.5% rate increase on sewer service charges for FY 2016/17. The total increase of 6.5% in sewer service charges is comprised of a 3.8% rate increase needed to adequately meet projected expenditures for the year, coupled with an additional increase of 2.7%, setting aside funds for a future major advanced treatment project anticipated to be required to meet likely new discharge regulations. This was the fifth year with an incremental 2.7% increase for this purpose and is expected to continue through FY 2019/20. The additional 2.7% are deposited into a Board approved designated reserve fund for future advanced treatment costs. This early initiation of funding will avoid significant rate spikes in the future. As of FYE 2016, the Advanced Treatment plant reserve has a balance of \$7.7 million.

Recycled Water Service Charges

On June 2016, the new recycled water rates were established for fiscal year 2016/17 and approved by the District board. The variable rate component was increased by 4.0% with the overall recycled water rate set at \$366.90 per acre foot or 3.2% increase for irrigation customers compared to last year. This increase is due to increased operating costs, particularly salaries and benefits as well as more labor being allocated to recycled water facility maintenance due to the age of the facility. The rates are well under the costs of potable water.

The Calpine monthly stability surcharge was increased back to \$30,000 per month from \$20,000 per month. This increase was to ensure that a reasonable operating reserve fund is reestablished as the current reserve level has been relatively low due to continued uncertainty about the level of future use of recycled water by the Calpine plants. It is projected that the Calpine monthly stability surcharge will continue for the foreseeable future. This will be evaluated on an annual basis. The additional recycled water surcharges from the Cities of Antioch and Pittsburg are to cover each City's share of the project costs related to the recycled water. For additional information on the recycled water surcharges for each City, see the financial footnotes section Note 3 – Notes Receivable.



DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

The Board approved in the last quarter of FY 2014/15 the expansion of the recycled water program to two additional customers on three sites: Pittsburg Unified School District (Pittsburg High School and Rancho Medanos Junior High School) and Contra Costa Waste Service. These new sites are now in operation and has provided additional recycled water revenue. 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 2016 year-over-year CPI was 2.6% or 0.4% less than previously assumed, which will be effective in fiscal year 2016/17.

*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 2016, the irrevocable trust fund has a balance of \$9.1 million. In July 2011, per the Board approved District Retiree Health Funding Plan, employees began contributing to the OPEB trust 3% of base salaries is the maximum that will be contributed by employees towards OPEB, which was reached in July 2012 and is expected to continue in FY 2016/17. 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 about one-third of the FYE 2017 annual required contribution. The District's required matching contribution and an additional \$500 thousand contribution to OPEB is included in the FY 2016/17 benefits budget. The Board's adopted OPEB funding policy states the Board's intent to fully fund the remaining annual obligation. For additional information on OPEB, see accompanying notes to the financial statements 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 Tier I employees making the full employee contribution of 8% to CalPERS over time. It also created a second tier pension plan (Tier II) for employees hired on or after July 1, 2012, which will result in substantially lower employer contributions by the District, as well as these new employees fully paying the employee contributions. In addition, there are provisions for the District matching of employee deferred compensation contributions of up to 4% over time for Tier I plan employees and up to 3.5% for Tier II employees immediately upon hire. The financial impact of these changes began in FY 2013/14, with the Tier I employee payments into CalPERS at 1% of salaries. Employee payments will increase to 4% in FY 2016/17, further reducing costs that otherwise would have been budgeted as District-paid benefits. The District match up will increase to 2% of employee contributions into a deferred compensation account in FY 2016/17. 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.

DELTA DIABLO  
MANAGEMENT'S DISCUSSION & ANALYSIS  
For the Fiscal Year Ended June 30, 2016 and 2015

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

*CalPERS Rate of Return Reductions and Employer Contribution Rates*

The CalPERS Board of Directors maintained its assumed annual rate of return at 7.5%. Although it is expected to continue for FY 2016/17 per the current CalPERS annual valuation report, there is a push from its Chief Investment Officer to lower the assumed rate of return as it is too high. This will be discussed at the CalPERS board of administration meeting in December 2016.

Starting FY 2015/16 CalPERS collects employer contributions towards the unfunded liability as dollar amounts instead of the prior method (as a percent of payroll), which was included as part of the contribution rate. In July 2016, the District made a pre-payment of \$546 thousand towards the unfunded liability (included in the FY 2016/17 benefits budget) instead of paying in monthly increments. The savings resulted from pre-payment is approximately 4.0% in interest earnings on the principal amount.

For fiscal year 2016/17, the required employer contribution for pension Tiers I, II and III employees is 12.3%, 9.3%, and 7.1%, 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.

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DELTA DIABLO  
STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	\$2,168,573	\$3,053,106
Investments (Note 2)	33,478,014	27,922,177
Accounts receivable	1,033,378	1,154,696
Interest receivable	47,945	17,396
Notes receivable, current portion (Note 3)	323,917	320,567
Employee computer loans receivable, current portion (Note 4)	13,722	11,967
Materials and supplies (Note 1H)	967,658	906,744
Prepaid expenses	163,799	311,366
Total current assets	38,197,006	33,698,019
NON-CURRENT ASSETS		
Restricted investments (Note 2H)	2,254,027	2,087,120
Designated investments (Note 2I)	9,089,791	6,495,210
Other Assets:		
Notes receivable, less current portion (Note 3)	4,693,133	5,017,049
Employee computer loans receivable, less current portion (Note 4)	8,814	9,391
Net OPEB asset (Note 9)	2,538,951	1,792,147
Total other assets	7,240,898	6,818,587
Capital Assets (Note 5):		
Capital assets, non-depreciable	12,631,349	7,906,666
Depreciable capital assets, net of accumulated depreciation	123,970,969	129,941,857
Total capital assets, net	136,602,318	137,848,523
Total noncurrent assets	155,187,034	153,249,440
TOTAL ASSETS	193,384,040	186,947,459
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions (Note 8)	3,632,963	1,641,445

