

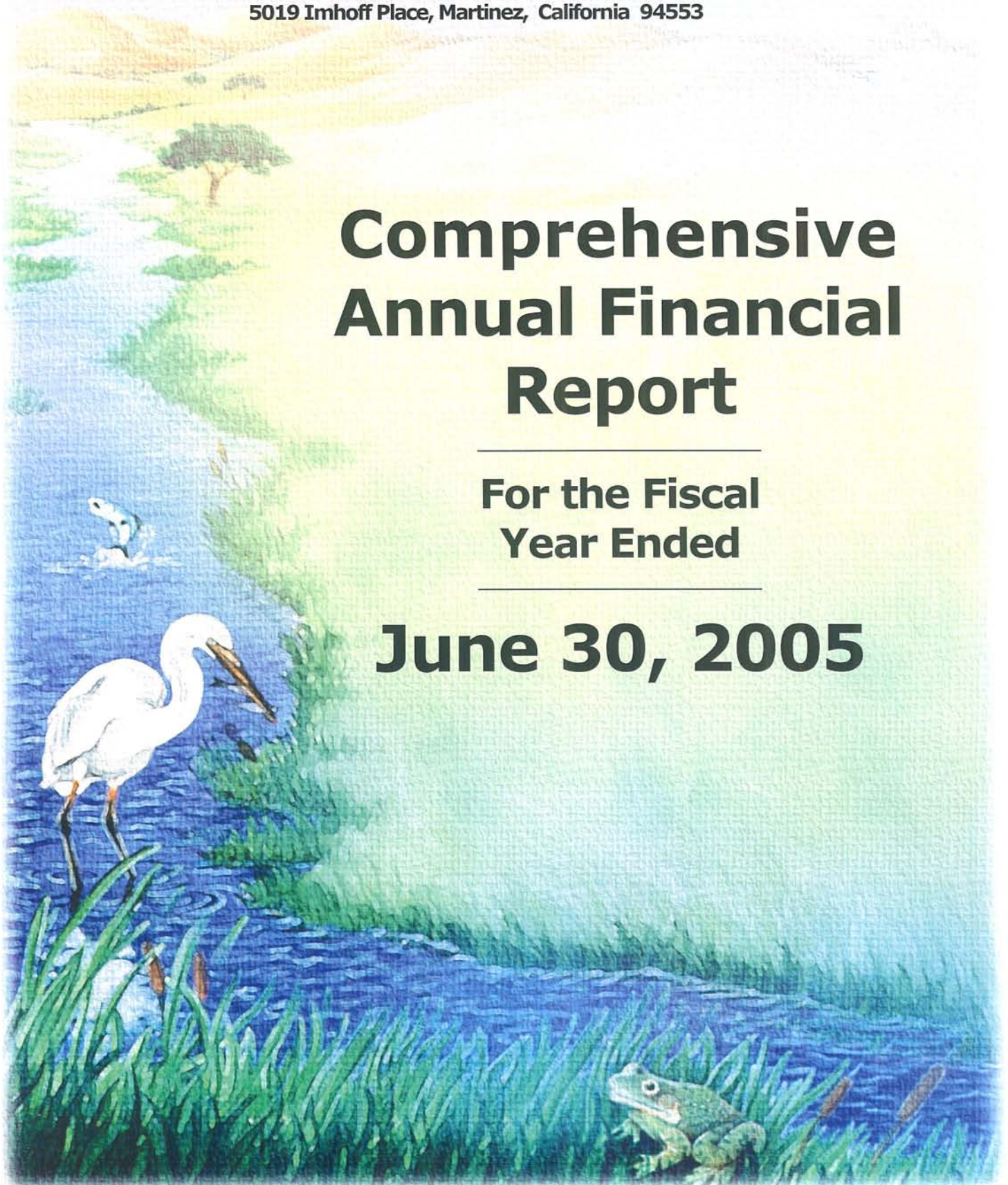


Central Contra Costa Sanitary District
5019 Imhoff Place, Martinez, California 94553

Comprehensive Annual Financial Report

For the Fiscal
Year Ended

June 30, 2005



**CENTRAL CONTRA COSTA SANITARY DISTRICT
MARTINEZ, CALIFORNIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2005

**Prepared By:
Finance & Accounting Division**

CENTRAL CONTRA COSTA SANITARY DISTRICT
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2005

INTRODUCTORY SECTION:

Letter of Transmittal.....	i
Board of Directors.....	vi
Mission Statement.....	vii
Organization Chart.....	viii
Map of Service Area.....	ix
Certificate of Achievement.....	x

FINANCIAL SECTION:

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	2
Basic Financial Statements	
Statement of Net Assets.....	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	11
Supplementary Information	
Combining Schedule of Statement of Net Assets.....	28
Combining Schedule of Statement of Revenues, Expenses and Changes in Net Assets.....	29
Schedule of Running Expenses - Comparison of Budget and Actual Expenses by Department.....	30
Running Expense - Schedule of Supplemental Net Assets Analysis.....	31

