AGENDA

BOARD OF DIRECTORS FINANCE COMMITTEE MEETING
DELTA DIABLO

(a California Special District)

PLANT OPERATIONS CENTER CONFERENCE ROOM
2600 PITTSBURG-ANTIOCH HIGHWAY
ANTIOCH, CA 94509

TUESDAY, DECEMBER 3, 2019
10:00 A.M.

Persons who wish to address the Board during Public Comments or with respect to an item on the Agenda will be limited to three (3) minutes. The Board Chair may reduce the amount of time allotted per speaker at the beginning of each Item or Public Comments period depending on the number of speakers and the business of the day. Your patience is appreciated. A break may be called, or an item may be taken out of order, at the discretion of the Board Chair.

A. **PUBLIC COMMENTS**

B. **REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) and MEMORANDUM ON INTERNAL CONTROL FOR FISCAL YEAR ENDED JUNE 30, 2019** (Carol Margetich)

C. **ADJOURNMENT**

The District will provide reasonable accommodations for persons with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board 24-hours prior to the scheduled meeting at (925) 756-1927. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of members of the Board of Directors less than 72 hours prior to that meeting are available for public inspection at the Treatment Plant Building located at 2500 Pittsburg-Antioch Highway, Antioch, CA 94509 during normal working business hours.

ITEM B

MEMORANDUM

Date:	December 3, 2019
To:	Sean Wright, Chair, Finance Committee
From:	Carol S. Margetich, Business Services Director for
SUBJECT:	REVIEW OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) AND MEMORANDUM ON INTERNAL CONTROL, FOR THE FISCAL YEAR ENDED JUNE 30, 2019

RECOMMENDATION
Review audited Comprehensive Annual Financial Report (CAFR) and Memorandum on Internal Control for the Fiscal Year Ended June 30, 2019 (FY18/19).

Background Information
California statutes require special districts to have an annual audit conducted by independent certified public accountants. This year, in addition to preparing basic financial statements for FY18/19, the District has prepared a CAFR, which provides more information (i.e., a Letter of Transmittal and a statistical section) to improve context for the reader. Major CAFR elements and audit findings will be presented to the Finance Committee on December 3, 2019 prior to including this item on the agenda for the December 11, 2019 Board Meeting.

The FY18/19 CAFR was audited by Maze & Associates, who has performed financial audits for the District since FY13/14 following Board approval of the original contract on June 11, 2014, a two-year contract renewal on December 14, 2016, and a one-year contract renewal on May 8, 2019.

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

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

The Government Finance Officers Association (GFOA) works to advance excellence in state and local government financial management and promote financial reporting that provides useful information to taxpayers, customers, public officials, investors, and others who use financial reports. The District will submit the FY18/19 CAFR to GFOA for its Certificate of Achievement for Excellence in Financial Reporting.

Analysis

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

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

FY18/19 Financial Highlights

- Total assets plus deferred outflows exceeded total liabilities and deferred inflows by $167.6 million (net position)
- Net position increased by $8.8 million (5.6%)
- Total assets plus deferred outflows increased $8.5 million (4.1%)
- Total liabilities plus deferred inflow of resources decreased by $0.3 million (0.6%)
- Total operating revenue was $36.8 million, an increase of $3.1 million (9.2%)
- Total operating expenses were $35.4 million, a decrease of $0.1 million (0.3%)
- Capital contributions were $2.6 million, an increase of $1.6 million (165.6%)

The District remains financially sound with a combined total net position at the end of FY18/19 of $167.6 million. Changes in net position serve as a useful indicator of the District's financial standing over time. For FY18/19, the District's net position increased by $8.8 million, which was the result of two main factors:

1) Operating revenues of $36.8 million exceeded operating expenses by $1.4 million. This positive result demonstrates the success of the District's overall operations for the fiscal year and shows effective cost recovery from user fees and other charges.
2) Net non-operating revenue of $7.4 million from Capital Facilities Capacity Charges (CFCCs) of $2.6 million, property taxes of $3.0 million, and interest income of $1.6 million.

A thorough discussion the financial activities for FY18/19 is provided in the Management Discussion and Analysis (MD&A) section of the CAFR.

During the fiscal year, the Wastewater Capital Expansion Fund continued repaying an interfund loan from the Wastewater Fund. A payment of $1.5 million was made and the outstanding balance at the end of FY18/19 was $5.7 million.

The partner responsible for the independent audit (David Alvey, CPA, Vice President, Maze & Associates) will present the FY18/19 Financial Audit Results to the Finance Committee and will address questions on the scope of work, and associated findings and reports.

Next Steps
If recommended by the Finance Committee, the draft documents would be finalized and presented to the Board of Directors at the December 11, 2019 meeting. Finance Committee comments and recommendations would be included in the report to the Board.

Financial Impact
The District remains financially sound and no material weaknesses in internal controls were identified by the auditor. The District's net position increased by $8.8 million in FY18/19 due to total revenues exceeding total expenses. The District will consider this increase, as well as other FY18/19 final audited results during the near-term budget and rate development process.

Attachments
1) FY18/19 Comprehensive Annual Financial Report
2) Memorandum on Internal Controls

//CSM

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

DRAFT

Delta Diablo

Comprehensive Annual Financial Report

TREATMENT PLANT AND DISTRICT OFFICES

For the Fiscal Years Ended
June 30, 2019 and 2018

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

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Delta Diablo

Comprehensive Annual Financial Report

For The Years Ended June 30, 2019 and 2018

Prepared by the Finance Division

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Introductory Section

Financial Section

Required Supplementary Information Section

Supplementary Information

Statistical Section

INTRODUCTORY SECTION

TOWER TRICKLING FILTERS AND AERATION BASINS

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DATE

To the Honorable Board of Directors and Delta Diablo Customers:

Delta Diablo (District) is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2019 (FY18/19).

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

California statutes require special districts to have an annual audit conducted by independent, certified public accountants. This report is published to fulfill that requirement for FY18/19. Maze & Associates, Accountancy Corporation, has issued an unmodified ("clean") opinion on the District's financial statements for FY18/19. The independent auditor's report is located at the front of the financial section of this report.

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

The CAFR follows the GFOA recommended guidelines and the District is submitting this report to GFOA for review and certification.

Profile of the Government

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

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

The District provides services to nearly 214,000 residents, as well as commercial and industrial customers, in Bay Point, Pittsburg, and Antioch which comprises a service area of approximately 54 square miles. The District's service area is divided into three zones: Zone 1 – Bay Point, Zone 2 – Pittsburg, and Zone 3 – Antioch. It is governed by a three-member Board of Directors with one member appointed to represent each zone, including the Mayor of the City of Pittsburg (or designee), the Mayor of the City of Antioch (or designee), and the Contra Costa County Board of Supervisor member representing Bay Point, which is unincorporated. The Board of Directors establishes overall policies to guide District operations, which are then implemented under the direction of the General Manager, to provide reliable, high-quality wastewater conveyance and treatment services at rates that are among the lowest in the San Francisco Bay Area.

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

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

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

Recycled Water Program: Since 2000, the District has been operating an industrial recycled water plant. Generating an average of 6 MGD, this recycled water facility is rated for 12.8 MGD and utilizes a state-of-the-art computerized Supervisory Control and Data Acquisition (SCADA) system. Recycled water produced at the District is distributed for use as cooling water at two power plants, as well as landscape irrigation at several parks, Caltrans rights-of-way, city offices, and the golf course in Antioch. The use of high-quality recycled water for industrial and irrigation applications provides an alternative source of water that not only is more cost efficient than potable water and promotes water conservation, but is also an environmentally sound recapturing of precious water resources rather than discharging the treated water directly to the Delta.

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

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

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

Local Economy

The District provides wastewater conveyance and treatment services in its service area via 38,100, 24,300, and 7,500 connections in Antioch, Pittsburg, and Bay Point, respectively. These communities are located in the Delta where the Sacramento and San Joaquin Rivers meet at the eastern edge of the greater San Francisco Bay Area (Bay Area). Housing is affordable relative to the otherwise expensive Bay Area, and there is still significant undeveloped land in the area available for future development. The Bay Area Rapid Transit (BART) Pittsburg-Antioch line and Highway 4 run through the area, connecting commuters in the three communities to jobs in other parts of the Bay Area.

Because the area functions in part as "bedroom communities" to the Bay Area's financial district and high-tech industries, housing-related development, construction, and service-related businesses dominate the local economy. In general, the local economy is consistent with the Bay Area economy. An independent economic research firm, Beacon Economics, reported that the East Bay's economy continues to show strength with unemployment rates at or near record levels as of April 2019. From April 2018 to April 2019, the unemployment rate in the East Bay declined by 0.1% to 3.0% while the state's overall unemployment was 4.3%. Home sales fell in the East Bay, and across the Bay Area, in the first quarter of 2019 compared to the first quarter of 2018. This decline in sales also occurred in the state. Sales of existing single-family residences in the East Bay fell 11.8% from the first quarter of 2018 to the first quarter of 2019, a greater drop than in San Francisco (-5.9%), but less than the decline in San Jose (-18.2%). As one of the few affordable areas in the Bay Area, the housing industry is projected to remain strong, along with the Bay Area economy, which is expected to carry the local economy. Given the vulnerability of the single-housing industry dominating the local economy, local officials are exploring opportunities and providing incentives to businesses to diversify the local economy.

Median household income in Bay Point, Pittsburg, and Antioch were $46,435, $66,739 and $69,925, respectively, compared with the Contra Costa County median household income of $88,456 in 2017. Populations in Pittsburg and Antioch has grown from 63,264 and 102,372 in 2010 to 72,541 and 113,901 in 2019, respectively. This information was not separately available for Bay Point as it is an unincorporated area. Median housing prices were $430,700 in the Bay Point and Pittsburg areas, and $446,100 in Antioch, as reported by Zillow for August 2019.

Long-term Planning

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

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

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

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

Core Values: Integrity, Teamwork, and Trust

Strategic Goals:
- Financial Sustainability
- Leadership
- Operational Excellence
- Workplace Innovation
- Stakeholder Engagement

Financial Policies

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

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

Reserves:

- *Economic Reserves*: Economic reserves are an essential part of the District's operating requirements and ensure the continued ability to provide services during budget shortfalls or unforeseen circumstances. The purpose of this reserve is to provide adequate funding to mitigate overall rate volatility resulting from economic changes or events that significantly decrease the District's revenues or increase the District's operating costs.

- *Advanced Treatment Reserve*: A component of the wastewater rate is dedicated and set aside to provide funding for advanced treatment projects to meet more stringent anticipated discharge regulations (e.g., nutrient removal).

Other Post-Employment Benefits (OPEB)Trust Funding: Following the acceptance of each fiscal year's audited financial statements for the District, the Board of Directors makes a determination as to how much of that year's remaining Actuarially Determined Contribution (ADC) (formerly Annual Required Contributions or ARC) will be funded by the District and deposited to the OPEB trust fund from all or part of the following sources in the order listed below: 1) unanticipated revenue streams, 2) wastewater service charge revenues exceeding planned levels for the prior fiscal year, 3) unused wastewater operating contingency funds from the prior fiscal year, 4) wastewater operating budget savings from the prior fiscal year, 5) ad valorem tax revenues, and 6) wastewater general fund.

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

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

Financial Highlights

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

In FY18/19, the District continued to effectively manage its finances and strengthen its financial position by adopting sufficient recycled water and wastewater rates to fund operations, OPEB trust contributions, and capital infrastructure improvements. The following results of operations indicate a continuing strong and stable fiscal position:

- Total assets plus deferred outflows exceeded total liabilities and deferred inflows by $158.7 million (net position)
- Net position decreased by $7.5 million or 4.5% during the year to $158.7 million
- Operating revenue increased $0.5 million or 1.5% to $34.2 million
- Operating expenses increased $3.0 million or 9.1% to $36 million
- Capital contributions decreased $1.2 million or 50% to $1.2 million

Debt Administration

As of the end of FY18/19, the District had a long-term outstanding debt total of $23.6 million, compared to $21.6 million as of the end of the prior fiscal year.

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

Budget and Rates

The adopted total operating and capital budget for FY18/19 was $52.6 million compared to $52.8 million for FY17/18. Wastewater service rates increased by 6.0% for Antioch and Pittsburg customers and 5.0% for Bay Point customers for FY18/19, compared to the 6.5% rate increase for FY17/18. Recycled water service rates per acre foot were increased, while projected consumption volume declined and reduced projected revenue by 9%.

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

FY18/19 Strategic Business Plan Initiatives

Financial Sustainability

- *Critically review the financial viability of the East County Bioenergy Project and ensure that associated project agreements protect the District from potential financial, technological, operational, regulatory, and public acceptance risks.* Status: Staff evaluated project risks and mitigation strategies and identified potential barriers to implementing a large-scale organics co-digestion project. These barriers will be evaluated in FY19/20 to determine alternative project models and implementation timelines.

- *Implement improvements to the parcel database to ensure efficient and reliable revenue collection.* Status: This project is complete and the improvements have been implemented, which ensures accurate, updated parcel data is used for the FY19/20 tax roll.

- *Implement energy use and production measures and achieve Superior Energy Performance and ISO 50001 certifications.* Status: Energy use and production measures are evaluated for possible implementation on an ongoing basis. The superior Energy Performance and ISO 50001 certifications will be considered as a component of the Resource Recovery Facility Master Plan project in FY19/20.

Leadership

- *Implement Succession Planning Strategy (e.g., filling critical positions, knowledge capture), complete job description updates, and initiate a total compensation study to support workforce development and business continuity.* Status: Implemented several succession planning strategies including scheduling training for new hires with the outgoing retiree for an overlapping period (e.g., one to two months), offering enhanced continuing professional education and training for active employees, encouraging on-the-job mentoring and coaching, and implementing cross-training for critical positions. The job description updates and total compensation study are underway in FY19/20.

Operational Excellence

- *Complete development of a comprehensive Business Continuity Plan to minimize disruption to critical operational functions during emergency conditions.* Status: Department representatives met regularly to complete the development of a comprehensive Business Continuity Plan in August 2019.

- *Conduct an emergency preparedness training "fair" for employees that includes hands-on and interactive elements to improve engagement and information retention.* Status: Emergency preparedness training for employees was completed in September 2018 to review disaster response resources and protocols.

- *Develop a long-term strategy for implementation of a formalized Asset Management Program.* Status: Staff received training on asset management principles, allowing a multi-disciplinary team to develop a long-term strategy for implementation of a formalized Asset Management Program in FY19/20.

- *Identify and recommend potential equipment and/or control systems improvements to enhance tracking of plant performance on a real-time basis.* Status: Staff evaluated monitoring equipment alternatives and identified several options for enhancing real-time tracking of the plant performance at various stages of the treatment process.

- *Identify potential vulnerabilities to network security, current mitigation strategies, and any recommended improvements.* Status: Staff implemented a multi-faceted approach to mitigating potential cybersecurity threats including targeted improvements to critical network infrastructure, multi-factor authentication, phishing exercises, and continuous staff training on user security awareness and best practices.

Workplace Innovation

- *Develop a process for identifying applicable innovative approaches and initiatives that benefit ratepayers through industry engagement via conducting site visits, vendor meetings, and publication reviews and attending conferences, seminars, and webinars.* Status: Staff developed a process for identifying innovation focus areas and conducting pre-meetings with attendees for major conferences to coordinate topic coverage and establish a post-conference information sharing plan. Long-term actions include continuing to identify new initiatives to drive organizational improvement through innovation, and conducting change management training.

- *Develop the conceptual approach to improving use of information system technology to manage engineering capital projects based on a technology scan, outreach to peer agencies, and vendor discussions.* Status: Staff completed a review of several options for implementing new information technology applications and training staff for more effective collaboration and engagement between project stakeholders and team members. Long-term actions include implementing improved financial reporting for capital improvement program budgeting and expense tracking.