(Continued)

See accompanying notes to financial statements

DELTA DIABLO  
STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND 2015

	2016	2015
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$4,050,078	\$1,778,845
Accrued payroll and benefits	656,006	643,075
Deposits payable	220,965	133,467
Unearned revenue	84,022	85,711
Compensated absences - current portion (Note 6)	723,696	631,667
Current portion of long-term debt (Note 7)	1,510,928	1,628,780
Accreted interest (Note 7)	2,667,959	2,624,532
Accrued interest payable	4,076	3,803
	9,917,730	7,529,880
Total current liabilities		
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7):		
Certificates of participation		642,041
State revolving fund loans	11,410,179	9,990,256
Installment sale agreement	1,542,156	1,594,676
Accreted interest		2,285,306
	12,952,335	14,512,279
Total long-term debt, net of current portion		
Compensated absences -net of current portion (Note 6)	201,571	186,445
Property tax refund	31,121	31,121
Net pension liability (Note 8)	12,245,259	10,317,451
	25,430,286	25,047,296
Total long-term liabilities		
	35,348,016	32,577,176
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 8)	1,125,637	2,288,995
	1,125,637	2,288,995
NET POSITION (Note 11)		
Net investment in capital assets	122,139,055	123,992,770
Restricted for debt service	2,086,398	2,087,120
Unrestricted	36,317,897	27,642,843
	160,543,350	153,722,733
TOTAL NET POSITION		

See accompanying notes to financial statements

DELTA DIABLO  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Service charges	\$30,755,640	\$28,626,113
Discharge permits	145,750	158,950
Household hazardous waste operating fees	468,206	450,714
Miscellaneous	699,005	641,137
Work for others	<u>676,712</u>	<u>896,889</u>
Total operating revenues	<u>32,745,313</u>	<u>30,773,803</u>
OPERATING EXPENSES		
Salaries and benefits	12,796,436	12,304,139
Chemicals	1,160,518	1,078,924
Depreciation (Note 5)	6,993,567	6,959,201
Office expense	1,002,275	911,237
Operating expense	855,157	848,739
Outside service and maintenance	5,265,128	4,445,466
Travel and meetings	85,006	84,202
Utilities	1,488,734	1,488,843
Other	<u>171,067</u>	<u>62,813</u>
Total operating expenses	<u>29,817,888</u>	<u>28,183,564</u>
OPERATING INCOME	<u>2,927,425</u>	<u>2,590,239</u>
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(662,132)	(735,098)
Interest income	297,905	207,369
Capital facilities capacity charges (Note 1I)	2,031,409	1,926,982
Lease revenue (Note 12)	36,125	36,125
Gain (Loss) on sale of asset	(217,711)	4,034
State grants	37,500	160,683
Subgrants	139,638	203,021
Property taxes	<u>2,230,458</u>	<u>1,974,773</u>
Total nonoperating revenues (expenses), net	<u>3,893,192</u>	<u>3,777,889</u>
NET INCOME	6,820,617	6,368,128
NET POSITION, BEGINNING OF YEAR	<u>153,722,733</u>	<u>147,354,604</u>
NET POSITION, END OF YEAR	<u>\$160,543,350</u>	<u>\$153,722,733</u>

See accompanying notes to financial statements

DELTA DIABLO  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$32,866,631	\$30,516,896
Payments to employees	(12,017,606)	(9,954,201)
Payments to utilities	(1,488,734)	(1,488,843)
Payments to contractual/professional services	(5,177,630)	(4,358,375)
Payments to suppliers	(660,064)	(2,890,933)
Other receipts (payments)	(257,762)	(497,275)
Net Cash Provided by Operating Activities	13,264,835	11,327,269
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Taxes	2,230,458	1,974,773
State, federal and sub grants	177,138	363,704
Receipts (payments) on employee computer loans	(1,178)	(7,361)
Cash Flows from Noncapital Financing Activities	2,406,418	2,331,116
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(8,336,006)	(4,052,089)
Proceeds from sale of capital assets	(217,711)	4,034
Proceeds from loan agreements	2,663,768	630,000
Interest paid on long-term debt	(705,832)	(736,950)
Payment of long-term debt	(4,298,137)	(1,612,468)
Connection fees	2,031,409	1,926,982
Cash Flows (used for) Capital and Related Financing Activities	(8,862,509)	(3,840,491)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption and acquisition of investments	(8,317,325)	(9,259,304)
Receipts on note	320,566	317,355
Interest received on investments	267,356	204,226
Interest received on lease	36,125	36,125
Cash Flows (used for) Investing Activities	(7,693,278)	(8,701,598)
<b>NET INCREASE IN CASH</b>	(884,534)	1,116,296
Cash, beginning of year	3,053,106	1,936,810
Cash, end of year	\$2,168,572	\$3,053,106
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$2,927,425	\$2,590,239
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	6,993,567	6,959,201
Change in assets and liabilities:		
Receivables, net	121,318	(256,907)
Materials and supplies	(60,914)	(138,290)
Prepaid expenses	147,567	(111,380)
Accounts payable and accrued expenses	2,271,233	197,637
Accrued payroll and related expenses	120,086	19,611
Deposits payable	87,498	87,091
Unearned revenue	(1,689)	(350,260)
Net OPEB asset	746,804	543,769
Net pension liability	(88,060)	1,786,558
Net cash provided by operating activities	\$13,264,835	\$11,327,269
<b>SCHEDULE OF NON CASH ACTIVITY</b>		
Accreted interest on bonds	(\$2,241,879)	(\$2,097,622)
Change in fair value of investments	(9,368)	(281,092)

See accompanying notes to financial statements

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**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**A. General**

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

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

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

**B. Reporting Entity**

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

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

**C. Basis of Accounting**

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

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

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  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

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

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

***E. Use of Estimates***

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

***F. Compensated Absences***

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

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

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

***H. Materials and Supplies***

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

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

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

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

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

***J. Deferred Outflows/Inflows of Resources***

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

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category.