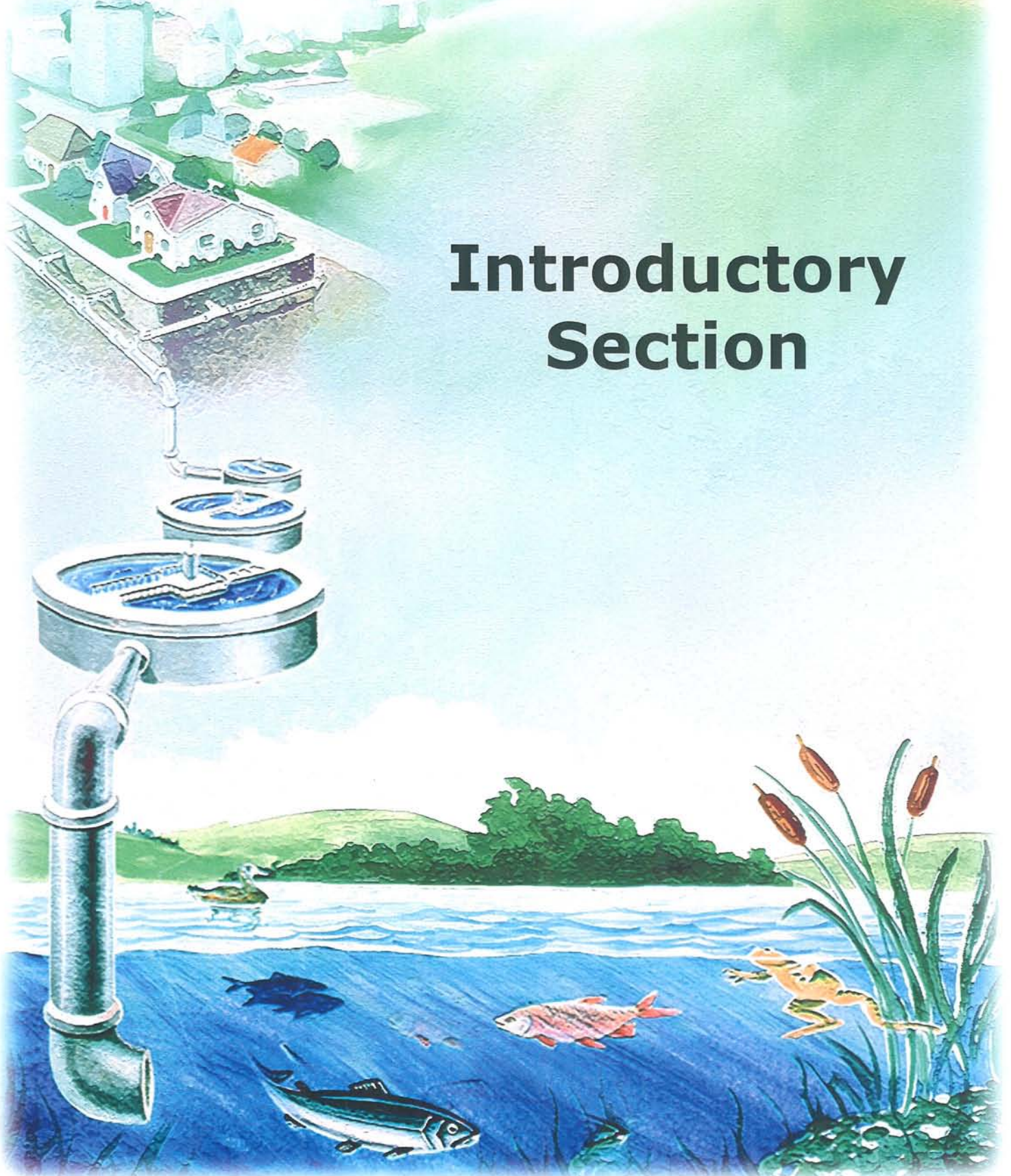
STATISTICAL SECTION (Unaudited):

Changes in Net Assets and Statement of Net Assets - Last Three Fiscal Years.....	S-1
Revenue by Type - Last Ten Fiscal Years.....	S-2
Operating Expenses by Type - Last Ten Fiscal Years.....	S-3
Major Revenue Base and Rates - Historical and Current Fees - Last Ten Fiscal Years.....	S-4
List of Largest Customers - Last Three Fiscal Years.....	S-5
Assessed and Estimated Actual Valuation of Taxable Property - Last Ten Fiscal Years.....	S-6
Property Tax and Sewer Service Charge Fees Levied and Collected - Last Ten Fiscal Years.....	S-6
Summary of Debt Service - Type, Debt Service Coverage, Debt Ratio - Last Ten Fiscal Years.....	S-7
Population Served - Last Ten Calendar Years.....	S-8
Full-time Equivalent Employees by Department - Last Ten Fiscal Years.....	S-9
Biosolids Produced and Plant Flow Comparisons - Last Ten Years.....	S-10
Miscellaneous Statistics.....	S-11



Central Contra Costa Sanitary District

Introductory Section





Central Contra Costa Sanitary District

5019 Imhoff Place, Martinez, CA 94553-4392

(925) 228-9500 • www.centrsan.org

November 14, 2005

Central Contra Costa Sanitary District Ratepayers and
The Honorable Board of Directors,
Martinez, California:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of any material misstatements.

Vavrinek, Trine, Day & Company, L.L.P., have issued an unqualified (“clean”) opinion on the Central Contra Costa Sanitary District’s financial statements for the year ended June 30, 2005. The independent auditor’s report is located at the front of the financial section of this report. Management’s Discussion and Analysis report (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Comprehensive Annual Financial Report (CAFR) consists of three parts as follows:

- **INTRODUCTORY SECTION** - consisting of this letter of transmittal, a listing of the Board of Directors, a mission statement, an organization chart, a map of the service area; and Certificate of Achievement for the prior fiscal year report;
- **FINANCIAL SECTION** - containing the independent auditors’ report, MD&A, basic financial statements and other supplementary information; and a
- **STATISTICAL SECTION** containing pertinent current and historical financial and non-financial data.

PROFILE OF THE GOVERNMENT

History and Services Provided

The District was established in 1946 under the Sanitary District Act of 1923 and is located about 30 miles east of San Francisco. The District builds, operates and maintains the facilities required to collect and process wastewater for approximately 308,000 residents of Danville, Lafayette, Martinez, Moraga, Orinda, Pleasant Hill, San Ramon, Walnut Creek and some of the unincorporated communities within Central Contra Costa County. The District also treats wastewater for 136,000 residents of the Cities of Concord and Clayton under a 1974 contract with the City of Concord.

The District is committed to protecting the public health and preserving the environment while minimizing facility and operating costs. The District has approximately 1,400 miles of sewer pipeline, ranging in size from 6 inches to 120 inches in diameter, and 19 sewage-pumping stations in the District's sewage collection system. The District is the sole provider of wastewater service within the District limits (see map of service area). Residents make up the largest segment of the District's customer base representing approximately 80% of the Sewer Service Charge revenue. The District's treatment capacity has grown from 4.5 million gallons per day (mgd) initiated in 1948 to 53.8 mgd currently. Bonds, state grants, federal grants, and pay-as-you-go resources of the District have financed expansions.

The District also provides an alternative source of water for irrigation by producing high quality recycled water. Recycled water can safely be used on freeway landscaping, street medians, golf courses, athletic fields, parks, playgrounds, schoolyards and multi-family residential common areas.

In addition to its wastewater responsibility, the District also teamed with Mountain View Sanitary District and other local governments to build and operate the first permanent Household Hazardous Waste (HHW) Collection Facility in Contra Costa County. The HHW Collection Facility is located adjacent to the District's wastewater treatment plant and seeks to keep pollutants out of our effluent making this facility an important part of our Pollution Prevention Program.