- *Provide fundamental project management training to a broad range of staff to support implementation of new initiatives in the engineering, financial, human resources, and information systems areas.* Status: Staff developed a project management training curriculum to benefit a broad range of staff and will deliver this training in FY19/20.

- *Develop a long-term plan to guide investment in information technology.* Status: An information technology (IT) steering committee was formed to enhance engagement across the organization and guide a formal IT assessment project in FY19/20 to identify near- and long-term investment recommendations.

Stakeholder Engagement

- *Actively support the Bay Area Biosolids Coalition's key strategic activities, including developing year-round biosolids management alternatives, forging partnerships to advance biosolids research, and informing key stakeholders.* Status: The District continues to actively participate in strategic planning workshops and steering committee meetings to guide development of sustainable biosolids management alternatives and potential site locations, and support research and product market assessments that highlight the environmental benefits and value of biosolids. Coalition members also developed a strategic framework and scope of work to guide development of year-round biosolids management alternatives, as well as forging partnerships to advance biosolids research.

- *Develop strategic planning framework to guide proactive public information and outreach activities and ensure alignment with key District initiatives.* Status: Staff developed a draft strategic planning framework which will be finalized and implemented in FY19/20.

Long-Term Infrastructure Investment

The District's Capital Improvement Program (CIP) presents project needs and funding requirements to maintain and/or upgrade District infrastructure. Recommended projects in the CIP are based on previous master planning efforts, as well as ongoing condition assessment of existing facilities. The five-year CIP defines and prioritizes projects for each of the Resource Recovery Program areas described above. Below is a discussion of the active major capital projects in FY18/19.

- East County Bioenergy Project – Preliminary design activities to understand technology risks, project costs, regulatory and permitting constraints, and overall financial viability under various operating scenarios of an innovative public-private partnership between the District and Mt. Diablo Resource Recovery (MDRR, solid waste hauler) that aims to meet organics landfill diversion state mandates by producing renewable energy, achieving energy self-sufficiency, and reducing greenhouse gas emissions.

- Permanent Brine Transfer Facility – Completed design and began construction of a brine transfer facility that will be used to store and discharge brine delivered by The Dow Chemical (DOW) to the District's WWTP for processing.

- Asset Management Program – Conducted workshops to establish a plan to begin implementation of an update to the District's Asset Management Program.

- Facility Condition Assessment Study – Evaluated Bay Point collection system and the District's conveyance system to develop a prioritized renewal and rehabilitation plan.

- Headworks Improvements – Continued preparing design to rehabilitate the existing headworks to address structural defects and replace aging mechanical equipment.

- Treatment Plant Electrical Switchgear Replacement – Design of a new switchgear to ensure continuous, reliable power that can accommodate future WWTP power demand and electricity generation.

- Primary Clarifier Area Improvements – Continued construction to rehabilitate the primary clarifier infrastructure including exposed piping, mechanical equipment, and electrical systems.

- District Office Building Roof Replacement – Continued construction to replace the Plant Operations Center and Treatment Plant office building roofing systems.

- Pump Station Facility Repair – Completed design and began construction of a comprehensive repair and replacement project related to mechanical, electrical, and coating systems at District pump stations and grading improvements to protect against flooding during storm events.

- Emergency Backup Power Generator – Completed construction of an emergency backup power generator at the District's Recycled Water Facility to ensure ongoing operation during power outages to reliably meet recycled water demand.

- Bay Point Rehabilitation Phase IV – Completed design and began construction of gravity sewer rehabilitation and replacement to address defects identified as part of the District's sewer inspection program.

Awards & Acknowledgements

The District was a proud recipient of several prestigious awards:

- National Association of Clean Water Agencies (NACWA) Silver Peak Performance Award
- NACWA 2018 Utility of the Future Today
- California Association of Public Information Officials 2019 Communicator of the Year
- California Association of Sanitation Agencies 2018 Award of Excellence for Public Outreach and Education
- California Water Environment Association 2018 Community Engagement and Outreach Newsletter of the Year, Second Place

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Delta Diablo for its comprehensive annual financial report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

The District would like to thank the Board of Directors for its continued interest and dedicated support for maintaining the highest standards of professionalism and integrity in the management of the District's finances. Additionally, this report was prepared through the skill, effort, and dedication of all Finance Division staff, with significant support and contributions from many other staff in providing the data necessary to prepare this report.

Sincerely,

Vince De Lange	Carol Margetich
General Manager	Business Services Director

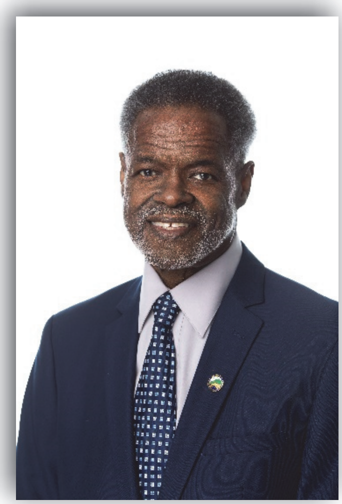
DELTA DIABLO
Principal Officers – June 30, 2019

Board of Directors

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

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

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



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

District Management

Vince De Lange .... General Manager

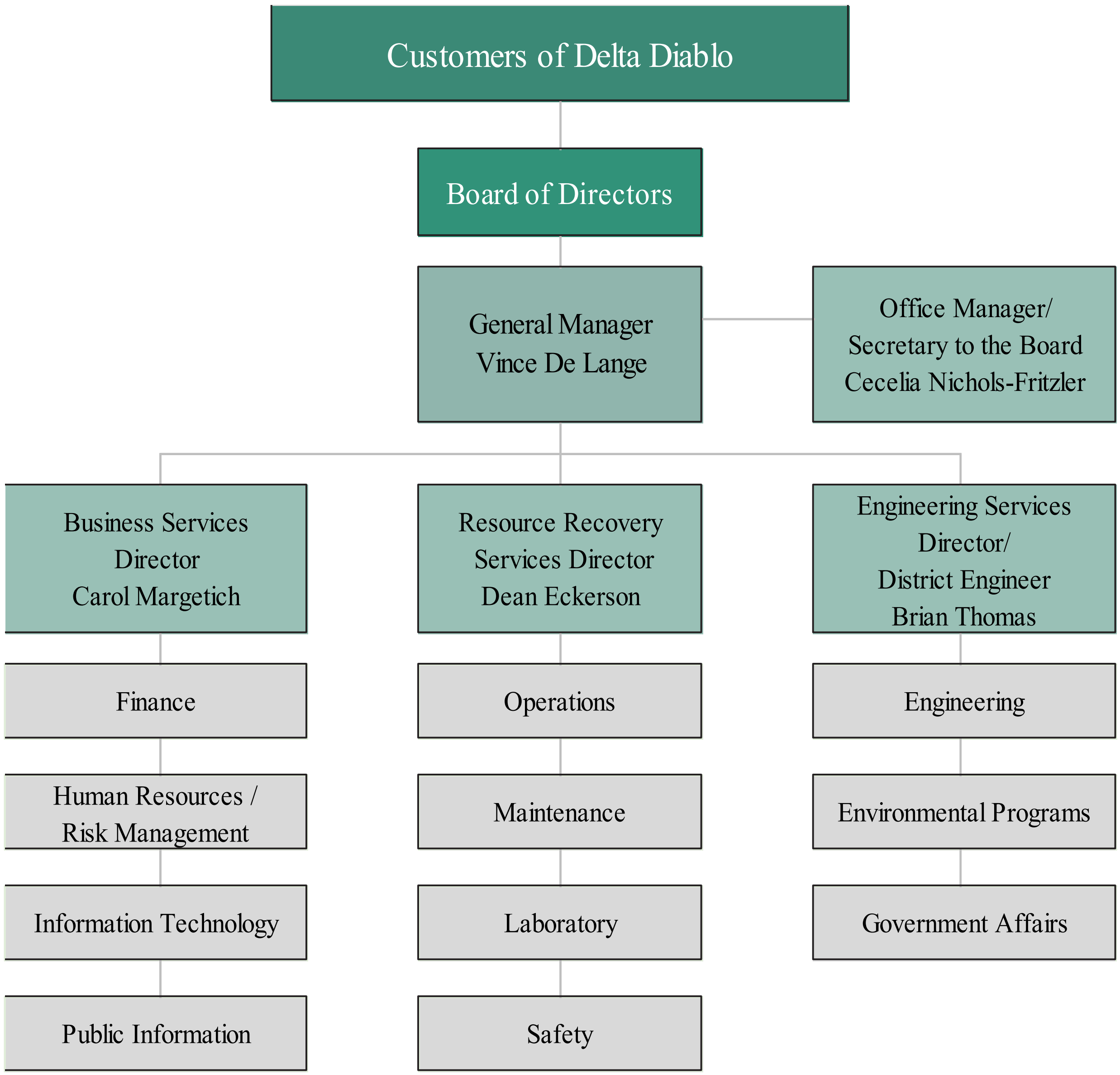
Carol Margetich .... Business Services Director

Brian Thomas .... Engineering Services Director/District Engineer

Dean Eckerson .... Resource Recovery Services Director

Cecelia Nichols-Fritzler .... Office Manager/Secretary to the Board

DELTA DIABLO
Organization Chart



DELTA DIABLO
Vision, Mission and Core Values

Mission

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

Vision

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

Core Values

Delta Diablo is committed to:

Integrity

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

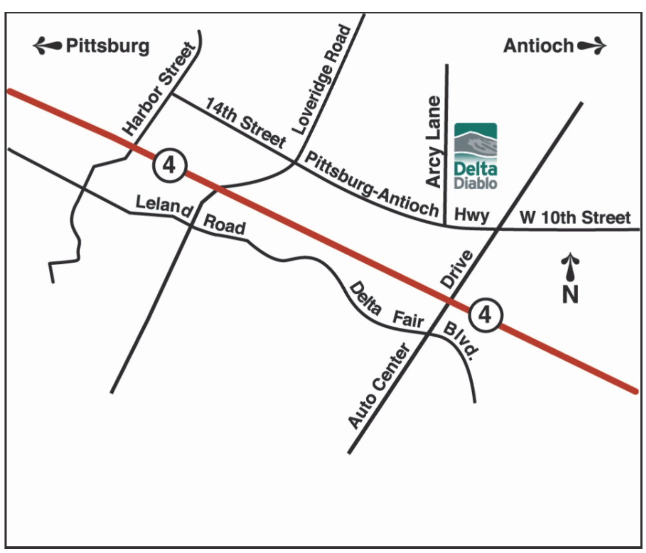
Teamwork

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

Trust

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

DELTA DIABLO
Location Map



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Delta Diablo

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

TREATMENT PLANT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delta Diablo
Antioch, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Delta Diablo (District), California, as of and for the years ended June 30, 2019 and June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Delta Diablo as of June 30, 2019 and 2018, and the respective changes in the financial positions, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2019 as discussed in Note 1 to the financial statements:

> Governmental Accounting Standards Board Statement 88 - *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements.* See Note 7 to the financial statements for relevant disclosures.

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

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Pleasant Hill, California
DATE

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The District's Management Discussion and Analysis (MD&A) provides an overview of the District's financial performance and activities for the fiscal year (FY) ended June 30, 2019 (FY18/19). The MD&A should be read in conjunction with the transmittal letter (pgs. X-XX) and the District's basic financial statements which begin on page __. The MD&A is presented in a concise format and organized under the following headings:

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the District's basic financial statements, which consist of the Financial Statements and Notes to the Financial Statements. The CAFR contains other supplementary information in addition to the basic financial statements.

Financial Statements

As a special purpose government, the District reports its financial statements in accordance with business-type activities known as enterprise funds. Enterprise funds are used to account for services provided on a total or partial cost-recovery basis to users. Enterprise funds are reported on an "accrual basis" of accounting similar to private sector companies. Accrual basis is the basis of accounting under which revenues and gains are recorded when earned, and all expenses and losses are recorded when incurred.

The financial statements consist of the *Statement of Net Position*; *Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and Notes to Financial Statements*.

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information on the District's operating results and how the net position changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of related cash flows. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through user fees and other charges.

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

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

Other Information

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

FINANCIAL ANALYSIS

Financial Highlights

In FY18/19, the District continued to effectively manage its finances and strengthen its financial position by adopting sufficient user rates to fund operations, capital improvements, future other post-employment benefits (OPEB), and maintain strong financial performance. The District implemented Governmental Accounting Standards Board (GASB) Statement Number 83, Certain Asset Retirement Obligations and Statement Number 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The new accounting rules did not require any changes to the District's financial report. The following results of operations in FY18/19 indicate a continuing strong and stable fiscal position:

- Total assets plus deferred outflows of the District exceeded the total liabilities and deferred inflows by $167.6 million (net position)
- Net position increased by $8.8 million (5.6%)
- Total assets plus deferred outflows increased $8.5 million (4.1%)
- Total liabilities plus deferred inflow of resources decreased by $0.3 million (0.6%)
- Total operating revenue was $36.8 million, an increase of $3.1 million (9.2%)
- Total operating expenses were $35.4 million, a decrease of $0.1 million (0.3%)
- Capital contributions were $2.6 million, an increase of $1.6 million (165.6%)

Financial Position

In FY18/19, the District's net position increased by $8.8 million (5.6%) to $167.6 million from $158.7 million. The largest portion of the District's net position, $118.4 million (71%), is invested in capital assets necessary to provide services to its rate payers. Total assets plus deferred outflows increased $8.5 million (4.1%) during the year to $217.7 million from $209.2 million. Total liabilities plus deferred inflow of resources decreased by $0.3 million (0.6%) to $50.2 million from $50.5 million.

In FY17/18, the District's net position decreased by $7.4 million (4.5%) to $158.7 million with total assets plus deferred outflows remaining unchanged at $209.2 million. Total liabilities plus deferred inflows increased $7.5 million (17.4%) to $50.5 million due to the implementation of GASB 75. The new accounting rule resulted in the elimination of $3.3 million in OPEB assets and the recognition of an additional $4.8 million in OPEB liabilities. Additional information on long-term debt, net pension liability, and net OPEB liability is provided in the accompanying *Notes to the Financial Statements* (refer to Note 7 – Long-term Debt and Note 8 – Retirement).

The FY18/19 increase in net position of $8.8 million was primarily due to net non-operating income of $7.4 million and net operating income of $1.4 million.

Table 1 below presents the District's Condensed Statement of Net Position for the FYs ended June 30, 2019, 2018, and 2017:

Table 1
Condensed Statement of Net Position

	Fiscal Year Ended June 30			2019 vs 2018	2018 vs 2017
	2019	2018	2017	Variance	Variance
Current and other assets	$ 70,908,975	$ 62,567,110	$ 64,250,314	13.3%	-2.6%
Capital assets (net)	141,912,357	141,042,779	140,744,217	0.6%	0.2%
Total assets	212,821,332	203,609,889	204,994,531	4.5%	-0.7%
Deferred outflow of resources	4,922,919	5,617,629	4,185,836	-12.4%	34.2%
Current liabilities	4,372,371	6,550,685	6,041,924	-33.3%	8.4%
Long-term liabilities	44,295,575	43,086,149	35,742,341	2.8%	20.5%
Total liabilities	48,667,946	49,636,834	41,784,265	-2.0%	18.8%
Deferred inflows of resources	1,492,682	848,160	1,204,735	76.0%	-29.6%
Net position					
Net investment in capital assets	118,356,795	118,740,378	119,128,874	-0.3%	-0.3%
Restricted	1,008,283	929,736	378,358	8.4%	145.7%
Unrestricted	48,218,545	39,072,410	46,684,135	23.4%	-16.3%
Total net position	$ 167,583,623	$ 158,742,524	$ 166,191,367	5.6%	-4.5%

Results of Operations

In FY18/19, the District's total operating revenue was $36.8 million and total operating expense was $35.4 million, which represented an increase of $3.1 million and a decrease of $0.1 million, respectively from FY17/18. The change in net position (including capital contributions) increased from $2.3 million in the previous fiscal year to $8.8 million in the current fiscal year and ended the year with a total net position of $167.6 million.