***K. Fair Value Hierarchy***

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

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

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

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

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

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

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

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2016.

**GASB Statement No. 72 – Fair Value Measurement and Application.** The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

**GASB Statement No. 76 -- The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.** The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

**GASB Statement No. 79-- Certain External Investment Pools and Pool Participants.** This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

**NOTE 2 – CASH AND INVESTMENTS**

**A. Policies**

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

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

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

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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.

	June 30,	
	2016	2015
Cash, available for District operations	\$2,168,573	\$3,053,106
Investments, available for District operations	33,478,014	27,922,177
Restricted cash and investments	2,254,027	2,087,120
Designated cash and investments	9,089,791	6,495,210
	<u>                    </u>	<u>                    </u>
Total Cash and Investments	<u>\$46,990,405</u>	<u>\$39,557,613</u>

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

	June 30,	
	2016	2015
Cash on hand	\$800	\$800
Investment in County Treasury Pool	1,374,667	803,133
Deposits with financial institutions	866,681	1,606,562
Investments	44,748,257	37,147,118
	<u>                    </u>	<u>                    </u>
Total Cash and Investments	<u>\$46,990,405</u>	<u>\$39,557,613</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 that address interest rate risk, credit risk and concentration of credit risk:

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 – CASH AND INVESTMENTS (Continued)**

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

***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:

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

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.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity or earliest call dates, at June 30, 2016:

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
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Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	2016
<b>Held by District:</b>				
U.S. Government Agency Obligations		\$1,950,981		\$1,950,981
Corporate Notes		2,011,649	\$1,004,332	3,015,981
California Local Agency Investment Fund	\$37,977,232			37,977,232
Money Market Mutual Funds (U.S. Securities)	42,054			42,054
<b>Held by Trustees:</b>				
Certificates of Deposit	1,761,996			1,761,996
Money Market Mutual Funds (U.S. Securities)	13			13
Total Investments	<u>\$39,781,295</u>	<u>\$3,962,630</u>	<u>\$1,004,332</u>	<u>\$44,748,257</u>

**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, 2015:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	2015
<b>Held by District:</b>				
U.S. Government Agency Obligations		\$1,957,137		\$1,957,137
Corporate Notes		2,024,569	\$1,002,908	3,027,477
California Local Agency Investment Fund	\$29,753,060			29,753,060
Money Market Mutual Funds (U.S. Securities)	642,611			642,611
<b>Held by Trustees:</b>				
Certificates of Deposit		\$1,766,833		1,766,833
Money Market Mutual Funds (U.S. Securities)				
Total Investments	<u>\$30,395,671</u>	<u>\$5,748,539</u>	<u>\$1,002,908</u>	<u>\$37,147,118</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, 2016 and 2015, these investments matured in an average of 169 and 239 days, respectively.

Money market mutual funds are available for withdrawal on demand. At June 30, 2016 and 2015, these investments matured in an average of 42 and 12 days, respectively.



**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

The District has authorized staff to deposit cash with the Contra Costa County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The County's investment policies are governed by State statutes. In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2016 was provided by the County Treasurer.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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, 2016 for each investment type as provided by Moody's investment rating system:

<u>Investment Type</u>	<u>Aaa</u>	<u>2016</u>
<b>Held by District:</b>		
U.S. Government Agency Obligations	\$1,950,981	\$1,950,981
Corporate Notes	3,015,981	3,015,981
Money Market Mutual Funds (U.S. Securities)	42,054	42,054
<b>Held by Trustees:</b>		
Certificates of Deposit	1,761,996	1,761,996
Money Market Mutual Funds (U.S. Securities)	13	13
Totals	<u>\$6,771,025</u>	<u>6,771,025</u>
<b>Not rated:</b>		
California Local Agency Investment Fund		<u>37,977,232</u>
Total Investments		<u>\$44,748,257</u>

Presented below is the actual rating as of June 30, 2015 for each investment type as provided by Moody's investment rating system:

<u>Investment Type</u>	<u>Aaa</u>	<u>2015</u>
<b>Held by District:</b>		
U.S. Government Agency Obligations	\$1,957,137	\$1,957,137
Corporate Notes	3,027,477	3,027,477
Money Market Mutual Funds (U.S. Securities)	642,611	\$1,957,137
<b>Held by Trustees:</b>		
Certificates of Deposit	1,766,833	1,766,833
Money Market Mutual Funds (U.S. Securities)		
Totals	<u>\$7,394,058</u>	<u>7,394,058</u>
<b>Not rated:</b>		
California Local Agency Investment Fund		<u>29,753,060</u>
Total Investments		<u>\$37,147,118</u>

**G. Concentration Risk**

There are no instances of concentration risk at June 30, 2016 and June 30, 2015.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**H. Restricted Cash and Investments**

The District has the following restrictions on cash and investments:

**Restricted for Debt Service – 1991 Bonds** - The District has moneys held by Wells Fargo Bank as trustee, pledged to the payment or security of its outstanding bond issues. All transactions associated with debt service are administered by the Bank. The investment amounts for June 30, 2016 are \$37,447 and \$1,722,593 respectively, totaling \$1,760,040. The cash and investment amounts for June 30, 2015 were \$38,172 and \$1,722,590 respectively, totaling \$1,760,462.