Organization, Accounting and Budgetary Controls

A 5-member Board of Directors governs the District. Board members are elected on a non-partisan basis and serve a four-year term. The Board appoints the General Manager, who in accordance with policies established by the Board of Directors, manages District affairs. The District employs 255 regular employees organized in three departments led by Department Directors responsible for their budgets and expenses. The three departments are: Administrative, Engineering, and Operations.

The District uses an enterprise fund to account for the operations of the District, which is run in a manner similar to private industry. The District currently has one enterprise fund which is comprised of four internal sub-funds:

- **Running Expense** - accounts for the general operations of the District. Substantially all operating revenues and expenses are accounted for in this fund (also referred to as Operations & Maintenance or O&M).
- **Sewer Construction** - accounts for non-operating revenues that are to be used for acquisition or construction of plant, property, and equipment (also referred to as the Capital Fund).
- **Self-Insurance** - accounts for interest earnings on cash balances in this sub-fund and cash allocations from other funds, as well as costs of insurance premiums and claims not covered by the District's insurance policies.
- **Debt Service Fund** – accounts for activity associated with the payment of the District's long term bonds and loans.

Each year, the Board adopts the following six budgets: Staffing Plan, Capital Improvement, Operations and Maintenance, Equipment, Self-Insurance, and Debt-Service. The Board Finance Committee reviews disbursements prior to each Board meeting, and disbursements are then approved by the full Board. Monthly financial statements are issued to management and the Board. A detailed mid-year and annual budget analysis is prepared and presented to the Board. District management is accountable for variances and adhering to budget constraints.

ASSESSING THE DISTRICT'S ECONOMIC CONDITION

Local Economy and Outlook

California continues to struggle with its budget deficit. The District's Ad Valorem tax was reduced by \$5.7 million in 2004-05. This shift of property tax revenue from special districts to the state will continue through 2005-06. Current legislation allows our property tax allocation to return to its pre-2004-05 amount plus inflation in 2006-07. The number of new connections has significantly increased in the last couple of years due to the booming housing market. This additional revenue helped to offset the loss of property tax. Interest rates continue to rise, which will provide increased interest income generated from our reserves and we anticipate that interest rates could be at 4 to 4.5% by the fiscal year end 2005-06. Expenses may increase based on the impact of Hurricane Katrina on the U.S. economy.

The District has an excellent reputation in all areas of public service, which include finance, collection, treatment, training, safety, technology, capital projects, construction and customer service. The Central Contra Costa Sanitary District has balanced revenue sources, adequate reserves, and a low debt obligation, which will enable the District to meet the demands of future budgets. The District has the ability to increase its Sewer Service Charge rates if needed to make up revenue shortfalls; the SSC rate was not increased for the 2005-06 fiscal year.

Relevant Financial Policies

The District has several documented financial policies such as our investment policy, and reserve policy. Our investment policy focuses first on liquidity and security, and

then on obtaining a reasonable rate of return. Our reserve policy sets minimum funding requirements for the District's sub-funds. In addition to the annual external audit, an outside independent CPA conducts two internal audits each year. Financial procedures are documented in the Accounting Procedures Manual that is updated annually.

Long Term Financial Planning

District management analyzes and updates their strategic plan annually, with the four main goals being: providing exceptional customer service, maintaining full regulatory compliance, maintaining responsible rates, and continuing to be a high performance organization. Strategies to achieve each of the goals are developed, as well as metrics to evaluate success.

The District performs a 10-year long-term forecast each year shortly before the budget process begins. The main economic factors usually considered in long range forecasting are: the impact of state legislation and mandates, regulatory compliance, GASB requirements such as funding for post-retirement benefits, negotiated salary increases and employee benefits including significant increases in retirement and health care costs, energy costs and interpreting the energy market, and housing growth.

Major Initiatives

The District takes regulatory compliance seriously. Regulators currently focus on two primary areas, sewer system overflows and mercury discharges to San Francisco Bay. The focus of the District's capital investments has shifted significantly in the past several years wherein more than two thirds of our capital program each year is targeted to improvements in pumping stations and sewers to improve reliability, replace aging infrastructure and reduce overflows. In regards to mercury limits, regulators are developing the total maximum daily load (TMDL) that will be allowable for discharge to the San Francisco Bay. The TMDL provides the calculation of the allowable mercury to be discharged from each treatment plant, including our own, and may be significantly more restrictive than in the past.

The District has won Platinum and Gold awards from the National Association of Clean Water Agencies (NACWA) for seven straight years in recognition of 100% compliance with our National Pollutant Discharge Elimination System (NPDES) permit.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Central Contra Costa Sanitary District for its CAFR for the fiscal year ended June 30, 2004. This was the fifth consecutive year that the District has achieved this prestigious award. 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 CAFR continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been accomplished without the dedication and commitment provided by District staff. I would like to express my appreciation to the following employees who assisted in its preparation:

- The Finance and Accounting staff who compiled the information contained in this document with a special thanks to Colette Curtis-Brown, Finance Administrator, and Thea Vassallo, Accountant.
- The Reproduction and Graphics Team who creatively and professionally prepared this finished document.
- Engineering and Operations staff who provided much of the statistical information included in this document.
- The District's Board of Directors and Management Team for their support in preparing this document as well as their day-to-day support in conducting the financial operations of the District in a prudent and responsible manner.

Respectfully submitted,



Deborah Ratcliff
Controller

**CENTRAL CONTRA COSTA SANITARY DISTRICT
BOARD OF DIRECTORS
June 30, 2005**

Barbara D. HockettPresident
Mario M. MenesiniPresident Pro-Tem
Parke L. Boneysteele.....Member
Gerald R. Lucey.....Member
James A. Nedjedly.....Member



OUR MISSION

To protect the public health and the environment by:

- Collecting and treating wastewater
- Recycling high quality water
- Promoting pollution prevention



OUR VISION

Be a high performance organization that provides exceptional customer service and full regulatory compliance at responsible rates.