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

- Operating revenue increased by $3.1 million (9.2%). Service charges increased by $3.1 million (9.6%), which was driven by recycled water rate restructuring to address fixed costs and variable costs in response to reduced consumption and a wastewater sewer service charge increase of 6.0%. The service charge increase was offset by reductions in discharge permits and miscellaneous revenues ($0.05 million).
- Labor costs, consisting of salaries and benefits, decreased by $1.0 million (5.2%), primarily due to GASB 68 pension and GASB 75 OPEB accounting rule changes ($0.6 million) and the one-time additional contribution of $0.6 million to the OPEB trust account made in FY17/18, and was offset by employee Memoranda of Understanding (MOU) Cost-of-Living Adjustment (COLA) increases in salaries and benefits.

- Property tax revenue increased $0.3 million (11.1%) due to the ongoing economic recovery.
- Interest income increased $0.9 million (136.7%), primarily due to an increased rate-of-return from a weighted average of 1.358% in FY17/18 to 2.388% and an increase of $10 million invested throughout FY18/19.
- Capital contributions increased to $2.6 million (165.6%) due to the issuance of 582 new equivalent residential unit (ERU) permits in FY18/19 compared to 219 ERU permits in FY17/18.
- Other non-operating items increased $0.6 million (225%) due to the receipt of federal and state grants totaling $0.8 million (compared to $0.2 million in FY17/18).

For FY17/18, the District's total operating revenue of $33.7 million remained unchanged from the prior fiscal year and total operating expense of $35.5 million increased by $2.6 million. The change in net position (including capital contributions) decreased from $5.6 million in the previous fiscal year to $2.3 million in the current fiscal year. The District's total net position decreased $7.5 million from $166.2 million to $158.7 million during the fiscal year due to the GASB 75 prior period adjustment.

The major components of the District's financial results in FY17/18 were:

- Operating revenue remained stable at $33.7 million. Service charges increased $0.8 million (2.6%), which was driven by a wastewater sewer service charge increase of 6.5% which was offset by reductions in recycled water service charges due to service rate restructuring and usage reductions by the largest commercial account. A decrease $0.8 million (38%) in other operating revenues includes rebates ($0.1 million) and work for others ($0.7 million).
- Labor costs, consisting of salaries and benefits, increased $1.6 million (9.5%), primarily due to MOU-related increases ($0.4 million), rising pension rates, GASB 68 pension, and GASB 75 OPEB accounting rule changes ($0.6 million), and the one-time additional contribution of $0.6 million to the OPEB trust account.
- Outside services and maintenance costs increased $1.2 million (29.4%), primarily due to correctly expensing costs that had been capitalized in the past.
- Property tax revenue increased $0.2 million (9.1%) due to the ongoing economic recovery.
- Capital contributions decreased $1.4 million (57.9%) due to a reduction of 377 ERUs from FY16/17 as a result of construction delays.

Table 2 on the following page presents the District's Condensed Statement of Revenues, Expenses and Changes in Net Position for the FYs ended June 30, 2019, 2018, and 2017:

Table 2

Condensed Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year Ended June 30			2019 vs 2018	2018 vs 2017
	2019	2018	2017	Variance	Variance
Service charges	$ 35,484,438	$ 32,389,604	$ 31,572,922	9.6%	2.6%
Other operating revenues	1,322,760	1,302,988	2,121,889	1.5%	-39%
Operating revenue	36,807,198	33,692,592	33,694,811	9.2%	0.0%
Salaries and benefits	17,604,581	18,569,205	16,951,986	-5.2%	9.5%
Chemicals and utilities	3,204,882	2,908,186	2,772,504	10.2%	4.9%
Outside services and maintenance	5,652,901	5,352,273	4,137,773	5.6%	29.4%
Depreciation and amortization	6,926,195	6,897,318	6,881,767	0.4%	0.2%
Other operating expenses	1,986,524	1,751,761	2,159,552	13.4%	-18.9%
Operating expense	35,375,083	35,478,743	32,903,582	-0.3%	7.8%
Operating Income/(Loss)	1,432,115	(1,786,151)	791,229	-180.2%	-326%
Nonoperating income (expense)					
Property Taxes	2,977,580	2,679,597	2,455,507	11.1%	9.1%
Interest income	1,606,118	678,535	359,034	136.7%	89.0%
Capital Contributions	2,636,962	992,717	2,359,761	165.6%	-57.9%
Interest expense	(670,360)	(572,957)	(371,091)	17.0%	54.4%
Other non-operating	858,684	264,270	53,577	224.9%	393.3%
Nonoperating Income/(Expense), Net	7,408,984	4,042,162	4,856,788	83.3%	-16.8%
CHANGE IN NET POSITION	8,841,099	2,256,011	5,648,017	291.9%	-60.1%
Net position - beginning of year	158,742,524	166,191,367	160,543,350	-4.5%	3.5%
Prior period adjustment: GASB 75		(9,704,854)	-		
Net position - end of year	$ 167,583,623	$ 158,742,524	$ 166,191,367	5.6%	-4.5%

Capital Assets

The District had capital assets (net of depreciation) of $141.9 million, $141.0 million, and $140.7 million as of June 30, 2019, 2018 and 2017, respectively. The District invests in a broad range of capital assets including land, buildings, improvements, wastewater treatment facilities, water reclamation facilities, hazardous waste facilities, transmission and conveyance systems, pump stations, and machinery and equipment. In FY18/19, capital assets increased $0.9 million, primarily due to the acquisition of a land parcel for $0.3 million, $7.5 million in new construction for major projects, and a net change of $6.9 million in accumulated depreciation. The District capitalized $14.8 million construction-in-progress expenses.

Table 3 on the following page presents the District's Capital Assets, net of depreciation, for FY18/19, FY17/18, and FY16/17:

Table 3
Schedule of Capital Assets, Net of Depreciation

	Fiscal Year Ended June 30			2019 vs 2018	2018 vs 2017
	2019	2018	2017	Variance	Variance
Land	$ 6,490,355	$ 6,226,308	$ 2,719,251	4.2%	129.0%
Construction in progress	10,426,167	17,703,738	20,653,811	-41.1%	-14.3%
Treatment & collection system	124,798,878	116,652,539	116,595,301	7.0%	0.0%
Equipment	196,957	460,194	775,854	-57.2%	-40.7%
Capital Assets, Net of Depreciation	$ 141,912,357	$ 141,042,779	$ 140,744,217	0.6%	0.2%

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

This year's major capital expenditures included:

Project	Amount
Pittsburg Force Main Rehabilitation	$ 12,207,912
Emergency Back-Up Generator	1,527,548
Primary Clarifiers Influent Piping Rehabilitation	565,831
Land, two acres adjacent to the Antioch Pump Station	264,047
Total	$ 14,565,338

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

Debt Administration

The District had total net long-term debt outstanding of $23.6 million, $22.3 million, and $21.6 million as of June 30, 2019, 2018 and 2017, respectively. In FY18/19, long-term debt increased by $1.3 million (5.6%) due to an increase of $2.0 million in the State of California Water Resources Control Board's State Revolving Fund (SRF) loan for the Pittsburg Force Main Improvements Project, which was offset by scheduled principal repayments. The District did not issue any new bonded debt in FY18/19.

Table 4 on the following page presents the District's Long-Term Debt for the FY18/19, FY17/18, and FY16/17.

Table 4
Schedule of Long-Term Debt

	Fiscal Year Ended June 30			2019 vs 2018	2018 vs 2017
	2019	2018	2017	Variance	Variance
2010 RW State Revolving Fund Loan (SRF)	$ 3,806,905	$ 4,122,562	$ 4,437,977	-7.7%	-7.1%
2011 WW Installment Note Payable	1,419,331	1,483,830	1,542,156	-4.3%	-3.8%
2011 WW SRF Loan	3,789,125	4,011,192	4,227,632	-5.5%	-5.1%
2015 WW California Energy Commission Loan	511,834	560,266	608,219	-8.6%	-7.9%
2015 Bay Point SRF Loan	1,052,464	1,083,550	1,114,056	-2.9%	-2.7%
2016 WW/Bay Point SRF Loan	11,072,449	9,083,957	7,624,170	21.9%	19.1%
2016 WW SRF Loan	1,903,454	1,957,044	2,017,507	-2.7%	-3.0%
2017 RW SRF Loan		-	43,626	n/a	-100%
Total Long-Term Debt	$ 23,555,562	$ 22,302,401	$ 21,615,343	5.6%	3.2%

The outstanding debt issued was used to fund improvements, replacements, and expansion of the wastewater treatment and recycled water treatment facilities, conveyance and distribution systems, and wastewater collection systems. The primary funding source for repayment of debt issued for expansion purposes is the Capital Facility Capacity Charge (CFCC). The 2017 SRF loan was defeased in FY16/17 due to the cancellation of the associated project. For additional information, see accompanying *Notes to the Financial Statements* Note 7 – Long-Term Debt.

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

ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGETS AND RATES

Economic Factors

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

- Economic cycle, which impacts CFCCs as new development projects are highly sensitive to the economic cycle. Economic cycle also impacts the federal and state budgets and legislation, which could affect the District's ability to secure grant funding and low-interest loans.
- Interest rate and/or investment return, which directly impact investment earnings, borrowing costs, and pension and OPEB contribution rates.
- Consumer price index (CPI), which is a measure of inflation. CPI for San Francisco-Oakland-Hayward directly impacts COLAs provided in the employee MOUs and costs for supplies and expenses.

- Crude oil prices impact the energy market for electricity and gas prices and the chemicals used for wastewater treatment. The District's chemical and utilities expenses ranged from $2.8 million to $3.2 million in the three-year period ending FY18/19.
- Changes in assessed property values, which affect the District's property tax revenue. When the housing market improves, the assessed property values increase, thereby increasing the District's property tax receipts. Conversely, any decline in the housing market will decrease property values and correspondingly decrease property tax receipts for the District.

These factors, to the extent known, were considered in preparing the District's budget for FY19/20.

Next Fiscal Year's Budget and Rates:

In June 2019, the Board adopted the FY19/20 annual operating and capital budgets of $28.7 million and $22.9 million, respectively.

In April 2019, Proposition 218 (Prop. 218) notices were mailed to rate payers to communicate the proposed FY19/20 rates and the associated public hearing date and location. The District proposed an increase of 4.5% in wastewater sewer service charge for customers in Pittsburg and Antioch, and an increase of 3.5% for customers in Bay Point. In June 2019, a public hearing was held and the Board of Directors subsequently approved FY19/20 rates for implementation in July 2019.

For the FY19/20 budget summary, please visit the District's website at www.deltadiablo.org.

REQUESTS FOR INFORMATION

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

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DELTA DIABLO
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	$5,066,900	$4,607,730
Investments (Note 2)	27,645,233	24,232,689
Restricted cash (Note 2)		398,880
Restricted investments (Note 2)	1,008,283	929,736
Committed investments (Note 2)	30,870,249	25,609,156
Accounts receivable	1,009,723	1,150,780
Interest receivable	328,711	196,154
Notes receivable, current portion (Note 3)	334,833	331,042
Employee computer loans receivable, current portion (Note 4)	5,931	6,976
Materials and supplies (Note 1H)	875,672	963,173
Prepaid expenses	60,108	102,372
Total current assets	67,205,643	58,528,688
NON-CURRENT ASSETS		
Other Assets:		
Notes receivable, less current portion (Note 3)	3,699,853	4,034,686
Employee computer loans receivable, less current portion (Note 4)	3,479	3,736
Total other assets	3,703,332	4,038,422
Capital Assets (Note 5):		
Capital assets, non-depreciable	16,916,522	23,930,046
Depreciable capital assets, net of accumulated depreciation	124,995,835	117,112,733
Total capital assets, net	141,912,357	141,042,779
Total noncurrent assets	145,615,689	145,081,201
TOTAL ASSETS	212,821,332	203,609,889
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions (Note 9)	4,619,576	5,617,629
Related to OPEB (Note 10)	303,343	
Total deferred inflows of resources	4,922,919	5,617,629

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$1,339,764	$3,303,109
Accrued payroll and benefits	592,458	583,483
Deposits payable	406,624	717,966
Unearned revenue	78,374	80,468
Compensated absences - current portion (Note 6)	833,528	824,918
Current portion of long-term debt (Note 7)	1,053,187	973,476
Accrued interest payable	68,436	67,265
Total current liabilities	4,372,371	6,550,685
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 7):		
State revolving fund loans	21,154,101	19,909,594
Installment sale agreement	1,348,274	1,419,331
Total long-term debt, net of current portion	22,502,375	21,328,925
Compensated absences -net of current portion (Note 6)	79,815	33,695
Property tax refund		31,121
Net pension liability (Note 9)	17,576,687	16,919,408
Net OPEB liability (Note 10)	4,136,698	4,773,000
Total long-term liabilities	44,295,575	43,086,149
TOTAL LIABILITIES	48,667,946	49,636,834
DEFERRED INFLOWS OF RESOURCES		
Related to pensions (Note 9)	896,661	747,160
Related to OPEB (Note 10)	596,021	101,000
Total deferred inflows of resources	1,492,682	848,160
NET POSITION (Note 12)		
Net investment in capital assets	118,356,795	118,740,378
Restricted for debt service	1,008,283	929,736
Unrestricted	48,218,545	39,072,410
TOTAL NET POSITION	$167,583,623	$158,742,524

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Service charges	$35,484,438	$32,389,604
Discharge permits	144,000	161,900
Household hazardous waste operating fees	497,828	471,923
Miscellaneous	465,796	499,084
Work for others	215,136	170,081
Total operating revenues	36,807,198	33,692,592
OPERATING EXPENSES		
Salaries and benefits	17,604,581	18,083,303
Chemicals	1,405,512	1,178,138
Depreciation (Note 5)	6,926,195	6,897,318
Office and operating expense	1,901,272	2,100,498
Outside service and maintenance	5,652,901	5,352,273
Utilities	1,799,370	1,730,048
Other	85,252	137,165
Total operating expenses	35,375,083	35,478,743
OPERATING INCOME/(LOSS)	1,432,115	(1,786,151)
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(670,360)	(572,957)
Interest income	1,606,118	678,535
Capital facilities capacity charges (Note 1I)	2,636,962	992,717
Lease revenue (Note 13)	36,540	36,332
Gain on sale of asset	11,277	29,357
Federal grants	519,391	194,014
Subgrants	291,476	4,567
Property taxes	2,977,580	2,679,597
Total nonoperating revenues (expenses), net	7,408,984	4,042,162
NET INCOME	8,841,099	2,256,011
NET POSITION, BEGINNING OF YEAR	158,742,524	166,191,367
Prior period adjustment		(9,704,854)
NET POSITION, END OF YEAR	$167,583,623	$158,742,524