**Restricted for Debt Service – State Revolving Fund Loan**- The District has restricted investments in reserves as required by the agreement between the District and the California State Water Resources Control Board State Revolving Fund Loan (SRF) in the amount of \$378,358 and \$326,358 at June 30, 2016 and 2015, 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 \$7,736,961 and \$5,118,595 at June 30, 2016 and 2015, 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, 2016 and 2015, respectively.

**Designated for Related Employee Benefits Costs** - The District has designated investments in accordance with employee labor contracts for the purpose of paying future benefits in connection with salary continuation in the amount \$132,000 at June 30, 2016 and 2015, respectively.

The District has designated investments to fund future increases associates with employee benefit costs related to Contra Costa County Employees Retirement Association (CCCERA) retirement plan. The District discontinued participation in the CCCERA retirement plant effective June 20, 2004. The termination agreement provides for an evaluation of any additional liability owed to CCCERA ever three years. See additional information in Note 8C. As of June 30, 2016 and 2015, the amount designated for CCCERA employee benefit costs is \$120,830 and \$144,615, respectively.

As of June 30, 2016 and 2015, respectively, the total amount for designated related employee benefits costs is \$252,830 and \$276,615.

**Designated for Insurance** - The District has designated investments for potential insurance claims in the amount of \$500,000 at both June 30, 2016 and 2015, respectively.

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

**J. Fair Value Hierarchy**

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

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

Investment Type	Level 2	Exempt	Total
California Local Agency Investment Fund	\$37,977,232		\$37,977,232
U.S. Government Agency Obligations	1,950,981		1,950,981
U.S. Securities	42,054		42,054
Corporate Notes	3,015,981		3,015,981
Investment in County Treasury Pool	1,374,667		1,374,667
<b><i>Held by Trustees:</i></b>			
Money Market Mutual Fund		\$13	13
Certificates of Deposits		1,761,996	1,761,996
Total Investments	\$44,360,915	\$1,762,009	\$46,122,924
Cash in banks and on hand			867,481
Total Cash and investments			\$46,990,405

The California Local Agency Investment Fund (LAIF) classified in Level 2 of the fair value hierarchy, are valued using quoted prices for a non-active market portfolio at fiscal year-end. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 3 – NOTES RECEIVABLE**

Notes receivable at June 30 consisted of the following:

	<u>2016</u>	<u>2015</u>
RWF:		
City of Antioch	\$3,757,207	\$4,006,148
City of Antioch - Surcharge	949,695	990,300
City of Pittsburg - Surcharge	244,187	273,520
HHW:		
Contra Costa County	<u>65,961</u>	<u>67,648</u>
Total Notes Receivable	5,017,050	5,337,616
Less: Current Portion	<u>(323,917)</u>	<u>(320,567)</u>
Long-Term Portion	<u>\$4,693,133</u>	<u>\$5,017,049</u>

**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.

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

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

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

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

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

**NOTE 4 – EMPLOYEE COMPUTER LOANS RECEIVABLE**

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

	2016	2015
Employee computer loans	\$22,536	\$21,358
Less: current portion	(13,722)	(11,967)
Long-term portion	\$8,814	\$9,391

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**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, 2015	Additions	Transfers	Retirement	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	\$2,719,251				\$2,719,251
Construction in Progress	5,187,415	\$5,937,035	(\$1,212,352)		9,912,098
Total capital assets not being depreciated	7,906,666	5,937,035	(1,212,352)		12,631,349
Capital assets being depreciated:					
Treatment & Collection System	229,048,617		790,441	(\$482,304)	229,356,754
Equipment	4,484,607	28,804	421,911	(25,921)	4,909,401
Total capital assets being depreciated	233,533,224	28,804	1,212,352	(508,225)	234,266,155
Less accumulated depreciation for:					
Treatment & Collection System	99,877,030	6,603,163		(263,828)	106,216,365
Equipment	3,714,337	390,404		(25,920)	4,078,821
Total accumulated depreciation	103,591,367	\$6,993,567		(\$289,748)	110,295,186
Net capital assets being depreciated	129,941,857				123,970,969
Total Capital Assets, net	\$137,848,523				\$136,602,318

Construction in progress represents construction of treatment and collection facilities.

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 6 – COMPENSATED ABSENCES**

Accumulated unpaid vacation and compensatory time have been accrued at year end. Accumulated unpaid sick pay is not included in the amount for accrued benefits due to the contingent nature of any future payment.

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

	<u>2016</u>	<u>2015</u>
Beginning Balance	\$818,112	\$852,239
Additions	941,907	708,522
Payments	<u>(834,752)</u>	<u>(742,649)</u>
Ending Balance	<u>\$925,267</u>	<u>\$818,112</u>
Current Portion	<u>\$723,696</u>	<u>\$631,667</u>
Non Current Portion	<u>\$201,571</u>	<u>\$186,445</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, 2016 was \$118,158 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*