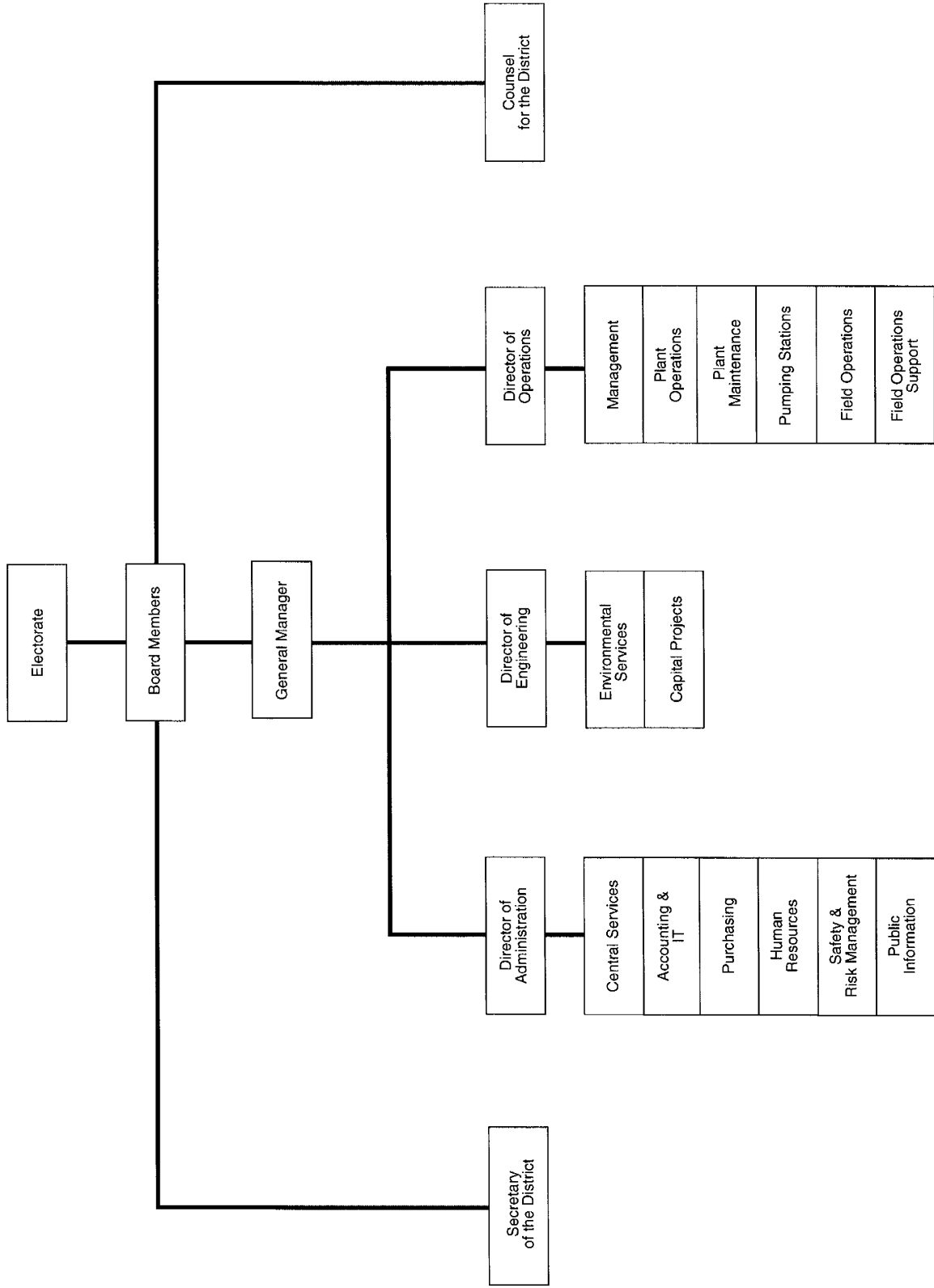


OUR VALUES

We will achieve our goals by valuing:

- Each other
- Ethics and integrity
- A healthy and safe environment
- Community relationships
- The meeting of commitments
- All aspects of diversity

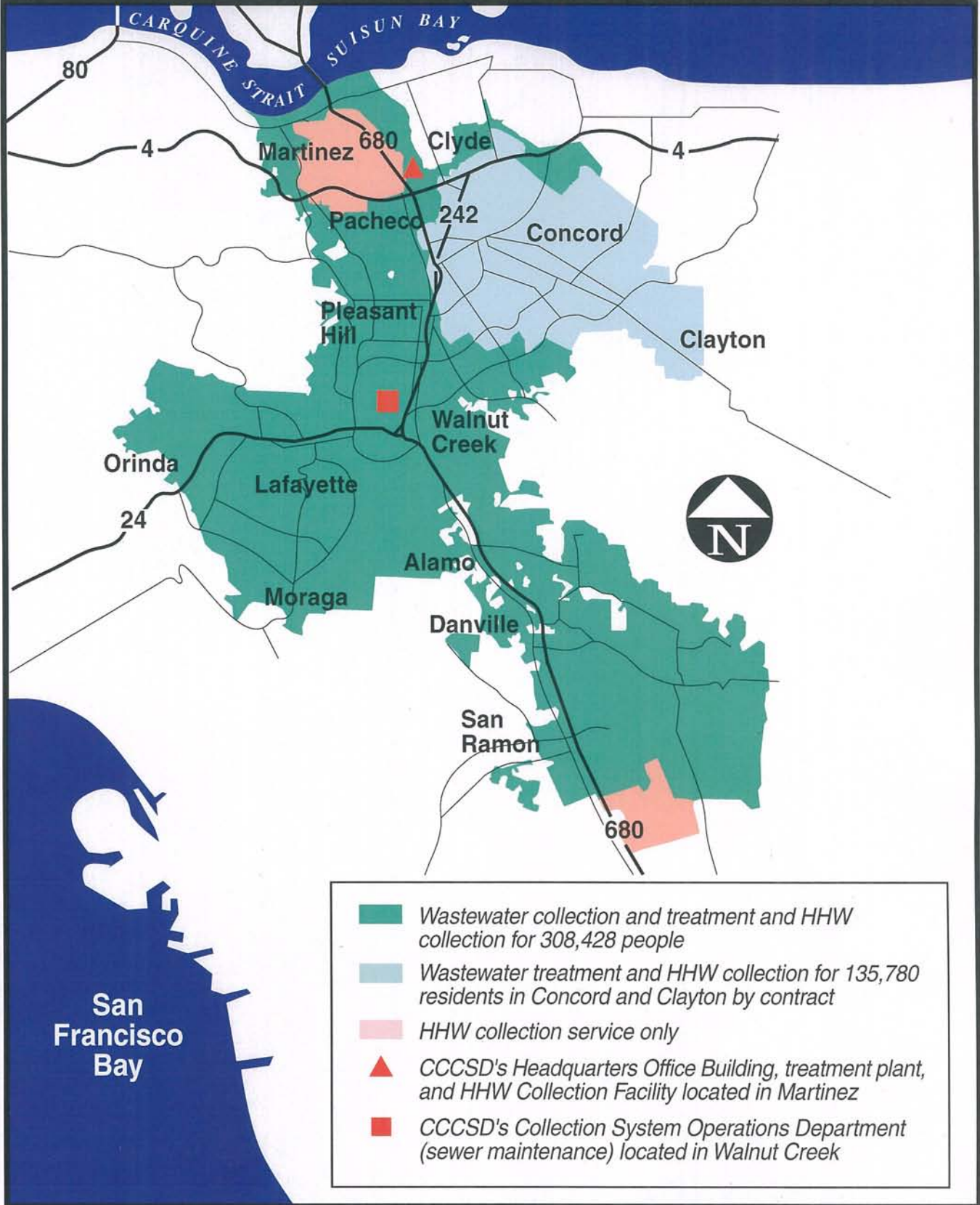
CENTRAL CONTRA COSTA SANITARY DISTRICT
Organization Chart - Composite