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$36,948,255	$34,256,175
Payments to employees	(16,180,667)	(18,825,463)
Payments to utilities	(1,799,370)	(1,730,048)
Payments to contractual/professional services	(5,964,243)	(5,478,265)
Payments to suppliers	(5,140,364)	(2,630,114)
Other receipts (payments)	(87,346)	(223,842)
Net Cash Provided by Operating Activities	7,776,265	5,368,443
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	2,946,459	2,679,597
State, federal and sub grants	810,867	198,581
Receipts (payments) on employee computer loans	1,302	5,289
Cash Flows from Noncapital Financing Activities	3,758,628	2,883,467
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(7,795,773)	(10,903,194)
Proceeds from sale of capital assets	11,277	29,357
Proceeds from loan agreements	2,324,520	1,929,835
Interest paid on long-term debt	(669,189)	(517,824)
Payment of long-term debt	(1,071,359)	(1,242,777)
Connection fees	2,636,962	992,717
Cash Flows (used for) Capital and Related Financing Activities	(4,563,562)	(9,711,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption and (acquisition) of investments	(8,752,184)	(5,693,781)
Receipts on note	331,042	327,405
Interest received on investments	1,473,561	566,101
Interest received on lease	36,540	36,332
Cash Flows provided by Investing Activities	(6,911,041)	(4,763,943)
NET INCREASE IN CASH	60,290	(6,223,919)
Cash, beginning of year	5,006,610	11,230,529
Cash, end of year	$5,066,900	$5,006,610
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$1,432,115	($1,786,151)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	6,926,195	6,897,318
Change in assets and liabilities:		
(Increase) decrease in receivables, net	141,057	56,528
(Increase) decrease in materials and supplies	87,501	(33,016)
(Increase) decrease in prepaid expenses	42,264	8,137
Increase (decrease) in accounts payable and accrued expenses	(1,963,345)	609,618
Increase (decrease) in accrued payroll and related expenses	63,705	(61,240)
Increase (decrease) in deposits payable	(311,342)	(125,992)
Increase (decrease) in unearned revenue	(2,094)	(1,741)
Increase (decrease) in net pension liability	1,804,833	(1,141,018)
Increase (decrease) in net OPEB liability	(444,624)	946,000
Net cash provided by operating activities	$7,776,265	$5,368,443
SCHEDULE OF NON CASH ACTIVITY		
Change in fair value of investments	$92,838	($85,761)

See accompanying notes to financial statements

DELTA DIABLO
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Investments with Trustees:		
Cash equivalents (Note 2)	$391,716	$355,187
Fixed income mutual funds (Note 2)	5,394,087	8,122,840
Equity mutual funds (Note 2)	9,102,611	4,919,423
Total investments	14,888,414	13,397,450
Total Assets	$14,888,414	$13,397,450
NET POSITION		
Net position restricted for OPEB	$14,888,414	$13,397,450

See accompanying notes to basic financial statements

DELTA DIABLO
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
ADDITIONS		
Contributions:		
District	$1,326,952	$1,744,458
Total contributions	1,326,952	1,744,458
Investment income:		
Interest, dividends and other	932,562	971,720
Less: investment expenses	(69,615)	(66,447)
Total net investment income	862,947	905,273
Total additions	2,189,899	2,649,731
Distributions:		
Payments made to retirees	698,935	654,453
Total distributions	698,935	654,453
Change in net position	1,490,964	1,995,278
NET POSITION		
Beginning of year	13,397,450	11,402,172
End of year	$14,888,414	$13,397,450

See accompanying notes to basic financial statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

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

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

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

B. Reporting Entity

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

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

C. Basis of Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Budgets and Budgetary Accounting

The District annually prepares and presents a proposed annual operating and capital budget to the District's Board of Directors. The budget is reviewed and adopted by the Board. The District has a five-year Capital Improvement Program which is updated annually and adopted by the Board. Budgetary controls are used and maintained by the District to facilitate compliance with the annually appropriated budget.

E. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

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

G. Cash and Cash Equivalents

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

H. Materials and Supplies

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

I. Revenues – Capital Facilities Capacity Charges

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

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

J. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fair Value Hierarchy

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

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

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

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

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

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

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2019.

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB Statement No. 83), addresses accounting and financial reporting for certain assets retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB Statement No. 83 is effective for the District's fiscal year ending June 30, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB Statement No. 88), improves the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No.88 is effective for the District's reporting periods beginning after June 15, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reclassification

For the year ended June 30, 2019, certain classifications have been changed to improve financial statement presentation. For comparative purposes, prior year balances have been reclassified to conform with the fiscal year 2019 presentation.

NOTE 2 – CASH AND INVESTMENTS

A. Policies

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

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

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

B. Classification

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

	June 30,	
	2019	2018
Cash and cash equivalents	$5,066,900	$4,607,730
Investments	27,645,233	24,232,689
Restricted cash and cash equivalents		398,880
Restricted investments	1,008,283	929,736
Committed investments	30,870,249	25,609,156
Cash and investments held with OPEB trust	14,888,414	13,397,450
Total Cash and Investments	$79,479,079	$69,175,641

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

	June 30, 2019	June 30, 2018
Cash on hand	$600	$800
Cash with County Treasury Pool	1,720,595	1,667,604
Deposits with financial institutions	3,345,705	3,338,206
Investments	59,523,765	50,771,581
Cash and investments held with OPEB trust	14,888,414	13,397,450
Total Cash and Investments	$79,479,079	$69,175,641

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

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the District's Investment Policy, where it is more restrictive, that address interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker's Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium-Term Corporate Notes	5 years	AA	30%	No Limit
Supranationals	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
Local Agency Investment Fund	n/a		$65 million per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		15%	10%
Insured savings or money market accounts	n/a		100%	No Limit

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

E. Interest Rate Risk

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

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, 2019:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	$59,522,400	$59,522,400
Money Market Mutual Funds	1,365	1,365
Total Investments	$59,523,765	$59,523,765

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, 2018:

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	$45,699,047	$45,699,047
Money Market Mutual Funds	5,072,534	5,072,534
Total Investments	$50,771,581	$50,771,581

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, 2019 and 2018, these investments matured in an average of 173 and 193 days, respectively.

Money market mutual funds are available for withdrawal on demand. At June 30, 2019 and 2018, these investments matured in an average of 27 days.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2019 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	Total
Money Market Mutual Funds	$1,365	$1,365
Total	$1,365	1,365
Not Rated:		
California Local Agency Investment Fund		59,522,400
Total Investments		$59,523,765

Presented below is the actual rating as of June 30, 2018 for each investment type as provided by Moody's investment rating system:

Investment Type	Aaa	Total
Money Market Mutual Funds	$5,072,534	$5,072,534
Total	$5,072,534	5,072,534
Not Rated:		
California Local Agency Investment Fund		45,699,047
Total Investments		$50,771,581

G. Concentration Risk

There are no instances of concentration risk at June 30, 2019 and June 30, 2018.

NOTE 2 – CASH AND INVESTMENTS (Continued)

H. Restricted Cash and Investments

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

Restricted for Debt Service – State Revolving Fund Loan – The District has restricted investments in reserves as required by the agreement between the District and the California State Water Resources Control Board State Revolving Fund Loan (SRF) in the amount of $1,008,283 and $929,736 at June 30, 2019 and 2018, respectively.

Restricted for Escrow – Pittsburg Force Main Improvement Project – The District held $398,880 at June 30, 2018, in escrow related to retentions on the construction project. As of June 30, 2019, the project was completed and all retention was released.

I. Board Committed Investments

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

Committed for Economic Uncertainty – The District has committed investments to ensure the continued ability to provide wastewater services during budget shortfalls or unforeseen circumstances and provide adequate funding to mitigate overall rate volatility resulting from economic changes or events that significantly decrease the District's revenues or increase the District's operating costs. Funding amounted to $11,462,708 and $11,701,858 at June 30, 2019 and 2018, respectively.

Committed for Advanced Treatment (AT) – The District has committed investments for advanced treatment projects to meet more stringent anticipated discharge regulations (e.g., nutrient removal). Funding amounted to $18,854,300 and $13,340,886 at June 30, 2019 and 2018, respectively.

Committed for Salary Continuation Benefit – The District has committed investments for employee assistance in accordance with employee labor contracts. Funding amounted to $53,241 and $66,412 at June 30, 2019 and 2018, respectively.

Committed for Self-Insurance – The District has committed investments to cover self-insured losses. Funding amounted to $500,000, at June 30, 2019 and 2018.

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.

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Investment Type	Total
Investments Measured at Amortized Cost:	
Money Market Mutual Funds	$1,365
Investments Exempt from Fair Value Hierarchy:	
California Local Agency Investment Fund	59,522,400
Total Investments	$59,523,765

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2018:

Investment Type	Level 2	Total
Corporate Notes	$1,002,168	$1,002,168
Investments Measured at Amortized Cost:		
Money Market Mutual Funds		4,020,110
Investments Exempt from Fair Value Hierarchy:		
California Local Agency Investment Fund		41,353,966
Total Investments		$46,376,244

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

NOTE 3 – NOTES RECEIVABLE

Notes receivable at June 30 consisted of the following:

	2019	2018
Recycled Water:		
City of Antioch	$3,009,232	$3,258,750
City of Antioch - Surcharge	817,013	863,129
City of Pittsburg - Surcharge	148,337	181,651
Household Hazardous Waste:		
Contra Costa County	60,104	62,198
Total Notes Receivable	4,034,686	4,365,728
Less: Current Portion	(334,833)	(331,042)
Long-Term Portion	$3,699,853	$4,034,686

NOTE 3 – NOTES RECEIVABLE (Continued)

Recycled Water (RW): City of Antioch - The District and the City of Antioch (City) entered into a Joint Powers Agreement on November 18, 2003, for the purpose of development and operation of a "Recycled Water Program" (the Project). Under the provisions of the agreement, the Project is to be jointly funded (50/50) by the District and the City. The District is authorized to design, construct, own, operate and regulate the facilities.

In fiscal year 2010/2011 (FY 2011), the District recognized a Note Receivable in the amount of $5,753,348 from the City of Antioch for their net share of the costs for this project. This note has an interest rate of .077% with principal and interest due annually commencing December 31, 2011 and maturing on December 31, 2030. On June 10, 2012, the District and the City of Antioch amended the Joint Powers Agreement to cap this Notes Receivable to a maximum of $5,000,000. As of June 30, 2019 and 2018, the outstanding balance was $3,009,232 and $3,258,750, respectively.

In FY 2012, additional project cost share incurred in excess of $5 million in the amount of $1,102,272 will be financed by the District at an interest rate of 4.25% with principal and interest due monthly over a 20-year term commencing July 1, 2012 and maturing on June 1, 2032. This monthly installment is billed to the City of Antioch as a Recycled Water Surcharge and annually amounts to $81,908. The outstanding balance as of June 30, 2019 and 2018 was $817,013 and $863,129, respectively.

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

The actual cost of this rehabilitation amounted to $244,187. The District recognized a Note Receivable for this amount with principal and interest due monthly commencing July 1, 2013 and maturing on June 1, 2023. This monthly installment is billed to the City of Pittsburg as a Recycled Water Surcharge and annually amounts to $40,391. The outstanding balance as of June 30, 2019 and 2018 was $148,337 and $181,651, respectively.

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

NOTE 3 – NOTES RECEIVABLE (Continued)

On April 9, 2008, this agreement was amended and includes capital cost sharing minus any grants received for the planning and construction of the new facility expansion. The Delta Household Hazardous Waste Collection Facility (DHHWCF) expansion was completed in September 2009. Per the provisions of this amendment, the outstanding principal balance from the original facility construction will be combined with the new facility expansion costs, to be re-paid over a 25-year period with interest at 6% per annum. Total capital costs were allocated to the Subscribers based on the number of housing units in each Subscriber's jurisdiction. The City of Brentwood and Ironhouse Sanitary District have paid their respective shares in full. The total outstanding balance of the loans as of June 30, 2019 and 2018 were $60,104 and $62,198, respectively.

NOTE 4 – EMPLOYEE COMPUTER LOANS RECEIVABLE

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

	2019	2018
Employee computer loans	$9,410	$10,712
Less: Current portion	(5,931)	(6,976)
Long-term portion	$3,479	$3,736

NOTE 5 – CAPITAL ASSETS

Property, plant and equipment are recorded at the time of purchase and are capitalized at cost. The District capitalizes as part of the asset cost, any significant interest incurred during the construction phase of the asset. Contributed capital assets are valued at their estimated fair market value on the date contributed. Donated capital assets, donated works of art and similar items, and capital assts received in a service concession arrangement are reported at acquisition value rather than fair value. The District defines capital assets as property, plant and equipment with an initial individual cost of $5,000 and an estimated useful life in excess of one year.

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

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

NOTE 5 – CAPITAL ASSETS (Continued)

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

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

Changes in property, plant and equipment, and construction in progress are summarized below for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Transfers	Retirement	Balance at June 30, 2018
Capital assets not being depreciated:					
Land	$2,719,251	$3,507,057			$6,226,308
Construction in Progress	20,653,811	3,701,148	($6,651,221)		17,703,738
Total capital assets not being depreciated	23,373,062	7,208,205	(6,651,221)		23,930,046
Capital assets being depreciated:					
Treatment & Collection System	229,356,753		6,605,433		235,962,185
Equipment	5,183,977	5,151	45,788	($181,341)	5,053,575
Total capital assets being depreciated	234,540,730	5,151	6,651,221	(181,341)	241,015,760
Less accumulated depreciation for:					
Treatment & Collection System	112,761,452	6,548,194			119,309,646
Equipment	4,408,123	349,124		(163,866)	4,593,381
Total accumulated depreciation	117,169,575	6,897,318		(163,866)	123,903,027
Net capital assets being depreciated	117,371,155	(6,892,167)	6,651,221	(17,475)	117,112,733
Total Capital Assets, net	$140,744,217	$316,038		($17,475)	$141,042,779

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

NOTE 6 – COMPENSATED ABSENCES

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

The changes in compensated absences were as follows for fiscal years ended June 30:

	2019	2018
Beginning Balance	$858,613	$893,088
Additions	915,310	785,819
Payments	(860,580)	(820,294)
Ending Balance	$913,343	$858,613
Current Portion	$833,528	$824,918
Non-Current Portion	$79,815	$33,695

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, 2019 was $100,667 and is included in the balance of Accrued Payroll and Benefits on the Statements of Net Position.

NOTE 7 – LONG-TERM DEBT

A. *Current Year Transactions and Balances*

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

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

NOTE 7 – LONG-TERM DEBT (Continued)

The changes in the District's long-term obligations during the year ended June 30, 2018 consisted of the following:

Direct Borrowings:	Original Issue Amount	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Amount due within one year
2010 RW State Revolving Fund Loan .077% due 4/03/2030	$6,325,503	$4,437,977		$315,415	$4,122,562	$315,658
2011 Installment Sale Agreement 4.9%, due 6/24/2031	2,344,210	1,542,156		58,326	1,483,830	64,499
2011 State Revolving Fund Loan 2.60%, due 4/03/2033	5,041,873	4,227,632		216,440	4,011,192	222,067
2015 California Energy Commission Loan 1.00%, due 06/22/2029	700,000	608,219		47,953	560,266	48,433
2015 Bay Point State Revolving Fund Loan 1.9% due 11/01/2044	1,188,820	1,114,056		30,506	1,083,550	31,086
2016 Pittsburg State Revolving Fund Loan 1.9% due 11/1/2046	12,000,000	7,624,170	$1,772,760	312,973	9,083,957	238,143
2016 WW State Revolving Fund Loan 1.9% due 12/30/2046	2,054,000	2,017,507		60,463	1,957,044	53,590
2017 RW State Revolving Fund Loan 1.9% due 6/1/2048	6,000,000	43,626	157,075	200,701		
Total Long-Term Debt		21,615,343	$1,929,835	$1,242,777	22,302,401	$973,476
Less: Amount due within one year		(1,000,849)			(973,476)	
Total Long-Term Debt, net		$20,614,494			$21,328,925	

B. 2010 RW State Revolving Fund Loan

The District entered into a loan contract with the State of California Water Resources Control Board on July 8, 2009, for the purpose of financing the Antioch/Delta Diablo Sanitation District Recycled Water Project. The loan amount totals $6,325,503 with a stated interest rate of .077% per annum over a 20-year term. The City of Antioch owes the District $5,000,000 of this amount as part of their cost share for the Recycled Water Antioch Project (see Note 3 - Notes Receivable). Principal payments are due annually beginning on December 31, 2011 through the fiscal year 2030/31 and are paid from revenue received from the City of Antioch.