**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
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	Original Issue Amount	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Amount due within one year
1991 Certificates of Participation						
Wastewater Facilities Expansion Project, 4.6-6.25%, due 12/01/2016	\$17,454,950	\$1,327,509		\$685,468	\$642,041	\$642,041
Accreted interest on 1991 Certificates		4,909,838	\$382,653	2,624,532	2,667,959	2,667,959
1997 State Revolving Fund Loan						
1.80%, due 12/31/2016	3,611,046	421,882		209,056	212,826	212,825
2010 State Revolving Fund Loan						
.077% due 4/03/2030	6,325,503	5,068,079		314,930	4,753,149	315,172
2011 Installment Sale Agreement						
4.9%, due 6/24/2031	2,344,210	1,764,088		169,412	1,594,676	52,520
2011 State Revolving Fund Loan						
2.60%, due 4/03/2033	5,041,873	4,644,195		205,609	4,438,586	210,954
2015 California Energy Commission Loan						
1.00%, due 06/22/2029	630,000	630,000	70,000	44,304	655,696	47,477
2015 Bay Point State Revolving Fund Loan						
1.9% due 11/01/2044	1,188,820		1,188,821	44,826	1,143,995	29,939
2016 PB State Revolving Fund Loan						
1.9% due 11/1/2046	12,000,000		948,459		948,459	
2016 WW State Revolving Fund Loan						
1.9% due 12/30/2046	2,054,000		73,835		73,835	
<b>Total Long-Term Debt</b>		<b>18,765,591</b>	<b>\$2,663,768</b>	<b>\$4,298,137</b>	<b>\$17,131,222</b>	<b>\$4,178,887</b>
Less:						
Amount due within one year		<u>(4,253,312)</u>			<u>(4,178,887)</u>	
<b>Total Long-Term Debt, net</b>		<b>\$14,512,279</b>			<b>\$12,952,335</b>	

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 7 – LONG-TERM DEBT**

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

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

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

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

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

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

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

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

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 – LONG-TERM DEBT**

**G. 2015 California Energy Commission**

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

**H. 2016 Bay Point State Revolving Fund (SRF) Loan**

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

**I. Debt Service Requirements**

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

For The Year Ending June 30	Principal (A)	Interest	Total
2017	\$4,178,887	\$221,286	\$4,400,173
2018	668,639	208,487	877,126
2019	681,744	199,087	880,831
2020	695,381	189,223	884,604
2021	709,616	178,871	888,487
2022 - 2026	3,783,419	720,221	4,503,640
2027 - 2031	4,133,130	372,683	4,505,813
2032 - 2036	834,321	70,849	905,170
2037 - 2041	226,553	25,136	251,689
2042 - 2044	1,219,532	4,292	1,223,824
Total payments due	<u>\$17,131,222</u>	<u>\$2,190,135</u>	<u>\$19,321,357</u>

(A) Includes unaccrued discount totaling \$2,677,959

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 - RETIREMENT**

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

**A. General Information about the Pension Plans**

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

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

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	Tier III
Hire date	Prior to 6/30/12	6/30/12 to 12/31/12 and employees hired on or after 1/1/13 who are not a "new member	On or after 1/1/13; new member
Benefit formula	2.7% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.70%	2.00%	2.00%
Required employee contribution rates	8.0%	7.0%	6.5%
Required employer contribution rates	11.549%	8.945%	6.724%

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – RETIREMENT (Continued)**

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts for the UAL were paid in lump-sum on July 2015. The District's total annual required contribution was \$1,353,075 in fiscal year 2016.

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

For the year ended June 30, 2016, the contributions to the Plan were as follows:

	2016	2015
	Miscellaneous Tier I, II & III	Miscellaneous Tier I, II & III
Contributions - employer	\$1,353,075	\$1,591,363
Contributions - employee (paid by employer)	316,837	197,765

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

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

As of June 30, 2016, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2016	2015
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
Miscellaneous Tier I, II & III	\$10,279,890	\$8,022,644
Total Net Pension Liability	\$10,279,890	\$8,022,644

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 8 – RETIREMENT (Continued)**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous Tier I, II & III
Proportion - June 30, 2014	0.32460%
Proportion - June 30, 2015	0.37470%
Change - Increase (Decrease)	0.05010%

For the year ended June 30, 2016, the District's recognized pension expense of \$5,264,686. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Tier I, Tier II, & III	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$1,669,912	
Differences between actual and expected experience	79,249	
Changes in assumptions		(\$749,769)
Net differences in actual contributions and proportionate contributions	189,147	
Net differences between projected and actual earnings on pension plan investments		(375,868)
Adjustments due to differences in proportion	1,694,655	
Total	\$3,632,963	(\$1,125,637)

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 8 – RETIREMENT (Continued)**

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Tier I, Tier II, & III	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$1,641,445	
Differences between actual and expected experience		
Changes in assumptions		
Net differences in actual contributions and proportionate contributions		(\$2,156,783)
Net differences between projected and actual earnings on pension plan investments		(132,212)
Adjustments due to differences in proportion		
Total	\$1,641,445	(\$2,288,995)

Deferred outflows of \$1,938,308 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Miscellaneous -Tier I, II, & III	
Year Ended	
June 30	
2017	\$484,117
2018	295,822
2019	(422,976)
2020	480,451
Total	\$837,414

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 8 – RETIREMENT (Continued)**

*Actuarial Assumptions* – For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and June 30, 2015 total pension liability was based on the following actuarial methods and assumptions:

	All Plans
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.7%
Inflation	2.75%
Projected Salary Increase	Depending on age, service and type of employment
Investment Rate of Return	7.5% (1)
Retirement Age	Based on CalPERS 2010 Experience Study for period 1997 to 2007
Mortality	Derived using CalPERS Membership Data for all Funds (2)

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

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

*Change of Assumptions* – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.