Central Contra Costa Sanitary District

Map of Service Area

June 30, 2005



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Central Contra Costa
Sanitary District, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

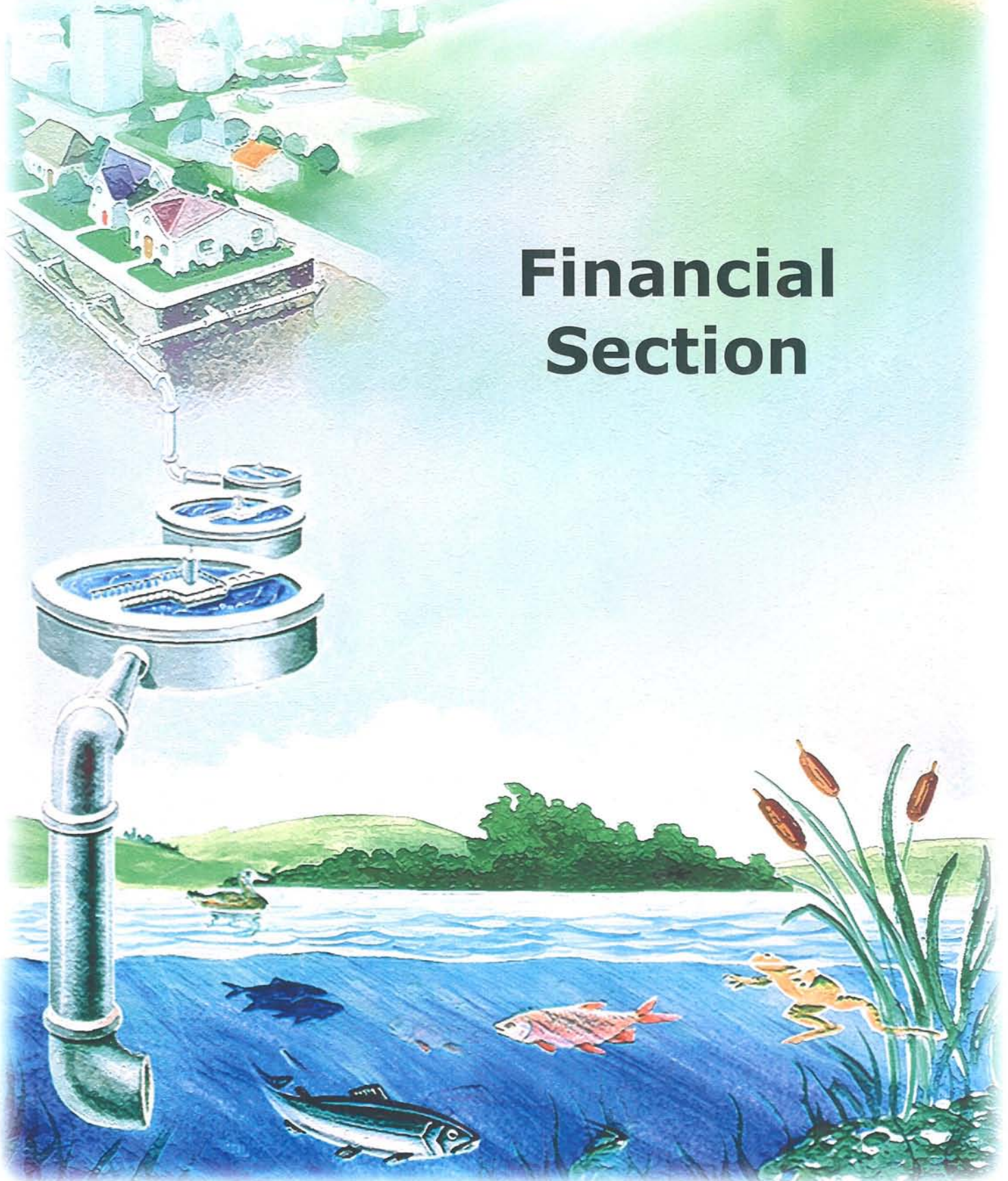
Jeffrey R. Emery

Executive Director



Central Contra Costa Sanitary District

Financial Section





INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Contra Costa Sanitary District
Martinez, California

We have audited the accompanying basic financial statements of the Central Contra Costa Sanitary District as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Contra Costa Sanitary District as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's office for special districts.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respect in relation to the basic financial statements taken as a whole.

The statistical information, listed in the table of contents, was not audited by us and accordingly, we do not express an opinion on it.

Vavrinek, Trine, Day & Co., LLP.

VAVRINEK, TRINE, DAY & CO., LLP
Pleasanton, California
August 25, 2005

CENTRAL CONTRA COSTA SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2005. This information is presented in conjunction with the audited financial statements, which follow this report.

FINANCIAL HIGHLIGHTS

The District's 2004-05 financial highlights are listed below. These results are discussed in more detail later in the report.