C. 2011 Installment Sale Agreement

On June 9, 2011, the District entered into an installment sale agreement (agreement) with Municipal Finance Corporation, which was subsequently assigned to City National Bank on June 22, 2011, for the purpose of financing a solar energy project. The agreement amount totals $2,344,210 with a stated interest of 4.9% per annum, and is payable from revenues of the District. Principal and interest payments are due semi-annually on December 24 and June 24, commencing December 24, 2011 and maturing on June 24, 2031. The outstanding loan from directing borrowings contain a provision that in an event of default, they declare all principal components of the unpaid installment payments, together with all accrued and unpaid interest components immediately due.

NOTE 7 – LONG-TERM DEBT (Continued)

D. 2011 WW State Revolving Fund Loan

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

E. 2015 California Energy Commission Loan

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

F. 2015 Bay Point State Revolving Fund Loan

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

G. 2016 Pittsburg State Revolving Fund Loan

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

H 2016 Wastewater State Revolving Fund Loan

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

NOTE 7 – LONG-TERM DEBT (Continued)

I. 2017 Recycled Water State Revolving Fund Loan

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

J. Debt Service Requirements

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

	2019 Direct Borrowings		
For The Year Ending June 30	Principal	Interest	Total
2020	$1,053,187	$437,983	$1,491,170
2021	1,074,221	420,277	1,494,498
2022	1,095,973	401,937	1,497,910
2023	1,118,482	382,919	1,501,401
2024	1,141,773	363,206	1,504,979
2025 - 2029	6,088,476	1,493,247	7,581,723
2030 - 2034	4,642,118	917,624	5,559,742
2035 - 2039	2,682,708	571,916	3,254,624
2040 - 2044	2,947,433	304,499	3,251,932
2045 - 2048	1,711,191	46,495	1,757,686
Total payments due	$23,555,562	$5,340,103	$28,895,665

	2018 Direct Borrowings		
For The Year Ending June 30	Principal	Interest	Total
2019	$973,476	$412,174	$1,385,650
2020	992,234	396,256	1,388,490
2021	1,012,110	379,719	1,391,829
2022	1,032,682	362,570	1,395,252
2023	1,053,988	344,766	1,398,754
2024-2028	5,617,582	1,431,841	7,049,423
2029-2033	5,031,558	888,472	5,920,030
2034-2038	2,220,680	522,041	2,742,721
2039-2043	2,439,815	300,641	2,740,456
2044-2047	1,928,276	69,627	1,997,903
Total payments due	$22,302,401	$5,108,107	$27,410,508

NOTE 8 – INTERFUND TRANSACTIONS

A. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. As of June 30, 2019, the Wastewater Fund recorded a due from other funds in the amount of $232,491 to cover a deficit cash balance in the Wastewater Expansion Fund.

B. *Transfers*

Transfers during the fiscal year ended June 30, 2019, comprised of the following:

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
Wastewater	Household Hazardous Waste	$289,962	(A)
Waste Water Expansion	Wastewater	3,060,565	(B)
Recycled Water	Wastewater	466,940	(A)
Bay Point	Wastewater	122,680	(A)
		$3,940,147	

(A) Operating Transfer
(B) Transfer of capital assets into Wastewater Fund

C. *Advances*

At June 30, 2019 and 2018, the Wastewater Fund and its committed reserves had a receivable due from the Wastewater Expansion Fund, which carries interest at the LAIF rate, paid annually. Principal balances and activity for the fiscal years are as follows:

Advance from Fund/ Reserve	Advance to Fund	Balance at June 30, 2017	FY2017/18 Advance/ (Repayment)	Balance at June 30, 2018	FY2018/19 Advance/ (Repayment)	Balance at June 30, 2019
WW O&M	WW Expansion	$1,600,000	($621,400)	$978,600	($500,000)	$478,600
WW CA	WW Expansion	830,000		830,000		830,000
WW CAR	WW Expansion	6,360,000	(1,000,000)	5,360,000	(1,000,000)	4,360,000
	Total	$8,790,000	($1,621,400)	$7,168,600	($1,500,000)	$5,668,600

NOTE 9 – 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.

NOTE 9 – RETIREMENT (Continued)

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, 2019, 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	7.952%	7.0%	6.5%
Required employer contribution rates	12.860%	9.894%	7.383%

CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts for the UAL were paid in lump-sum in July 2018. The District's total annual required contribution was $816,913 in fiscal year 2019.

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

NOTE 9 – RETIREMENT (Continued)

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

	2019	2018
	Miscellaneous Tier I, II & III	Miscellaneous Tier I, II & III
Contributions - employer	$1,880,697	$1,224,400
Contributions - employee (paid by employer)	177,870	530,512

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

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

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

	2019	2018
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
CCCERA Plan	$2,433,196	$1,435,257
Miscellaneous Tier I, II & III	15,143,491	15,484,151
Total Net Pension Liability	$17,576,687	$16,919,408

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, 2018, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Miscellaneous Tier I, II & III
Proportion - June 30, 2017	0.37573%
Proportion - June 30, 2018	0.38228%
Change - Increase (Decrease)	0.00655%

NOTE 9 – RETIREMENT (Continued)

For the year ended June 30, 2019, the District's recognized pension expense of $2,687,590. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

Deferred outflows of $1,880,696 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, 2020.

At June 30, 2018, 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	$1,710,608	
Differences between actual and expected experience	20,465	($293,197)
Changes in assumptions	2,539,209	(193,617)
Changes in employer's proportion	773,083	
Net differences in actual contributions and proportionate contributions		(260,346)
Net differences between projected and actual earnings on pension plan investments	574,264	
Total	$5,617,629	($747,160)

Deferred outflows of $1,710,608 related to contributions subsequent to the measurement date, was recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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	Annual Amortization
2020	$1,542,289
2021	902,325
2022	(466,188)
2023	(136,207)
Total	$1,842,219

NOTE 9 – RETIREMENT (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2017 valuation was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.25% (1)

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

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

Change of Assumptions **–** For the measurement date of June 30, 2018, the inflation rate was reduced from 2.75% to 2.50%.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 adjusted to account for assumed administrative expenses.

NOTE 9 – RETIREMENT (Continued)

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.

(A) Asset Class	(B) Policy Strategic Allocation	(C) Market Value ($ Billion)
Public Equity	50.0%	$156.2
Private Equity	8.0%	25.9
Global Fixed Income	28.0%	62.9
Liquidity	1.0%	15.5
Real Assets	13.0%	36.3
Inflation Sensitive Assets	0.0%	25.3
Other	0.0%	1.6
Total	100%	$323.7

(A) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(B) An expected inflation of 2.0% used for this period.
(C) An expected inflation of 2.92% used this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate at June 30, 2019:

	Miscellaneous - Tier I, II & III
1% Decrease	6.15%
Net Pension Liability	$23,977,775
Current Discount Rate	7.15%
Net Pension Liability	$15,143,491
1% Increase	8.15%
Net Pension Liability	$7,850,934

NOTE 9 – RETIREMENT (Continued)

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

C. Contra Costa County Employees Retirement Association Closed Plan

The District discontinued participation in the Contra Costa County Employees Retirement Association (CCCERA) effective June 20, 2004. The termination agreement provides for an evaluation of any additional liability owed to CCCERA every three years. CCCERA retained certain assets contributed by the District and they remain responsible for retiree benefits for retirees and deferred vested members who were not transferred to the CalPERS system. The designation of 3.75% of payroll annually for Employee Benefit Costs will be a source of funds to address this or other liabilities due. CCCERA's actuary has conducted and determined the District's termination liability using the triennial experience analysis as of December 31, 2015. Based on this analysis and in accordance with the termination agreement with CCCERA, the District's unfunded obligation of $2,017,307 is to be amortized over 15 years, resulting in annual payments of $221,489 starting December 31, 2016. The next triennial actuarial valuation is expected on November 2019. As of June 30, 2019, in accordance with GASB 68, the District recorded a net pension liability of $2,433,196 under the CCCERA plan.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description and Funding Policy

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

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

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

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

On July 14, 2011, the Board adopted the District's Retiree Health Funding Plan which outlines that employees will begin contributing 1% of their salaries to the OPEB trust in July 2010; that these contributions will increase to 2% of salaries in July 2011 and to 3% of salaries in July 2012. It also covers all of the other key elements of the Principles of Agreement such as 1) employee contributions are made on a pre-tax basis and are included in employee compensation for CalPERS retirement purposes; 2) the District at least match the annual employee contributions; 3) the District make a good faith effort to fully fund the remaining ADC each year; and 4) that in recognition of the employees' initiative in assisting in funding the OPEB obligation, the terms of the bargaining units' MOU with the District be extended by three years to June 30, 2021.

	Fiscal Years Ended June 30, 2019 and 2018
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

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

	2019	2018
Active plan members	75	79
Inactive employees or beneficiaries currently receiving benefit payments	56	56
Inactive employees entitled to but not yet receiving benefit payments	2	0
Total	133	135

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The District net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the $19,025,112 total OPEB liability June 30, 2019, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.75% per annum
Payroll Growth	Aggregate - 3% annually
Investment Rate of Return	Same as discount rate. Plan assets projected to be sufficient to pay all benefits from trust.
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2018
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Participation at Retirement	Actives covered & surviving spouse hired < 1/1/09 - 100% Actives covered & surviving spouse hired ≥ 1/1/09 - 0% with <10 years service, 90% with 10-14 years, 95% with 15-19 years, 100% with 20+ years Actives waived - 80% of above assumption for covered active Retirees & surviving spouses - 100% if covered, 20% at 65 if waived < 65, 0% waived ≥ 65

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

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

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

As of June 30, 2019:

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

Assumed Long-Term Rate of Inflation	2.75%
Expected Long-Term Net Rate of Return	6.25%

As of June 30, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60%	5.35%
Fixed Income	35%	1.55%
Cash	5%	0.00%
Total	100%	

Assumed Long-Term Rate of Inflation	3.00%
*Assumed Long-Term Investment Expenses	0.30%
Expected Long-Term Net Rate of Return	7.19%
*Discount rate	6.50%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25% for 2019 and 6.50% for 2018. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

C. Changes in Net OPEB Liability

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

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

The changes in the Net OPEB Liability follows as of June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2017	$16,922,000	$11,402,000	$5,520,000
Changes Recognized for the Measurement Period:			
Service Cost	725,000		725,000
Interest on the total OPEB liability	1,122,000		1,122,000
Changes in benefit terms	182,000		182,000
Contributions from the employer		1,592,000	(1,592,000)
Contributions from the employees		282,000	(282,000)
Net investment income		935,000	(935,000)
Administrative expenses		(33,000)	33,000
Benefit payments and refunds	(781,000)	(781,000)	
Net Changes during July 1, 2017 to June 30, 2018	1,248,000	1,995,000	(747,000)
Balance at June 30, 2018	$18,170,000	$13,397,000	$4,773,000

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

D. Sensitivity of the Net OPEB Liability

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current discount rate:

As of June 30, 2019:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (5.25%)	Current Discount (6.25%)	Discount Rate +1% (7.25%)
$6,556,942	$4,136,698	$2,140,030

As of June 30, 2018:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate +1% (7.50%)
$7,175,000	$4,773,000	$2,810,000

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

As of June 30, 2019:

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

As of June 30, 2018:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Health Care Cost Trend Rates	Discount Rate +1%
$2,298,000	$4,773,000	$7,852,000

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

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

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

The District did not have any contributions subsequent to the measurement date to report as deferred outflows of resources as of June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Annual Amortization
2020	($67,073)
2021	(67,073)
2022	(68,073)
2023	(42,072)
2024	(43,987)
Thereafter	(4,400)

F. Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of $292,678 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

NOTE 11 – RISK MANAGEMENT

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

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

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

The following is a summary of the insurance policies in force carried by the District as of June 30, 2019:

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	174,780,183	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 12 – NET POSITION

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

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

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

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Lease Revenue

Delta Energy Center, LLC (DEC) and Calpine Corporation entered into an operating lease with the District, effective December 11, 2002, to lease real property located at 2600 Pittsburg-Antioch Highway, in Pittsburg, for a cooling tower site. The base rent for the leased land started at $32,500 per year and is set to escalate every five years based on changes in the Consumer Price Index. The current rate is $36,540 per year. The area leased is 260 feet by 50 feet, on land that is not targeted for District improvements. The agreement terminates May 31, 2050. Minimum future rentals total $1,132,740 at June 30, 2019. 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
2020	$36,540
2021	36,540
2022	36,540
2023	36,540
2024	36,540
2025 - 2029	182,700
2030 - 2034	182,700
2035 - 2039	182,700
2040 - 2044	182,700
2045 - 2049	182,700
2050 - 2050	36,540
	$1,132,740

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

B. Purchase Commitments

The District has a number of purchase commitments for ongoing operating and capital projects that involves multi-year contracts. Purchase commitments related to these multi-year contracts are approximately $17,652,136 and $6,443,839 as of June 30, 2019 and 2018, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Delta Diablo

Cost-Sharing Multiple-Employer Defined Pension Plan

Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

	Miscellaneous				
	Tier I & II	**Tier I & II**	**Tier I & II**	**Tier I & II**	**Tier I & II**
Measurement Date	**6/30/2018**	**6/30/2017**	**6/30/2016**	**6/30/2015**	**6/30/2014**
Plan's Proportion of the Net Pension Liability/Asset	0.3823%	0.3757%	0.3817%	0.3747%	0.3345%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$15,143,491	$15,484,151	$13,258,795	$10,279,890	$10,961,818
Plan's Covered Payroll	$9,385,142	$8,274,225	$7,557,557	$8,138,640	$7,681,566
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	161.36%	187.14%	175.44%	126.31%	142.70%
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of the Plan's Total Pension Liability	23.19%	25.45%	24.48%	20.43%	24.57%

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

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

	Miscellaneous Tier I, II, & III FY 2019	Miscellaneous Tier I, II, & III FY 2018	Miscellaneous Tier I, II, & III FY 2017	Miscellaneous Tier I, II, & III FY 2016	Miscellaneous Tier I, II, & III FY 2015
Actuarially determined contribution	$1,880,696	$1,710,608	$1,663,037	$1,669,912	$1,251,178
Contributions in relation to the actuarially determined contributions	(1,880,696)	(1,710,608)	(1,663,037)	(1,669,912)	(1,251,178)
Contribution deficiency (excess)	$0	$0	$0	$0	$0
Covered payroll	$9,473,230	$9,385,142	$8,274,225	$7,557,557	$8,138,640
Contributions as a percentage of covered payroll	19.85%	18.23%	20.10%	22.10%	15.37%
Notes to Schedule					
Valuation date:	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method			Entry age		
Amortization method			Level percentage of payroll, closed		
Remaining amortization period			30 years		
Asset valuation method			5-year smoothed market		
Inflation			2.75%		
Salary increases			Varies by Entry Age and Service		
Investment rate of return	7.25%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.5%, net of pension plan investment and administrative expenses, including inflation	7.5%, net of pension plan investment and administrative expenses, including inflation
Retirement age			55 yrs. Misc., 62 yrs. Tier 2		
Mortality	The probabilities of mortality are based on the December 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

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

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

Notes to schedule:

* FY 2018 was the first year of implementation.
** The District makes contributions based on the Actuarially Determined Contributions, not on the measure of pay.