**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – RETIREMENT (Continued)**

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – RETIREMENT (Continued)**

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

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

	Miscellaneous Tier I, II & III
1% Decrease	6.65%
Net Pension Liability	\$17,131,719
Current Discount Rate	7.65%
Net Pension Liability	\$10,279,890
1% Increase	8.65%
Net Pension Liability	\$4,622,909

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

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – RETIREMENT (Continued)**

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

The District discontinued participation in the Contra Costa County Employees Retirement Association (CCCERA) effective June 20, 2004. The termination agreement provides for an evaluation of any additional liability owed to CCCERA every three years. CCCERA retained certain assets contributed by the District and they remain responsible for retiree benefits for retirees and deferred vested members who were not transferred to the CalPERS system. The designation of 3.75% of payroll annually for Employee Benefit Costs will be a source of funds to address this or other liabilities due to employee benefit costs increases. On December 16, 2013, CCCERA's actuary has conducted and determined the District's termination liability using the triennial experience analysis as of December 31, 2012. Based on this analysis and in accordance with the termination agreement with CCCERA, the District's unfunded obligation of \$2,953,683 is to be amortized over 15 years, resulting in annual payments of \$329,438 starting December 31, 2013. The next triennial actuarial valuation is expected on December 2016. As of June 30, 2016, in accordance with GASB 68, the District recorded a net pension liability of \$1,965,369 under the CCCERA plan.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

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

**A. *Plan Description and Funding Policy***

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

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

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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 2012 and to 3% of salaries in July 2013. 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, 2016, 39 retirees were receiving benefits.

**B. *Actuarial Assumptions***

The annual required contribution (ARC) was determined as part of a June 30, 2012 actuarial valuation, the most recent available, using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.5% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3% inflation rate and (d) health care cost trend rates from 5.0% to 7.8% 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, 2014, there were 24-years remaining in the initial 30-year amortization period.

**Funding Progress and Funded Status**

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

**DELTA DIABLO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Net OPEB Obligation (Asset) at June 30, 2014		(\$1,248,378)
Annual OPEB cost - fiscal 2014/2015:		
Annual required contribution (ARC)	\$793,000	
Interest on Net OPEB Obligation	(81,000)	
Adjustments to ARC	78,000	
Annual OPEB cost - fiscal 2014/2015	790,000	
Less contributions made during fiscal year 2014/2015:		
Contributions made to PARS irrevocable trust	1,333,769	
Total contributions	1,333,769	
(Decrease) in net OPEB obligation		(543,769)
Net OPEB Obligation (Asset) at June 30, 2015		(1,792,147)
Annual OPEB cost - fiscal 2015/2016:		
Annual required contribution (ARC)	813,000	
Interest on Net OPEB Asset	(81,000)	
Adjustments to ARC	80,000	
Annual OPEB cost - fiscal 2015/2016	812,000	
Less contributions made during fiscal year 2015/2016:		
Contributions made to PARS irrevocable trust	1,558,804	
Total contributions	1,558,804	
Increase in net OPEB asset		(746,804)
Net OPEB Obligation (Asset) at June 30, 2016		(\$2,538,951)

As of the June 30, 2014 Actuarial Valuation, the actuarial accrued liability (AAL) representing the present value of future benefits amounted to \$12,598,000.

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, 2016	\$812,000	\$1,558,804	192%	(\$2,538,951)
June 30, 2015	790,000	1,333,769	169%	(1,792,147)
June 30, 2014	1,006,000	1,662,632	165%	(1,248,378)

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

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benefits. Trend data from the last three actuarial studies are presented in the Required Supplementary Information section.

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2016:

Type of Coverage	Limits	Deductibles
General Liability	\$15,000,000	\$100,000
Excess General Liability	25,500,000	15,000,000
Worker's Compensation	750,000	None
Excess Worker's Compensation Liability	Statutory Limit	750,000
Special Form Property	165,273,901	25,000
Public Entity Pollution Liability	2,000,000	75,000
Cyber Liability Coverage	2,000,000	None
Master Crime Liability	2,000,000	2,500

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

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

**NOTE 11 – NET POSITION**

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

**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 – NET POSITION (Continued)**

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

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

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

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Lease Revenue**

Delta Energy Center, LLC (DEC) and Calpine Corporation entered into an operating lease with the District, effective December 11, 2002, to lease real property located at 2600 Pittsburg-Antioch Highway, in Pittsburg, for a cooling tower site. The base rent for the leased land started at \$32,500 per year and is set to escalate every five years based on changes in the Consumer Price Index. The current rate is \$36,125 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 \$1,228,250 at June 30, 2016. The lessee, DEC, retains an option to terminate the lease agreement by providing a thirty-day written notice to the District. The total remaining minimum future rental payments are as follows:

For the Year Ending June 30	Minimum Future Rentals
2017	\$36,125
2018	36,125
2019	36,125
2020	36,125
2021	36,125
2022 - 2026	180,625
2027 - 2031	180,625
2032 - 2036	180,625
2037 - 2041	180,625
2042 - 2046	180,625
2047 - 2051	144,500
	\$1,228,250



**DELTA DIABLO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

***B. Purchase Commitments***

The District has a number of purchase commitments for ongoing operating and capital projects that involves multi-year contracts. Purchase commitments related to these multi-year contracts are approximately \$10,969,622 and \$2,646,664 as of June 30, 2016 and 2015, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

Delta Diablo Sanitation District, a Cost-Sharing Defined Pension Plan  
As of fiscal year ending June 30, 2016  
Last 10 Years\*

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	<u>Miscellaneous</u>	
	<u>Tier I &amp; II 6/30/2015</u>	<u>Tier I &amp; II 6/30/2014</u>
Plan's Proportion of the Net Pension Liability/Asset	0.3747%	0.3345%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$10,279,890	\$10,961,818
Plan's Covered-Employee Payroll	\$7,557,557	\$8,138,640
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	136.02%	134.69%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	20.43%	24.57%