- The District's total ending net assets increased by \$20.8 million or 3.95% in 2004-05 when compared to fiscal year 2003-04
- Total revenues were \$65.8 million in 2004-05 compared to \$66.0 million in 2003-04
- Total 2004-05 expenses were \$61.3 million compared to \$58.0 million in 2003-04
- Capital Contributions increased from \$11.0 million to \$16.3 million

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain information in the financial statements in more detail.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

- **Statement of net assets** – reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations
- **Statement of revenues, expenses and changes in net assets** – reports the District's operating and non-operating revenues by major source along with operating and non-operating expenses and capital contributions
- **Statement of cash flows** – reports the District's cash flows from operating activities, investing, capital and non-capital activities

STATEMENT OF NET ASSETS

The following table shows the condensed statement of net assets of the Central Contra Costa Sanitary District for the past two years:

Condensed Statement of Net Assets	Fiscal Year 2004-2005	Fiscal Year 2003-2004	Dollar Change	Percent Change
Current Assets	\$ 82,983,914	\$ 78,781,727	\$ 4,202,187	5.33%
Capital Assets	503,437,249	489,215,617	14,221,632	2.91%
Other Non-current Assets	6,123,083	5,347,545	775,538	14.50%
Total Assets	592,544,246	573,344,889	19,199,357	3.35%
Long-Term Debt	32,187,619	36,314,654	(4,127,035)	-11.36%
Other Liabilities	13,682,482	11,106,601	2,575,881	23.19%
Total Liabilities	45,870,101	47,421,255	(1,551,154)	-3.27%
Invested in Capital Assets, Net of Related Debt	469,375,715	453,251,761	16,123,954	3.56%
Restricted - Debt Service	3,118,704	3,035,944	(82,760)	-2.73%
Unrestricted	74,179,726	69,635,929	4,543,797	6.53%
Total Net Assets	\$ 546,674,145	\$ 525,923,634	\$ 20,750,511	3.95%

The total net assets of the District increased to \$546.7 million, a \$20.8 million increase from 2003-2004. The increase in net assets is the result of net income of \$4.5 million and capital contributions of \$16.2 million (shown in the next table).

By far the largest portion of the District's net assets (86 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and sewer line infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its ratepayers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There is currently \$3.1 million restricted for debt service. The remaining balance of unrestricted net assets (\$74 million) may be used to meet the District's ongoing obligations to its ratepayers and creditors.

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REVIEW OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The following table shows the condensed statement of revenues, expenses, and changes in net assets for the Central Contra Costa Sanitary District:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Fiscal Year 2004-2005	Fiscal Year 2003- 2004	Dollar Change	Percent Change
Sewer Service Charges (SSC)	\$ 38,885,806	\$ 40,545,501	\$ (1,659,695)	-4.09%
Other Service Charges and misc.	1,285,738	1,209,071	76,667	6.34%
Total Operating Revenue	40,171,544	41,754,572	(1,583,028)	-3.79%
Customer Contributions (SSC)	14,716,585	10,187,725	4,528,860	44.45%
Property Tax	4,010,380	8,919,327	(4,908,947)	-55.04%
Permit & Inspection Fees	2,072,001	2,936,298	(864,297)	-29.43%
All Other	4,822,527	2,299,092	2,523,435	109.76%
Total Non-Operating Revenues	25,621,493	24,342,442	1,279,051	5.25%
Total Revenues	65,793,037	66,097,014	(303,977)	-0.46%
Total Labor and Benefits	27,989,401	28,095,636	(106,235)	-0.38%
Chemicals & Utilities	5,226,288	4,372,621	853,667	19.52%
Repairs and Maintenance	2,900,950	3,073,820	(172,870)	-5.62%
Professional, Legal and Outside Services	2,350,387	2,282,408	67,979	2.98%
Materials & Supplies	1,575,462	1,435,449	140,013	9.75%
Hauling and Disposal	815,226	797,929	17,297	2.17%
Self-Insurance Expense	1,189,693	689,702	499,991	72.49%
All Other	1,437,272	1,042,809	394,463	37.83%
Depreciation Expense	16,041,555	15,186,594	854,961	5.63%
Total Operating Expenses	59,526,234	56,976,968	2,549,266	4.47%
Non-Operating Expense - Interest Expense	1,775,857	1,101,115	674,742	61.28%
Total Expenses	61,302,091	58,078,083	3,224,008	5.55%
Income (Loss) Before Capital Contributions	4,490,946	8,018,931	(3,527,985)	-44.00%
Contributed Sewer Lines	5,530,848	4,410,808	1,120,040	25.39%
Capital Contributions - Connection Fees	10,728,717	6,585,984	4,142,733	62.90%
Total Capital Contributions	16,259,565	10,996,792	5,262,773	47.86%
Change in Net Assets	20,750,511	19,015,723	1,734,788	9.12%
Beginning Net Assets	525,923,634	506,907,911	19,015,723	3.75%
Ending Net Assets	\$ 546,674,145	\$ 525,923,634	\$ 20,750,511	3.95%

In 2004-05, operating revenues decreased by \$1.6 million or -3.79%; non-operating revenue increased by \$1.3 million or 5.25%. This decrease is mainly due to the State budget shift of \$1.3 billion in tax revenue from local government; the District's share of this revenue shift was \$5.7 million in 2004-05. This loss was offset by increased sewer service charge revenue due to an \$8 per year rate increase and increased permit and inspection fee activity.

In 2004-05, operating expenses increased by \$2.5 million or 4.47%. This is mainly due to increases in chemical & utility costs, self-insurance expense, depreciation expense, and debt service interest expense. Total labor and benefits, the District's largest expenses, were almost flat when comparing the two fiscal years. This was mainly due to a one-time payment in 2003-04 of \$1.6 million for enhanced retiree retirement benefits per the Paulsen litigation settlement. Salaries and benefits increased by approximately 5% when this payment is excluded.

Other Operating Expenses, which is made up of debt interest expense, increased by \$0.7 million. In 2003-04, \$0.7 million in debt interest was capitalized. All debt-related interest is now in an internal debt service sub-fund and is not capitalized.

Total 2004-05 income before capital contributions was \$4.5 million compared to \$8.0 million in 2003-04 for a decrease of \$3.5 million or - 44.00%. This is mainly due to receiving less property tax.

Capital contributions in 2004-05 were \$16.3 million compared to \$11.0 million in 2003-2004, resulting in an increase of \$5.3 million or 47.86%. This was mainly due to increased connection fees and contributed sewer lines. The total change in net assets increased from \$19.0 million in 2003-04 to \$20.8 million in 2004-05.