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

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

Methods and assumptions used to determine contribution rates:

	Actuarial Assumptions
Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
	21-year fixed (closed) period for 2017/18
Amortization Period	20-year fixed (closed) period for 2018/19
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.5%
General Inflation	3.0%
Medical Trend	Non-Medicare - 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021
	Medicare - 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021
Mortality	CalPERS 1997-2011 experience study
Mortality Improvement	Mortality Improvement Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022
Payroll increase	Aggregate - 3.25% annually. Merit - CalPERS 1997-2011 Experience study
	Aggregate - 3% annually. Merit - CalPERS 1997-2015 Experience study for 18/19
All Other Assumptions	Same as those used to determine the total OPEB liability

* FY 2018 was the first year of implementation.
** The District makes contributions based on the Actuarially Determined Contributions, not on the measure of pay.

SCHEDULE OF OPEB INVESTMENT RETURNS

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

* FY 2018 was the first year of implementation.

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SUPPLEMENTARY INFORMATION

DELTA DIABLO
SUPPLEMENTARY SCHEDULE OF NET POSITION - PROPRIETARY FUND TYPE
ENTERPRISE FUNDS
JUNE 30, 2019

	Wastewater [(A)]	Wastewater Expansion [(B)]	Recycled Water Facility	Hazardous Waste
ASSETS				
CURRENT ASSETS:				
Cash	$2,032,885		$1,322,180	$11,312
Investments	17,780,808	$2,642,518	2,569,126	160,000
Restricted investments	726,023	133,222		
Committed investments	30,870,249			
Accounts receivable	527,835	1,220	266,607	195,832
Due from other funds	232,491			
Interest receivable	269,256	484	23,062	
Current portion of notes receivable			332,583	2,250
Current portion of employee computer loans receivable	5,931			
Inventory	800,141		75,531	
Prepaid expenses	51,092		9,016	
Total current assets	53,296,711	2,777,444	4,598,105	369,394
NON-CURRENT ASSETS:				
OTHER ASSETS:				
Notes receivable less current portion			3,641,999	57,854
Interfund receivable	5,668,600			
Employee notes receivable less current portion	3,479			
Total other assets	5,672,079		3,641,999	57,854
CAPITAL ASSETS:				
Capital assets, non depreciable	16,491,153		(2,513)	
Capital assets, net of accumulated depreciation	87,730,950		31,043,552	1,304,541
Total capital assets, net	104,222,103		31,041,039	1,304,541
Total Noncurrent Assets	109,894,182		34,683,038	1,362,395
TOTAL ASSETS	163,190,893	2,777,444	39,281,143	1,731,789
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	4,619,576			
Related to OPEB	303,343			
Total deferred inflows of resources	4,922,919			
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	1,073,674		159,299	72,998
Due to other funds		232,491		
Accrued payroll and benefits	548,094		24,127	6,143
Deposits payable	398,240		8,384	
Deferred revenue	18,270			60,104
Compensated absences - due within one year	833,528			
Current portion of long-term debt	575,201	75,800	315,901	
Accrued interest payable	50,566	8,646		
Total current liabilities	3,497,573	316,937	507,711	139,245
NON-CURRENT LIABILITIES:				
Long-term debt, net of current portion:				
Certificates of participation				
State revolving fund loans	12,101,152	2,692,312	3,491,004	
Installment sale agreement	1,348,274			
Compensated absences - due in more than one year	79,815			
Interfund payable		5,668,600		
Net pension liability	17,576,687			
Net OPEB Liability	4,136,698			
Total long-term liabilities	35,242,626	8,360,912	3,491,004	
TOTAL LIABILITIES	38,740,199	8,677,849	3,998,715	139,245
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	896,661			
Related to OPEB	596,021			
Total deferred inflows of resources	1,492,682			
NET POSITION				
Net investment in capital assets	90,197,476	(2,768,112)	27,234,134	1,304,541
Restricted for debt service	726,023	133,222		
Unrestricted	36,957,432	(3,265,515)	8,048,294	288,003
TOTAL NET POSITION (DEFICIT)	$127,880,931	($5,900,405)	$35,282,428	$1,592,544

[(A)] Wastewater is funded by user charges and is comprised of operations & maintenance, capital assets, and capital asset replacement for wastewater treatment and operations. Starting fiscal year 11/12 includes committed for Advanced Treatment.
[(B)] Wastewater Expansion is funded by developers for connection fees.
[(C)] Street Sweeping is funded by user charges.
[(D)] Bay Point is funded by user charges.

Street Sweeping (C)	Bay Point (D)	Total
$577,863	$1,122,660	$5,066,900
592,161	3,900,620	27,645,233
	149,038	1,008,283
		30,870,249
$56	18,173	1,009,723
		232,491
7,037	28,872	328,711
		334,833
		5,931
		875,672
		60,108
1,177,117	5,219,363	67,438,134
		3,699,853
		5,668,600
		3,479
		9,371,932
	427,882	16,916,522
	4,916,792	124,995,835
	5,344,674	141,912,357
	5,344,674	151,284,289
1,177,117	10,564,037	218,722,423
		4,619,576
		303,343
		4,922,919
27,962	5,831	1,339,764
		232,491
	14,094	592,458
		406,624
		78,374
		833,528
	86,285	1,053,187
	9,224	68,436
27,962	115,434	4,604,862
	2,869,633	21,154,101
		1,348,274
		79,815
		5,668,600
		17,576,687
		4,136,698
	2,869,633	49,964,175
27,962	2,985,067	54,569,037
		896,661
		596,021
		1,492,682
	2,388,756	118,356,795
	149,038	1,008,283
1,149,155	5,041,176	48,218,545
$1,149,155	$7,578,970	$167,583,623

DELTA DIABLO
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND TYPE ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Waste Water [(A)]	Waste Water Expansion [(B)]	Recycled Water Facility	Household Hazardous Waste
OPERATING REVENUES				
Service charges	$30,321,364		$3,360,654	
Discharge permits	144,000			
Household hazardous waste operating fees				$497,828
Miscellaneous	460,688		4,500	608
Work for others	207,042		6,000	2,094
Total operating revenues	31,133,094		3,371,154	500,530
OPERATING EXPENSES				
Salaries and benefits	16,219,788		732,708	226,826
Chemicals	824,117		581,390	
Depreciation	5,423,026		1,327,185	37,704
Office and operating expense	1,751,077		107,300	37,442
Outside services and maintenance	3,703,533		806,124	523,129
Utilities	1,325,526		472,841	1,003
Other	69,762		25,120	
Total operating expenses	29,316,829		4,052,668	826,104
OPERATING INCOME (LOSS)	1,816,265		(681,514)	(325,574)
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(379,909)	($221,086)	(3,174)	
Interest income	1,262,616	72,611	134,081	4,410
Capital facilities capacity charges		2,619,462	17,500	
Lease revenue	36,540			
Gain (Loss) on sale of assets	11,277			
Federal grants	219,391		300,000	
Subgrants			291,476	
Property taxes	2,773,027	204,553		
Total nonoperating revenues	3,922,942	2,675,540	739,883	4,410
NET INCOME (LOSS) BEFORE TRANSFERS	5,739,207	2,675,540	58,369	(321,164)
Transfers In	3,650,185			289,962
Transfers (Out)	(289,962)	(3,060,565)	(466,940)	
Total transfers in (out)	3,360,223	(3,060,565)	(466,940)	289,962
NET INCOME (LOSS) AFTER TRANSFERS	9,099,430	(385,025)	(408,571)	(31,202)
NET POSITION (DEFICIT), BEGINNING OF YEAR	118,781,501	(5,515,380)	35,690,999	1,623,746
NET POSITION (DEFICIT), END OF YEAR	$127,880,931	($5,900,405)	$35,282,428	$1,592,544

[(A)] Wastewater is funded by user charges and is comprised of operations & maintenance, capital assets, and capital asset replacement for wastewater treatment and operations. Starting FY 11/12 includes committed for Advanced Treatment.
[(B)] Wastewater Expansion is funded by developers for connection fees.
[(C)] Street Sweeping is funded by user charges.
[(D)] Bay Point is funded by user charges.

Street Sweeping (C)	Bay Point (D)	Total
$649,115	$1,153,305	$35,484,438
		144,000
		497,828
		465,796
		215,136
649,115	1,153,305	36,807,198
1,054	424,205	17,604,581
	5	1,405,512
	138,280	6,926,195
	5,453	1,901,272
604,943	15,172	5,652,901
		1,799,370
	(9,630)	85,252
605,997	573,485	35,375,083
43,118	579,820	1,432,115
	(66,191)	(670,360)
25,078	107,322	1,606,118
		2,636,962
		36,540
		11,277
		519,391
		291,476
		2,977,580
25,078	41,131	7,408,984
68,196	620,951	8,841,099
		3,940,147
	(122,680)	(3,940,147)
	(122,680)	
68,196	498,271	8,841,099
1,080,959	7,080,699	158,742,524
$1,149,155	$7,578,970	$167,583,623

STATISTICAL SECTION

RECYCLED WATER FACILITY – CHLORINE CONTACT TANKS

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographics and Economic Information

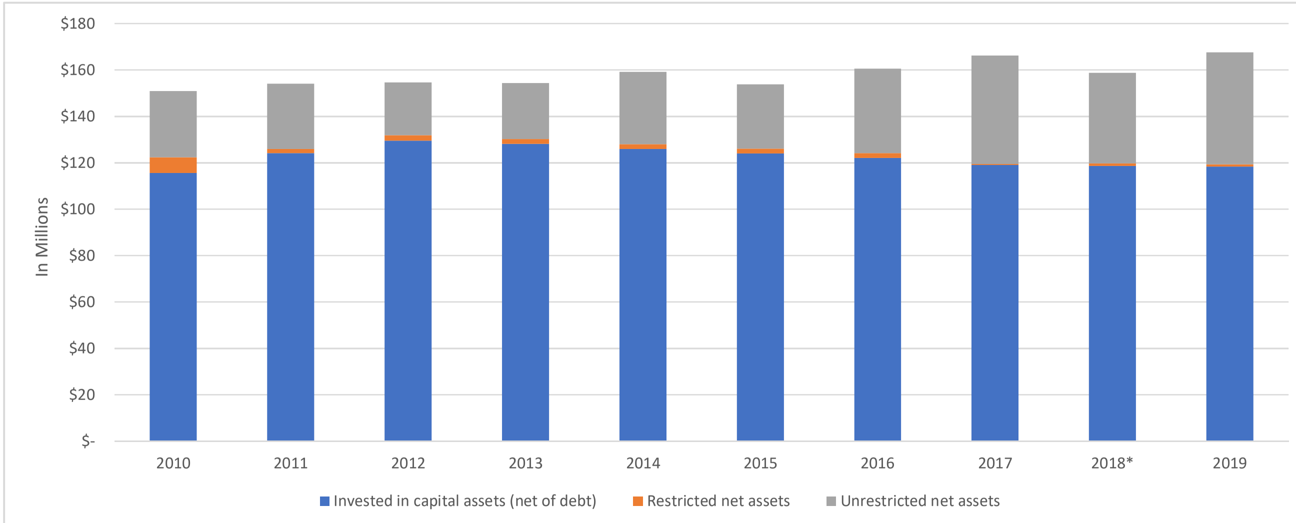
These schedules contain demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

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

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

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



	2010	2011	2012	2013	2014	2015	2016	2017	2018*	2019
Net Position Component										
Invested in capital assets (net of debt)	$ 115,710,911	$ 124,147,282	$ 129,564,959	$ 128,104,632	$ 125,917,417	$ 123,992,770	$ 122,139,055	$ 119,128,874	$ 118,740,378	$ 118,356,795
Restricted net assets	6,589,435	1,796,301	2,307,508	2,088,821	2,088,848	2,087,120	2,086,398	378,358	929,736	1,008,283
Unrestricted net assets	28,654,152	28,186,209	22,772,245	24,176,242	31,151,027	27,642,843	36,317,897	46,684,135	39,072,410	48,218,545
Total Net Position	**$ 150,954,498**	**$ 154,129,792**	**$ 154,644,712**	**$ 154,369,695**	**$ 159,157,292**	**$ 153,722,733**	**$ 160,543,350**	**$ 166,191,367**	**$ 158,742,524**	**$ 167,583,623**

Source: Delta Diablo Audited Financial Statements
* Includes GASB 68 prior year adjustment of $6M and a $3.7M write-off of construction in progress.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues										
Service charges [1]	$ 20,867,811	$ 21,650,025	$ 23,741,202	$ 25,824,829	$ 27,151,658	$ 28,626,113	$ 30,755,640	$ 31,572,922	$ 32,389,604	$ 35,484,438
Discharge permits	193,942	191,200	148,900	186,200	167,150	158,950	145,750	124,250	161,900	144,000
Household hazardous waste operating fees	430,508	464,830	471,627	457,034	437,394	450,714	468,206	472,479	471,923	497,828
Miscellaneous	309,303	351,168	547,008	554,666	641,136	641,137	699,005	613,001	499,084	465,796
Work for Others [2]	5,925,106	2,022,277	1,448,157	1,479,705	915,624	896,889	676,712	912,159	170,081	215,136
Total operating revenues	27,726,670	24,679,500	26,356,894	28,502,434	29,312,962	30,773,803	32,745,313	33,694,811	33,692,592	36,807,198
Operating Expenses										
Salaries and benefits	12,806,405	13,089,446	13,892,968	17,593,719 [3]	13,500,132	12,304,139	12,796,436	16,951,986	18,083,303	17,604,581
Chemicals	1,217,860	1,144,660	1,266,027	1,311,718	1,160,309	1,078,924	1,160,518	1,027,234	1,178,138	1,405,512
Depreciation (Note 5)	6,411,047	5,990,441	6,279,367	6,506,348	6,821,159	6,959,201	6,993,567	6,881,767	6,897,318	6,926,195
Office expense and operating expense	1,451,873	1,460,196	1,522,907	1,743,582	1,709,046	1,844,178	1,942,438	1,998,743	2,100,498	1,901,272
Outside service and maintenance	3,703,991	3,368,044	3,833,246	3,810,858	4,071,441	4,445,466	5,265,128	4,137,773	5,352,273	5,652,901
Utilities	1,496,049	1,441,417	1,549,545	1,444,024	1,606,954	1,488,843	1,488,734	1,745,270	1,730,048	1,799,370
Other	162,859	126,065	127,113	128,920	130,976	62,813	171,067	160,809	137,165	85,252
Total operating expenses	27,250,084	26,620,269	28,471,173	32,539,169	29,000,017	28,183,564	29,817,888	32,903,582	35,478,743	35,375,083
Operating Income/(Loss)	**476,586**	**(1,940,769)**	**(2,114,279)**	**(4,036,735)**	**312,945**	**2,590,239**	**2,927,425**	**791,229**	**(1,786,151)**	**1,432,115**
Non-Operating Revenues (Expenses)										
Interest expense	(1,301,793)	(1,174,581)	(1,025,593)	(868,105)	(695,818)	(735,098)	(662,132)	(371,091)	(572,957)	(670,360)
Interest income	568,784	275,653	151,223	189,139	174,179	207,369	297,905	359,034	678,535	1,606,118
Capital facilities capacity charges	1,393,342	2,160,678	1,687,667	2,280,985	2,250,790	1,926,982	2,031,409	2,359,761	992,717	2,636,962
Lease revenue	35,773	35,773	35,949	36,125	36,125	36,125	36,125	36,540	36,332	36,540
Gain (Loss) on sale of asset	(1,644,748)		5,295	20,382	(415,681)	4,034	(217,711)	3,739	29,357	11,277
State grants	2,254,643	389,697	1,742	(1,742)	512,404	160,683	37,500			
Federal grants	2,402,617	1,478,384	-	205,043		-	-	-	194,014	519,391
Subgrants	158,773	288,023	181,749	272,185	914,469	203,021	139,638	13,298	4,567	291,476
Property taxes	1,636,278	1,662,436	1,591,167	1,627,706	1,698,184	1,974,773	2,230,458	2,455,507	2,679,597	2,977,580
Total non-operating revenues/(expenses), net	5,503,669	5,116,063	2,629,199	3,761,718	4,474,652	3,777,889	3,893,192	4,856,788	4,042,162	7,408,984
Net Income/(Loss)	**5,980,255**	**3,175,294**	**514,920**	**(275,017)**	**4,787,597**	**6,368,128**	**6,820,617**	**5,648,017**	**2,256,011**	**8,841,099**
Net Position, Beginning of Year	144,974,243	150,954,498	154,129,792	154,644,712	154,369,695	159,157,292	153,722,733	160,543,350	166,191,367	158,742,524
Prior Period Adjustment [4]						(11,802,687)			(9,704,854)	
Net Position, End of Year	$ 150,954,498	$ 154,129,792	$ 154,644,712	$ 154,369,695	$159,157,292	$ 153,722,733	$ 160,543,350	$ 166,191,367	$ 158,742,524	$ 167,583,623