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

Delta Diablo Sanitation District, a Cost-Sharing Defined Pension Plan

As of fiscal year ending June 30, 2016

Last 10 Years\*

**SCHEDULE OF CONTRIBUTIONS**

	<b>Miscellaneous Tier I, II, &amp; III Fiscal Year 2015-2016</b>	<b>Miscellaneous Tier I, II, &amp; III Fiscal Year 2014-2015</b>
Actuarially determined contribution	\$1,669,912	\$1,251,178
Contributions in relation to the actuarially determined contributions	(1,669,912)	(1,251,178)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	\$7,557,557	\$8,138,640
Contributions as a percentage of covered-employee payroll	22.10%	15.37%
<b>Notes to Schedule</b>		
Valuation date:	6/30/2014	6/30/2013
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry age	
Amortization method	Level percentage of payroll, closed	
Remaining amortization period	30 years	
Asset valuation method	5-year smoothed market	
Inflation	2.75%	
Salary increases	Varies by Entry Age and Service	
	7.65%, net of pension plan investment and administrative expenses,	7.5%, net of pension plan investment and administrative expenses,
Investment rate of return	55 yrs. Misc., 62 yrs. Tier 2	
Retirement age	55 yrs. Misc., 62 yrs. Tier 2	
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

### Other Post Retirement Benefits Trend Data

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
June 30, 2014	\$6,768,000	\$12,598,000	\$5,830,000	53.72%	\$7,923,000	73.58%
June 30, 2012	3,416,000	10,963,000	7,547,000	31.16%	8,054,000	93.70%
June 30, 2010	2,163,000	7,949,000	5,786,000	27.21%	7,602,000	76.11%

**SUPPLEMENTARY INFORMATION**

DELTA DIABLO  
SUPPLEMENTARY SCHEDULE OF NET POSITION - PROPRIETARY FUND TYPE  
ENTERPRISE FUNDS  
JUNE 30, 2016

	Waste Water <sup>(A)</sup>	Waste Water Expansion <sup>(B)</sup>	Recycled Water Facility	Hazardous Waste
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$1,230,009	\$472,898	\$154,909	\$109,063
Investments	25,172,872	74,691	4,175,815	160,000
Accounts receivable	485,647	23,010	372,289	148,217
Interfund receivable	8,790,000			
Interest receivable	37,310	99	4,939	
Current portion of notes receivable			322,103	1,814
Current portion of employee computer loans receivable	13,722			
Inventory	913,958		53,700	
Prepaid expenses	137,796	15,645	10,358	
Total current assets	<u>36,781,314</u>	<u>586,343</u>	<u>5,094,113</u>	<u>419,094</u>
<b>NON-CURRENT ASSETS:</b>				
Restricted cash and investments	365,781	1,773,181		
Cash and investments	9,089,791			
<b>CAPITAL ASSETS:</b>				
Capital assets, non depreciable	9,659,560	1,233,006	97,574	
Capital assets, net of accumulated depreciation	86,926,487		32,459,524	1,420,480
Total capital assets, net	<u>96,586,047</u>	<u>1,233,006</u>	<u>32,557,098</u>	<u>1,420,480</u>
<b>OTHER ASSETS</b>				
Notes receivable less current portion			4,628,986	64,147
Employee notes receivable less current portion	8,814			
Net OPEB asset	2,538,951			
Total other assets	<u>2,547,765</u>		<u>4,628,986</u>	<u>64,147</u>
Total Noncurrent Assets	<u>108,589,384</u>	<u>3,006,187</u>	<u>37,186,084</u>	<u>1,484,627</u>
TOTAL ASSETS	<u>145,370,698</u>	<u>3,592,530</u>	<u>42,280,197</u>	<u>1,903,721</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions	3,632,963			
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	2,684,777	711,814	115,571	100,693
Accrued payroll and benefits	619,696	922	17,211	5,003
Interfund payable		8,790,000		
Deposits payable	136,375	13,141	8,384	
Deferred revenue	18,062			65,960
Compensated absences - due within one year	723,696			
Current portion of long-term debt	310,951	854,867	315,172	
Accreted interest		2,667,959		
Accrued interest payable		3,838		
Total current liabilities	<u>4,493,557</u>	<u>13,042,541</u>	<u>456,338</u>	<u>171,656</u>
<b>NON-CURRENT LIABILITIES:</b>				
Long-term debt, net of current portion:				
Certificates of participation			4,437,977	
State revolving fund loans	5,547,196	237,114		
Installment sale agreement	1,542,156			
Accreted interest				
Compensated absences - due in more than one year	201,571			
Property tax refund, net of current portion	31,121			
Net pension liability	12,245,259			
Total long-term liabilities	<u>19,567,303</u>	<u>237,114</u>	<u>4,437,977</u>	
TOTAL LIABILITIES	<u>24,060,860</u>	<u>13,279,655</u>	<u>4,894,315</u>	<u>171,656</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pensions	1,125,637			
<b>NET POSITION</b>				
Net investment in capital assets	89,185,744	141,025	27,803,949	1,420,480
Restricted for debt service	326,358	1,760,040		
Restricted for capital projects	39,423			
Unrestricted	34,265,639	(11,588,190)	9,581,933	311,585
TOTAL NET POSITION (DEFICIT)	<u>\$123,817,164</u>	<u>(\$9,687,125)</u>	<u>\$37,385,882</u>	<u>\$1,732,065</u>