CAPITAL ASSETS

As of June 30, 2005, the District's investment in capital assets totaled \$503.4 million, which is an increase of \$14.2 million or 2.91% over the capital asset balance of \$489.2 million at June 30, 2004. Capital assets includes all of the District's major infrastructure including wastewater treatment facilities, sewers, land, buildings, pumping stations, vehicles, and furniture and equipment exceeding our capitalization limit of \$1,000, net of depreciation. A comparison of the District's capital assets over the past two fiscal years is presented below:

Capital Assets	Fiscal Year 2004-2005	Fiscal Year 2003-2004	Dollar Change	Percent Change
Land	\$ 16,433,269	\$ 16,780,269	\$ (347,000)	-2.07%
Sewage Collection System	196,308,873	185,746,757	10,562,116	5.69%
Contributed Sewer Lines	137,585,247	132,443,827	5,141,420	3.88%
Outfall Sewers	8,518,443	8,518,443	-	0.00%
Sewage Treatment Plan	245,851,213	237,531,642	8,319,571	3.50%
Recycled Water Infrastructure	9,392,794	8,886,294	506,500	5.70%
Pumping Stations	40,231,554	39,641,580	589,974	1.49%
Buildings	13,264,789	13,232,054	32,735	0.25%
Furniture & Equipment	14,643,000	13,788,481	854,519	6.20%
Motor Vehicles	4,150,425	3,890,609	259,816	6.68%
Construction In Progress	22,438,361	19,554,582	2,883,779	14.75%
Subtotal	708,817,968	680,014,538	28,803,430	4.24%
Less Accumulated Depreciation	205,380,719	190,798,921	14,581,798	7.64%
Total Capital Assets (net of depreciation)	\$ 503,437,249	\$ 489,215,617	\$ 14,221,632	2.91%

The major reasons for the increase of \$14.2 million in capital assets, net of depreciation, are:

- Sewer pipe ongoing renovations and contributed sewer lines (\$15.7 million)
- Treatment plant equipment, electrical replacements and upgrades, and infrastructure renovations (\$8.3 million)
- An increase in Construction In Progress due to more collection system project work (\$2.9 million)
- Purchases of furniture, equipment and vehicles (\$1.1 million)
- These increases are offset by an increase in accumulated depreciation due to our increasing capital asset value and its associated depreciation expense. (-\$14.6 million)

DEBT ADMINISTRATION

The District has the following outstanding debt as of June 30, 2005:

1998 Revenue Refunding Bonds	\$	16,339,764
2002 Revenue Bonds		16,000,000
Water Reclamation Loan Contract		2,041,885
	\$	<u>34,381,649</u>

See Note #6 in the audited financial statements.

ECONOMIC AND OTHER FACTORS

Changes in the state budget have an impact on the District. In the 2004-05 fiscal year, the California budget deficit caused a transfer of \$5.7 million in property tax revenue from the District to the state. Regulatory compliance is also becoming more stringent, causing the District to spend more to comply with rigorous testing and compliance requirements. In addition to making efforts to reduce spending, the District has the ability to raise the Sewer Service Charge to meet our long-term commitments.

FINANCIAL CONTACT

The financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Controller, Central Contra Costa Sanitary District, 5019 Imhoff Place, Martinez, CA 94553.

CENTRAL CONTRA COSTA SANITARY DISTRICT

STATEMENT OF NET ASSETS AS OF JUNE 30, 2005

ASSETS

CURRENT ASSETS

Cash and investments available for operations	\$ 69,164,122
Accounts receivable	11,010,772
Interest receivable	70,594
Parts and supplies	1,496,779
Prepaid expenses	1,241,647
TOTAL CURRENT ASSETS	82,983,914

NON CURRENT ASSETS

Restricted cash and investments	3,613,196
Land, property, plant and equipment, net of accumulated depreciation	480,998,888
Construction in progress	22,438,361
Contractual assessment district receivable	2,189,770
Revenue bond issuance costs, net of amortization	320,117
TOTAL NON CURRENT ASSETS	509,560,332

TOTAL ASSETS

592,544,246

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	4,314,845
Interest payable	767,480
Current portion of refunding revenue bonds	2,060,000
Current portion of water reclamation loan contract	134,030
Liability for uninsured claims	881,500
Accrued compensated absences	4,862,902
Refundable deposits	661,725
TOTAL CURRENT LIABILITIES	13,682,482

NONCURRENT LIABILITIES

Revenue bonds, net of current portion	30,279,764
Water reclamation loan contract, net of current portion	1,907,855
TOTAL NON CURRENT LIABILITIES	32,187,619

TOTAL LIABILITIES

45,870,101

NET ASSETS:

Invested in capital assets, net of related debt	469,375,715
Restricted for debt service	3,118,704
Unrestricted	74,179,726
TOTAL NET ASSETS	\$ 546,674,145

The accompanying notes are an integral part of these financial statements.

CENTRAL CONTRA COSTA SANITARY DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

OPERATING REVENUE	
Sewer service charges (SSC)	\$ 32,282,806
Service charges - City of Concord	6,603,000
Other service charges	672,887
Miscellaneous charges	612,851
Total operating revenue	<u>40,171,544</u>
OPERATING EXPENSES	
Sewage collection and pumping stations	8,533,883
Sewage treatment	18,767,128
Engineering	5,311,981
Administrative and general	10,871,687
Depreciation	16,041,555
Total operating expenses	<u>59,526,234</u>
OPERATING LOSS	<u>(19,354,690)</u>
NON-OPERATING REVENUES (EXPENSES):	
Taxes	4,010,380
City of Concord cash contributions to capital costs	2,622,731
Customer cash contributions to capital cost (SSC)	12,093,854
Permit and inspection fees	2,072,001
Interest earnings	1,519,192
Pump zone fees	2,193,619
Interest expense	(1,775,857)
Other income (expense)	1,109,716
Total non-operating revenues (expenses)	<u>23,845,636</u>
Income before contributions and transfers	4,490,946
Contributed sewer lines	5,530,848
Capital contributions - connection fees	<u>10,728,717</u>
CHANGE IN NET ASSETS	20,750,511
Total Net Assets - Beginning	<u>525,923,634</u>
Total Net Assets - Ending	<u>\$ 546,674,145</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL CONTRA COSTA SANITARY DISTRICT