Source: Delta Diablo Audited Financial Statements

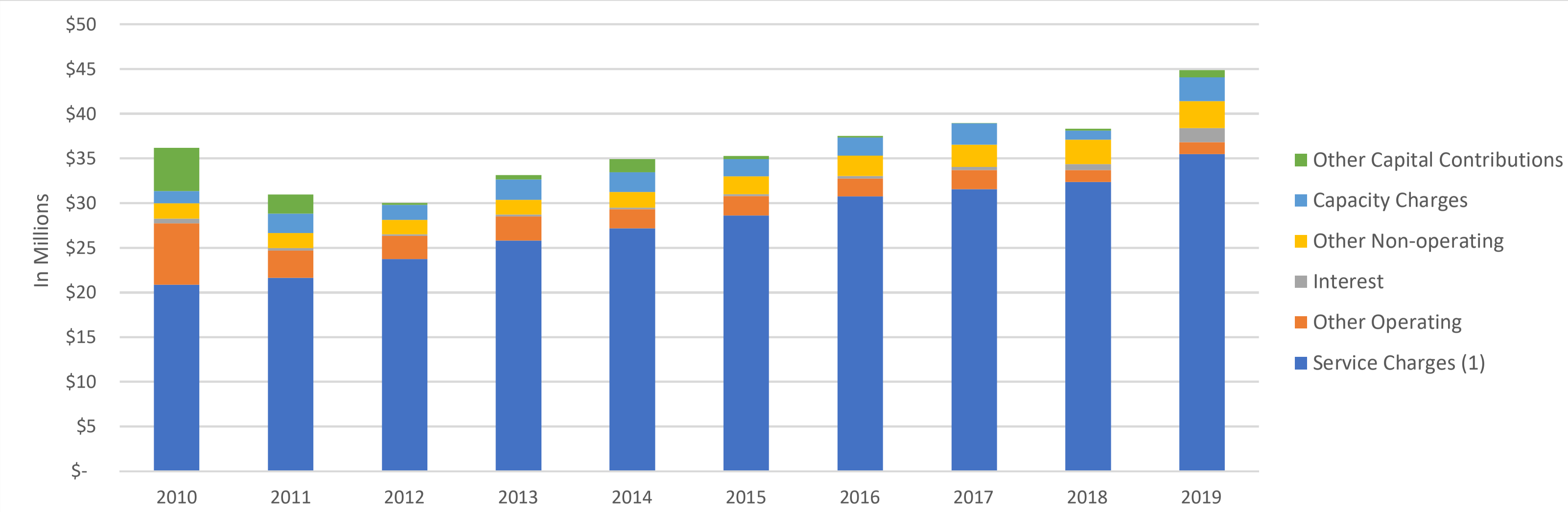
Note: (1) Service Charges is comprised of Wastewater Sewer Service, Recycled Water, Street Sweeping, and Bay Point Collection Charges.

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

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

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

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



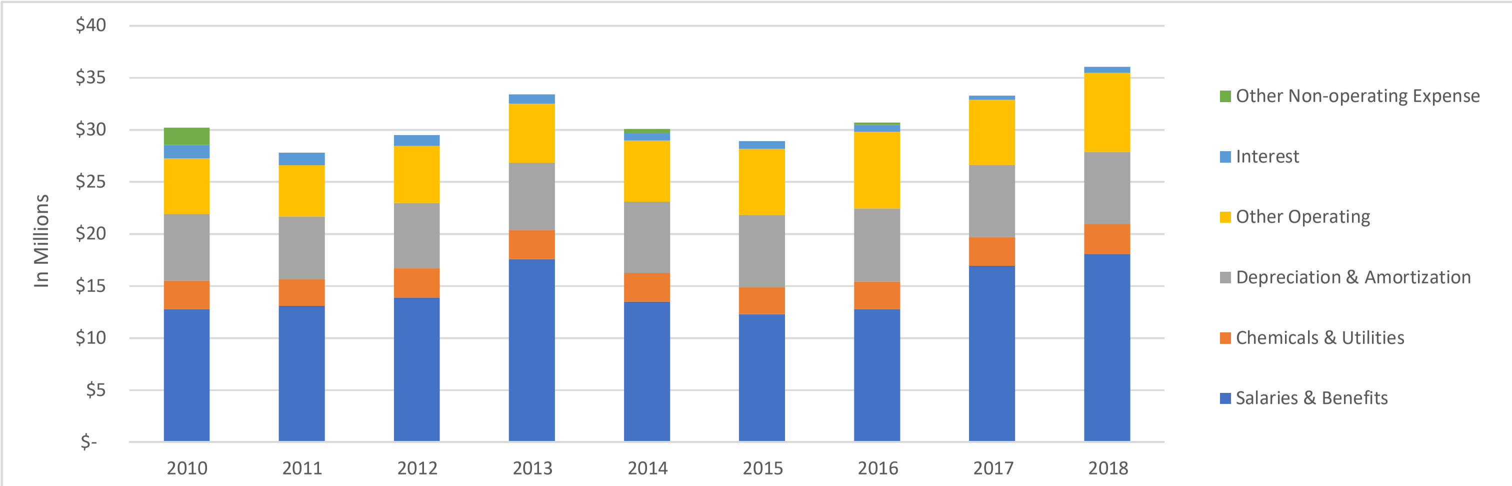
Revenue Sources							
Fiscal Year	**Service Charges [1]**	**Other Operating**	**Interest**	**Other Non-Operating**	**Capacity Charges**	**Other Capital Contributions [2]**	**Total**
2010	$ 20,867,811	$ 6,858,859	$ 568,784	$ 1,672,051	$ 1,393,342	$ 4,816,033	$ 36,176,880
2011	21,650,025	3,029,475	275,653	1,698,209	2,160,678	2,156,104	30,970,144
2012	23,741,202	2,615,692	151,223	1,632,411	1,687,667	183,491	30,011,686
2013	25,824,829	2,677,605	189,139	1,684,213	2,280,985	475,486	33,132,257
2014	27,151,658	2,161,304	174,179	1,734,309	2,250,790	1,426,873	34,899,113
2015	28,626,113	2,147,690	207,369	2,014,932	1,926,982	363,704	35,286,790
2016	30,755,640	1,989,673	297,905	2,266,583	2,031,409	177,138	37,518,348
2017	31,572,922	2,121,889	359,034	2,495,786	2,359,761	13,298	38,922,690
2018	32,389,604	1,302,988	678,535	2,745,286	992,717	198,581	38,307,711
2019	35,484,438	1,322,760	1,606,118	3,025,397	2,636,962	810,867	44,886,542

Source: Delta Diablo Audited Financial Statements

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

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

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



Expense Categories							
Fiscal Year	Salaries & Benefits	Chemicals & Utilities	Depreciation & Amortization	Other Operating	Interest	Other Non-operating	Total
2010	$ 12,806,405	$ 2,713,909	$ 6,411,047	$ 5,318,723	$ 1,301,793	$ 1,644,748 [3]	$ 30,196,625
2011	13,089,446	2,586,077	5,990,441	4,954,305	1,174,581		27,794,850
2012	13,892,968	2,815,572	6,279,367	5,483,266	1,025,593		29,496,766
2013	17,593,719 [1]	2,755,742	6,506,348	5,683,360	868,105		33,407,274
2014	13,500,132	2,767,263	6,821,159	5,911,463	695,818	415,681	30,111,516
2015	12,304,139	2,567,767	6,959,201	6,352,457	735,098		28,918,662
2016	12,796,436	2,649,252	6,993,567	7,378,633	662,132	217,711	30,697,731
2017	16,951,986 [2]	2,772,504	6,881,767	6,297,325	371,091		33,274,673
2018	18,083,303 [2]	2,908,186	6,897,318	7,589,936	572,957		36,051,700
2019	17,604,581	3,204,882	6,926,195	7,639,425	670,360		36,045,443

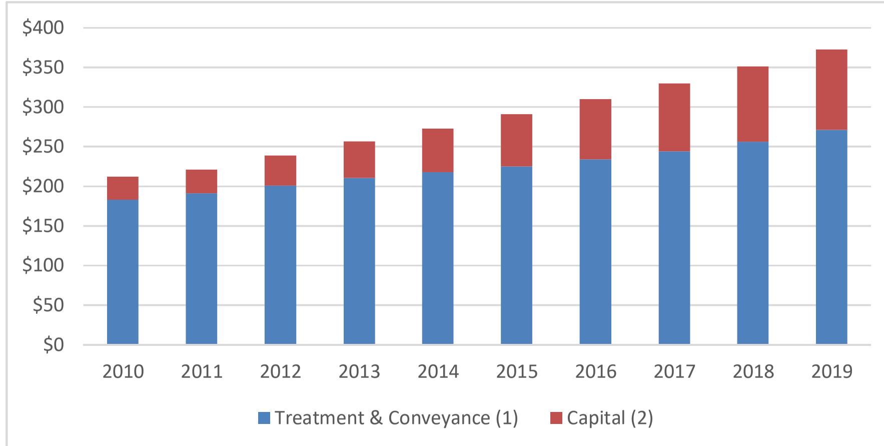
Source: Delta Diablo Audited Financial Statements

Note: [1] Includes a one-time side fund payment made to CALPERS of $3.9M.

[2] Includes adjustment for Implementation of GASB 68.

[3] Loss on disposition of capital assets.

DELTA DIABLO
Major Revenue Base and Rates
Last Ten Fiscal Years



Fiscal Year	Annual Sewer Service Charge			Capacity Charges [3]
	Treatment & Conveyance [1]	Capital [2]	Total	
2010	$183	$29	$211	$4,444
2011	191	30	222	4,444
2012	201	38	238	4,444
2013	211	46	257	4,444
2014	218	55	273	4,444
2015	225	66	291	4,444
2016	234	76	310	4,444
2017	244	86	330	4,444
2018	256	95	352	4,444
2019	271	102	373	4,444

Source: Delta Diablo Rate Ordinance

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

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

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

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

	2009 - 2010	2018 - 2019
Service Charges:		
Waste Water Sewer	$ 16,547,731	$ 30,321,364
Recycled Water	2,938,583	3,360,654
Street Sweeping	587,756	649,115
Baypoint	793,741	1,153,305
Total Service Charges	$ 20,867,811	$ 35,484,438
Total Operating Revenues	$ 27,726,670	$ 36,807,198
Service Charges as a Percentage of Total Operating Revenue	75%	96%

Principal Customers - Revenue Capacity
Current Year and Nine Years Ago

Customer	Business Type	City	FY 2009-2010 Service Charge Annual Billing	Rank	Percentage of Total Annual Billings	FY 2018-2019 Service Charge Annual Billing	Rank	Percentage of Total Annual Billings
Calpine [1]	Utility	Pittsburg	$ 3,228,315	1	15.5%	$ 3,821,870	1	10.8%
Dow Chemical	Manufacturing	Pittsburg	130,445	3	0.6%	322,246	2	0.9%
Angelica Healthcare	Service	Antioch/Pittsburg [2]	104,915	5	0.5%	210,978	3	0.6%
Woodland Hills Apartments	Housing	Pittsburg	120,605	4	0.6%	207,553	4	0.6%
Kaiser Hospital	Service	Antioch	-		0.0%	192,290	5	0.5%
City of Antioch	City Government	Antioch	1,641		0.0%	158,007	6	0.4%
Rivershore Apartments	Housing	Bay Point	78,429	6	0.4%	129,042	7	0.4%
Villas at San Marcos	Housing	Pittsburg	-		0.0%	128,668	8	0.4%
The Meadows Trailer Park	Housing	Pittsburg	66,510	7	0.3%	114,882	9	0.3%
City of Pittsburg	City Government	Pittsburg	63,448	10	0.3%	111,798	10	0.3%
GWF Power Systems	Utility	Pittsburg	173,094	2	0.8%			
Oakwood Village	Housing	Antioch	65,112	8	0.3%			
Delta Hawaii Mobile Home Park	Housing	Pittsburg	63,628	9	0.3%			
All Other [3]		Combined Area	16,771,669		80.4%	30,087,105		84.8%
Total			$ 20,867,811		100.0%	$ 35,484,438		100.0%

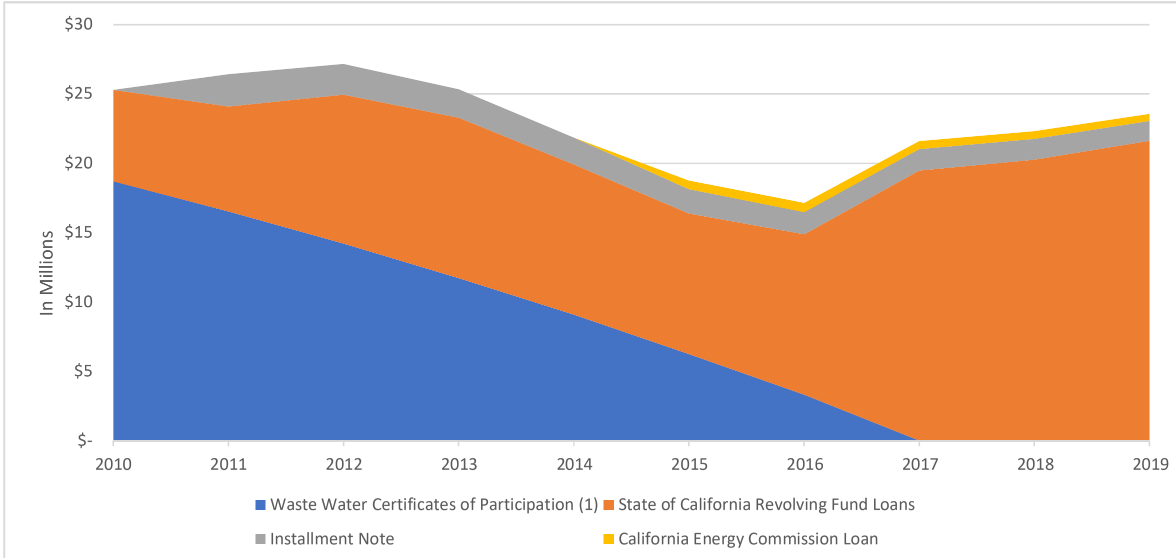
Source: Delta Diablo Audited Financial Statements and Billing Records

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

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

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

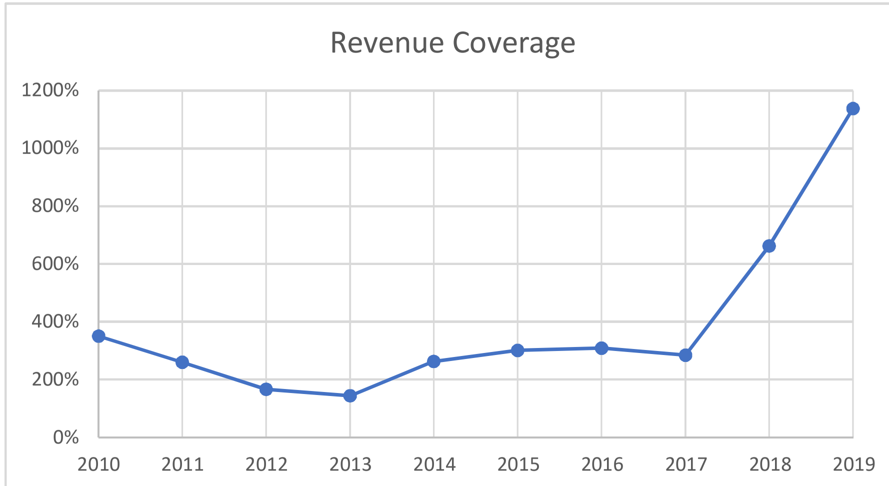
DELTA DIABLO
Outstanding Debt by Type and Debt Per Capita
Last Ten Fiscal Years



Fiscal Year	Waste Water Certificates of Participation [1]	State of California Revolving Fund Loans	Installment Note	California Energy Commission Loan	Total	Population Estimates [2]	Debt Per Capita [3]
2010	$ 18,700,761	$ 6,599,396			$ 25,300,157	186,985	$ 135
2011	16,517,749	7,580,161	$ 2,344,210		26,442,120	189,700	139
2012	14,193,806	10,754,568	2,212,746		27,161,120	192,707	141
2013	11,714,312	11,568,040	2,072,577		25,354,929	195,392	130
2014	9,067,882	10,854,596	1,923,203		21,845,681	198,473	110
2015	6,237,347	10,134,156	1,764,088	$ 630,000	18,765,591	200,942	93
2016	3,310,000	11,570,850	1,594,676	655,696	17,131,222	203,759	84
2017		19,464,968	1,542,156	608,219	21,615,343	204,971	105
2018		20,258,304	1,483,830	560,267	22,302,401	207,057	108
2019		21,624,398	1,419,331	511,833	23,555,562	214,327	110

Source: Delta Diablo Audited Financial Statements
Notes: Debt amounts exclude premiums, discounts, or other amortization amounts.
[1] Includes accrued interest. Matured in 2016.
[2] Demographics and Economic Statistics (Statistical section)
[3] Debt per Capita = Total Debt/Population Estimate.