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

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

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

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

Street Sweeping <sup>(C)</sup>	Bay Point <sup>(D)</sup>	Total
\$27,839	\$173,855	\$2,168,573
1,054,615	2,840,021	33,478,014
\$55	4,160	1,033,378
		8,790,000
1,324	4,273	47,945
		323,917
		13,722
		967,658
		163,799
<u>1,083,833</u>	<u>3,022,309</u>	<u>46,987,006</u>
	115,065	2,254,027
		9,089,791
	1,641,209	12,631,349
	3,164,478	123,970,969
	<u>4,805,687</u>	<u>136,602,318</u>
		4,693,133
		8,814
		2,538,951
		7,240,898
	4,920,752	155,187,034
<u>1,083,833</u>	<u>7,943,061</u>	<u>202,174,040</u>
		3,632,963
74,212	363,011	4,050,078
	13,174	656,006
	63,065	8,790,000
		220,965
		84,022
		723,696
	29,938	1,510,928
		2,667,959
	238	4,076
<u>74,212</u>	<u>469,426</u>	<u>18,707,730</u>
	1,187,892	11,410,179
		1,542,156
		201,571
		31,121
		12,245,259
	<u>1,187,892</u>	<u>25,430,286</u>
<u>74,212</u>	<u>1,657,318</u>	<u>44,138,016</u>
		1,125,637
	3,587,857	122,139,055
		2,086,398
		39,423
<u>1,009,621</u>	<u>2,697,886</u>	<u>36,278,474</u>
<u>\$1,009,621</u>	<u>\$6,285,743</u>	<u>\$160,543,350</u>



DELTA DIABLO  
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
PROPRIETARY FUND TYPE ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Waste Water <sup>(A)</sup>	Waste Water Expansion <sup>(B)</sup>	Recycled Water Facility	Household Hazardous Waste
<b>OPERATING REVENUES</b>				
Service charges	\$25,593,204		\$3,543,589	
Discharge permits	145,750			
Household hazardous waste operating fees				\$468,206
Miscellaneous	692,989		6,000	16
Work for others	598,662	\$1,220	79,958	(3,128)
<b>Total operating revenues</b>	<u>27,030,605</u>	<u>1,220</u>	<u>3,629,547</u>	<u>465,094</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	11,503,712		758,196	170,178
Chemicals	699,865		460,605	
Depreciation	5,551,196		1,284,763	39,588
Office expense	936,891	(1)	45,313	16,627
Operating expense	766,018		62,999	22,103
Outside services and maintenance	3,537,913	5,720	642,039	469,090
Travel and meetings	81,713		913	2,375
Utilities	1,011,850		476,429	693
Other	108,549		(13,688)	
<b>Total operating expenses</b>	<u>24,197,707</u>	<u>5,719</u>	<u>3,717,569</u>	<u>720,654</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,832,898</u>	<u>(4,499)</u>	<u>(88,022)</u>	<u>(255,560)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense	(214,750)	(425,527)	(3,902)	
Interest income	188,070	12,057	70,310	9,632
Capital facilities capacity charges		2,000,609	30,800	
Lease revenue	36,125			
Gain (Loss) on sale of assets	(217,711)			
State grants			37,500	
Federal grants				
Subgrants			139,638	
Property taxes	2,142,547	87,911		
<b>Total nonoperating revenues</b>	<u>1,934,281</u>	<u>1,675,050</u>	<u>274,346</u>	<u>9,632</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>4,767,179</u>	<u>1,670,551</u>	<u>186,324</u>	<u>(245,928)</u>
Transfers In	997,463	760,671		212,843
Transfers (Out)	(882,965)		(1,088,012)	
<b>Total transfers in (out)</b>	<u>114,498</u>	<u>760,671</u>	<u>(1,088,012)</u>	<u>212,843</u>
<b>NET INCOME (LOSS) AFTER TRANSFERS</b>	<u>4,881,677</u>	<u>2,431,222</u>	<u>(901,688)</u>	<u>(33,085)</u>
<b>NET POSITION (DEFICIT), BEGINNING OF YEAR</b>	<u>118,935,487</u>	<u>(12,118,347)</u>	<u>38,287,570</u>	<u>1,765,150</u>
<b>NET POSITION (DEFICIT), END OF YEAR</b>	<u>\$123,817,164</u>	<u>(\$9,687,125)</u>	<u>\$37,385,882</u>	<u>\$1,732,065</u>

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

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

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

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

Street Sweeping <sup>(C)</sup>	Bay Point <sup>(D)</sup>	Total
\$625,101	\$993,746	\$30,755,640
		145,750
		468,206
		699,005
		676,712
<u>625,101</u>	<u>993,746</u>	<u>32,745,313</u>
588	363,762	12,796,436
	48	1,160,518
	118,020	6,993,567
	3,445	1,002,275
	4,037	855,157
582,017	28,349	5,265,128
	5	85,006
	(238)	1,488,734
	76,206	171,067
<u>582,605</u>	<u>593,634</u>	<u>29,817,888</u>
<u>42,496</u>	<u>400,112</u>	<u>2,927,425</u>
	(17,953)	(662,132)
3,812	14,024	297,905
		2,031,409
		36,125
		(217,711)
		37,500
		139,638
		2,230,458
<u>3,812</u>	<u>(3,929)</u>	<u>3,893,192</u>
<u>46,308</u>	<u>396,183</u>	<u>6,820,617</u>
		1,970,977
		(1,970,977)
<u>46,308</u>	<u>396,183</u>	<u>6,820,617</u>
<u>963,313</u>	<u>5,889,560</u>	<u>153,722,733</u>
<u>\$1,009,621</u>	<u>\$6,285,743</u>	<u>\$160,543,350</u>

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