DELTA DIABLO
Pledged Revenue Coverage
Last Ten Fiscal Years



Fiscal Year	Gross Revenue [1]	Operating Expenses [2]	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2010	$ 36,176,880	$ 23,785,578	$ 12,391,302	$ 3,211,127	$ 320,537	$ 3,531,664	351%
2011	30,970,144	21,804,409	9,165,735	3,506,189	25,475	3,531,664	260%
2012	30,011,686	23,217,399	6,794,287	3,951,703	140,199	4,091,902	166%
2013	33,132,257	26,900,926	6,231,331	3,635,223	700,029	4,335,252	144%
2014	34,899,113	23,290,357	11,608,756	4,172,818	248,160	4,420,978	263%
2015	35,286,790	21,959,461	13,327,329	4,194,555	233,724	4,428,279	301%
2016	37,518,348	23,704,164	13,814,184	4,253,312	226,260	4,479,572	308%
2017	38,922,690	26,392,906	12,529,784	4,178,887	221,286	4,400,173	285%
2018	38,307,711	29,154,382	9,153,329	1,000,849	381,817	1,382,666	662%
2019	44,886,542	29,119,248	15,767,294	973,476	412,175	1,385,651	1138%

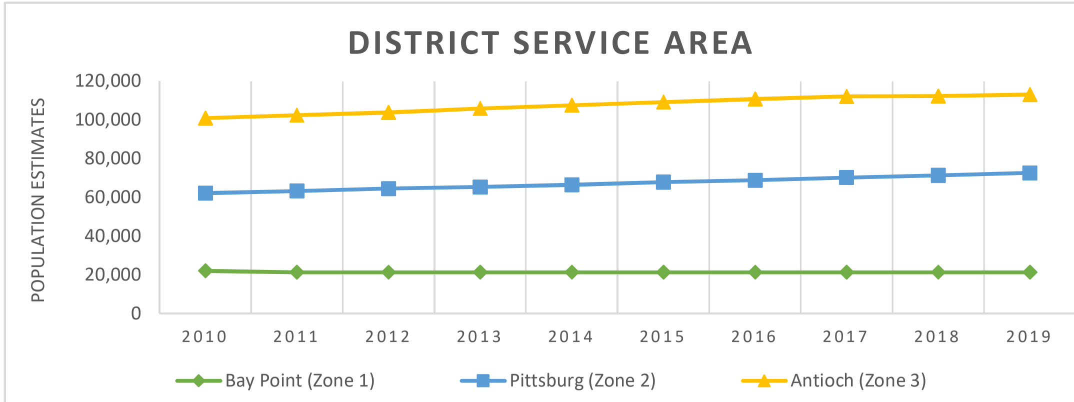
Source: Delta Diablo Audited Financial Statements
Note: Detail information on long-term debt can be found in the notes to the financial statements
[1] All revenues including capacity charges and other capital contributions
[2] Does not include depreciation and amortization

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

Employer [1]	Industry [2]	2019 [1]			2010 [1]		
		Estimated Employees	Rank	Percent of District Employment	Estimated Employees	Rank	Percent of District Employment
Kaiser Permanente	Hospitals/Clinics	2,457	1	2.52%	2,040	1	2.25%
Antioch Unified School District	Schools-Universities	1,725	2	1.77%	1,626	2	1.79%
Pittsburg Unified School District	Schools-Universities	1,226	3	1.26%	868	4	0.96%
Sutter Delta Medical Center	Hospitals/Clinics	1,200	4	1.23%	830	5	0.92%
USS-POSCO	Manufacturing	621	5	0.64%	1,000	3	1.10%
Los Medanos Community College	Schools-Universities	584	6	0.60%	520	6	0.57%
Contra Costa County Social Services	Family Services	525	7	0.54%	419	8	0.46%
Walmart	Retail	425	8	0.44%	320	9	0.35%
Ramar Foods	Retail	363	9	0.37%			
Dow Chemical Company	Manufacturing	350	10	0.36%	425	7	0.47%
Contra Costa Health Services	Hospitals/Clinics				300	10	0.33%
All Others		88,124			82,352		
Total [3]		97,600			90,700		

Source: [1] City of Antioch and City of Pittsburg 2017/2009 CAFR
[2] State of California, Employment Development , Major Employers (Industry Type)
[3] State of California , Employment Development Department, Labor Market Information

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



Population Estimates for the District's Service Area					Contra Costa County			
Fiscal Year Ended June 30	Bay Point [1] (Zone 1)	Pittsburg [2] (Zone 2)	Antioch [2] (Zone 3)	Total District Population	Population [2]	Personal Income [3]	Per Capital Personal Income	Average Unemployment Rate [4]
2010	21,349	63,264	102,372	186,985	1,049,025	$ 56,594,058	$ 53,752	10.8
2011	21,349	64,483	103,868	189,700	1,059,557	$ 61,156,431	$ 57,363	10.8
2012	21,349	65,407	105,951	192,707	1,070,440	$ 66,344,299	$ 61,530	9.7
2013	21,349	66,499	107,544	195,392	1,083,937	$ 66,607,757	$ 60,883	8.2
2014	21,349	67,849	109,275	198,473	1,098,018	$ 69,818,812	$ 62,957	6.8
2015	21,349	68,895	110,698	200,942	1,112,328	$ 76,517,699	$ 68,123	5.6
2016	21,349	70,233	112,177	203,759	1,127,279	$ 80,412,234	$ 70,840	4.7
2017	21,349	71,342	112,280	204,971	1,139,313	$ 87,810,279	$ 76,527	4.2
2018	21,349	72,647	113,061	207,057	1,149,363	n/a	n/a	3.5
2019	27,885	72,541	113,901	214,327	1,155,879	n/a	n/a	3.4
Average (10 years)	22,003	68,316	109,113	199,431				
As a % of Total	11%	34%	55%	100%				

Notes: Data shown as n/a denotes information is not available.
The district is located in Contra Costa County and serves 3 areas: Bay Point, and Cities of Pittsburg and Antioch.

Source: (1) U. S. Census Bureau -2010-2017 Census People Quick Facts, population 2010 or latest estimates available.
(2) California Department of Finance, Estimate for January 1 of each year.
(3) U.S. Department of Commerce-Bureau of Economic Analysis (thousands).
(4) Federal Reserve Economic Data-Economic Research Division.

DELTA DIABLO
About the District

Date of Formation	1955
Number of employee positions filled	75
Governing Body	Three appointed Board Members (The Mayors of the City of Pittsburg [or Designee] and City of Antioch [or Designee]), and the Contra Costa County Supervisor of Bay Point.
Services Provided	Wastewater treatment and disposal, Recycled Water, Household Hazardous Waste Facility and disposal, Street Sweeping and Wastewater collection for Bay Point.

Service Areas in Contra Costa County	Square Miles	Population Estimates [1]	Per Capita Income [2]	Household Income [2]	Unemployment Rate [3]
Bay Point (Unincorporated)	7	27,885	$ 18,892	$ 46,435	6.6%
Pittsburg (City)	18	72,541	$ 26,781	$ 66,739	3.9%
Antioch (City)	29	113,901	$ 27,112	$ 69,925	4.1%
Total	54	214,327			
Weighted Average District Area Per Capita Income			$ 25,931		
Weighted Average District Area Per Household Income				$ 65,791	
Weighted Average District Area Unemployment (based on District population)					4.4%

Number of Facilities:

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

Source: Delta Diablo Records

Notes: [1] Demographic and Economic Statistics Section of this report.

[2] U.S. Census Bureau, State & County Quick Facts, 2017 Dollars

[3] State of California, Employment Development Department, Monthly Labor Force Data for Cities and Census Designated Places (2019 Preliminary, data not seasonally adjusted)

DELTA DIABLO
District Employees By Department
Last Ten Fiscal Years

	Fiscal Year Ending June 30									
Department/Function	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Administration	8.00	8.00	8.00	8.00	8.00	8.00	8.00	9.00	8.00	8.00
Public Information[1]	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00
Sub-total Administrative Services Department	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	8.00	8.00
Human Resources and Safety	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	5.80	5.80	5.80	5.80	6.00	6.00	5.00	6.00	6.00	5.00
Information systems	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Information[1]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Purchasing	2.00	2.00	2.00	0.00	0.00	1.00	1.00	1.00	1.00	0.00
Sub-total Business Services Department	12.80	12.80	12.80	10.80	11.00	12.00	11.00	12.00	13.00	11.00
Engineering Services	10.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00	11.00
Sub-total Engineering Services	10.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	12.00	11.00
Maintenance	19.00	19.00	18.00	19.00	19.00	18.00	18.00	21.00	19.00	17.00
Collection	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Plant Operations	18.00	18.00	18.00	18.00	17.00	18.00	17.00	19.00	19.00	19.00
Laboratory, pre-treatment, pollution prevention	7.00	7.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	6.00
Sub-total Operations Services	46.00	46.00	44.00	45.00	43.00	43.00	43.00	48.00	46.00	45.00
Total Number of Active Positions Filled	77.80	77.80	75.80	74.80	73.00	74.00	74.00	81.00	79.00	75.00
Total Number of Budgeted Positions[2]						76.80	78.80	82.00	81.00	78.00
Total Number of Retirees	25.00	25.00	28.00	31.00	33.00	39.00	42.00	46.00	50.00	56.00

Source: Delta Diablo Payroll and Financial Records

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

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

[2] Prior years Budgeted Positions not available.

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

Program	Year	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Wastewater (WW)												
Number of Treatment Plants	CY		1	1	1	1	1	1	1	1	1	1
Miles of Sanitary Sewer	CY		71	71	71	71	71	71	71	73.5	71	73.5
Number of Pump Stations	CY		5	5	5	5	5	5	5	5	5	5
Annual Average Influent Flow	CY	mgd	13.4	13.5	13.2	13.0	12.8	12.2	12.4	13.3	12.6	12.6
Treatment Plant Capacity (ADWF)	CY	mgd	16.5	16.5	16.5	16.5	19.5	19.5	19.5	19.5	19.5	19.5
Average Dry Weather Flow (ADWF)	CY	mgd	13.2	13.2	12.7	13.1	12.5	11.8	12.3	12.8	12.4	12.4
Recycled Water (RW)												
Number of Recycled Water Reservoirs	CY		3	3	3	3	3	3	3	3	3	3
Miles of Recycled Water Mains	CY		14.2	14.2	14.2	14.2	16.0	16.0	16.0	16.2	16.2	16.2
Storage Capacity of Recycled Water Reservoirs	CY	mg	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Annual Average Recycled Water Produced	CY	mgd	5.6	5.8	7.9	8.0	7.2	6.6	6.4	4.4	6.2	6.2
Average Dry Weather Flow (ADWF)	CY	mgd	4.8	4.6	8.3	8.6	7.4	7.3	7.8	5.2	6.0	6.0
Household Hazardous Waste (HHW)												
Number of Households (est)	FY		97,112	97,714	95,064	95,656	97,837	99,036	100,249	101,954	103,153	102,923
Total Number of Vehicles	FY		12,544	12,661	14,345	14,609	14,560	15,504	16,071	17,465	19,151	20,005
Total Participation Rate	FY		12.9%	13.0%	15.1%	17.0%	14.9%	15.7%	16.0%	17.1%	18.6%	19.4%
Total Tons of Waste Collected	FY		518	562	498	434	399	441	516	533	545	556
Total Percent of Waste Recycled	FY		77.1%	78.2%	74.9%	77.6%	73.0%	71.0%	69.0%	68.7%	72.4%	70.8%
Street Sweeping												
Annual Curb Miles Swept	CY		25,070	25,114	25,380	25,494	25,609	25,724	25,840	25,989	25,989	25,989
Collection												
Miles of Collection Sewer Lines	CY		43	43	43	43	43	43	43	43	43	43

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

DELTA DIABLO
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2019

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DELTA DIABLO
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For The Year Ended June 30, 2019

Table of Contents

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MAZE & ASSOCIATES

MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors
Delta Diablo
Antioch, California

In planning and performing our audit of the basic financial statements of the Delta Diablo (District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

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

Pleasant Hill, California
DATE

Accountancy Corporation
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Pleasant Hill, CA 94523

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2019-01 New GASB Pronouncements Not Yet Effective

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

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 90 - *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – *Leases*

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

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

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

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

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

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

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2021/22:

GASB 91 - *Conduit Debt Obligations*

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

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

- There are at least three parties involved:
  (1) an issuer
  (2) a third-party obligor, and
  (3) a debt holder or a debt trustee.

- The issuer and the third-party obligor are not within the same financial reporting entity.

- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.

- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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

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

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

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

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.

- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.

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

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

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REQUIRED COMMUNICATIONS

To the Board of Directors
Delta Diablo
Antioch, California

We have audited the basic financial statements of the Delta Diablo (District) for the year ended June 30, 2019. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

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

The following Governmental Accounting Standards Board (GASB) pronouncement became effective, but did not have a material effect on the financial statements.

GASB 83 – *Certain Asset Retirement Obligations*

GASB 88 – *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements.*

Unusual Transactions, Controversial or Emerging Areas

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

Accounting Estimates

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

> *Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liability and deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimated Net OPEB Liabilities and OPEB-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net OPEB liability and deferred outflows/ inflows of resources are disclosed in Note 10 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimated Fair Value of Investments:* The District's cash and investments held at June 30, 2019 as measured by fair value are disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2019. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2019.
>
> *Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 5 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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

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

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

Pleasant Hill, California
DATE