STATEMENT OF CASH FLOWS (CONTINUED ON PAGE 10) FOR THE YEAR ENDED JUNE 30, 2005

Cash Flows From Operating Activities:

Receipts from customers and users	\$ 38,609,047
Payments to suppliers	(13,403,370)
Payments to employees	(30,237,502)
Other income	5,480,825
Net cash provided by operating activities	<u>449,000</u>

Cash Flows From Noncapital Financing Activities:

Receipt of taxes	4,010,380
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Cash Flows From Capital And Related Financing Activities:

Proceeds from sales of capital assets	249,490
Connection fees and other capital contributions	25,445,302
Acquisition and construction of capital assets	(24,883,803)
Principal paid on bonds	(1,933,005)
Interest paid on bonds	(1,529,288)
Net cash used by capital and related financing activities	<u>(2,651,304)</u>

Cash Flows From Investing Activities:

Interest received	<u>1,473,375</u>
-------------------	------------------

Net increase in cash and cash equivalents	3,281,451
Cash and cash equivalents, July 1	<u>69,495,867</u>

Cash and cash equivalents, June 30	<u>\$ 72,777,318</u>
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End of Period:

Unrestricted cash and equivalents	\$ 69,164,122
Restricted cash and equivalents	3,613,196
	<u>\$ 72,777,318</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL CONTRA COSTA SANITARY DISTRICT

**STATEMENT OF CASH FLOWS (CONTINUED FROM PAGE 9)
FOR THE YEAR ENDED JUNE 30, 2005**

**Reconciliation of operating income to net cash
provided (used) by operating activities:**

Operating loss	\$ (19,354,690)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	16,041,555
Other income	5,480,825
(Increase) decrease in :	
Accounts receivable	(1,534,496)
Parts and supplies	(63,990)
Prepaid expenses	(82,654)
Increase (decrease) in:	
Accounts payable and accrued expenses	(537,455)
Deposits	(28,001)
Liability for uninsured claims	444,140
Accrued compensated absences	83,766
	<hr/>
Net cash provided by operating activities	<u>\$ 449,000</u>

**Noncash investing, capital, and financing
activities:**

Contributions of capital assets	<u>\$ 5,530,848</u>
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The accompanying notes are an integral part of these financial statements.

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Central Contra Costa Sanitary District, a special district and a public entity established under the Sanitary District Act of 1923, provides sewer service for the incorporated and unincorporated areas under its jurisdiction. A Board of Directors comprised of five elected members governs the District.

As required by accounting principles generally accepted in the United States of America, these general-purpose financial statements present Central Contra Costa Sanitary District and its component unit. The component unit discussed in the following paragraph is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Blended Component Unit - The Central Contra Costa Sanitary District Facilities Financing Authority, was organized solely for the purpose of providing financial assistance to the District by acquiring, constructing, improving and financing various facilities, land and equipment purchases, and by leasing or selling certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District. The Corporation has no members and the Board of Directors of the Corporation consist of the same persons who are serving as the Board of Directors of the District. There are no separate basic financial statements prepared for the Corporation.

Basis of Accounting

The District's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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, expenses 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 all liabilities of the enterprise are recorded on its statement of net assets, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for services. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

For internal operating purposes, the District's Board of Directors has established four separate sub-funds, each of which includes a separate self-balancing set of accounts and a separate Board approved budget for revenues and expenses. These sub-funds are combined into the single enterprise fund presented in the accompanying financial statements. The nature and purpose of these sub-funds are as follows:

Running Expense

Running expense accounts for the general operations of the District. Substantially all operating revenues and expenses are accounted for in this sub-fund.

Sewer Construction

Sewer construction accounts for non-operating revenues, which are to be used for acquisition or construction of plant, property and equipment.

Self Insurance

Self insurance accounts for interest earnings on cash balances in this sub-fund and cash allocations from other sub-funds, as well as for costs of insurance premiums and claims not covered by the District's insurance coverage.

Debt Service

Debt service accounts for activity associated with the payment of the District's long term bonds and loans.

That portion of the District's net assets which is allocable to each of these sub-funds has been shown separately in the accompanying financial statements.

The District's Board of Directors adopts annual budgets on a basis consistent with accounting principals generally accepted in the United States of America.

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Parts and Supplies

Parts and supplies are valued at average cost and are used primarily for internal purposes.

Property, Plant and Equipment

Purchased capital assets are stated at historical cost. Capital assets contributed to the District are stated at estimated fair value at the time of contribution. The capitalization threshold for capital assets is \$1,000. Expenditures, which materially increase the value or life of a capital asset are capitalized and depreciated over the remaining useful life of the asset.

Depreciation of exhaustible capital assets has been provided using the straight-line method as follows:

	<u>Years</u>
Sewage Collection Facilities	75
Sewage Treatment Plant and Pumping Plants	40
Buildings	50
Furniture and Equipment	7-15
Motor Vehicles	6-15

Defined Contribution Retirement Plans

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by the Plan. The District does not make contributions to the Plan.

On August 20, 1997, the provisions of the Internal Revenue Code covering section 457 were amended to require existing plans to establish trusts for assets of plans so that they would not be subject to the right of general creditors. The District amended its plan during the fiscal year ended June 30, 1999 to meet this requirement. Consequently, at June 30, 2005, the plans assets are held in trust for the exclusive benefit of the participants and are not included in the District's financial statements.

The District also contributes to a money purchase plan created in accordance with Internal Revenue Code section 401 (a). Contributions to the plan are made in accordance with a memorandum of understanding stating that in

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

lieu of making payments to Social Security, the District contributes to the 401 (a) Plan an amount equal to that which would have been contributed to Social Security on behalf of its employees as long as the District is not required to participate in Social Security. The assets are held in trust and are not recorded on the books of the District. The District contributed \$1,272,813 to the plan during the year ended June 30, 2005.

Property Taxes

Property tax revenue is recognized in the fiscal year for which the tax is levied. The County of Contra Costa levies, bills and collects property taxes for the District; all material amounts are collected by June 30.

General County taxes collected are the same as the amount levied since the County participates in California's alternative method of apportionment called the Teeter Plan. The Teeter Plan as provided in Section 4701 at seq. of the State of Revenue and Taxation Code establishes a mechanism for the county to advance the full amount of property tax and other levies to taxing agencies based on the tax levy, rather than on the basis of actual tax collections. Although this system is a simpler method to administer, the County assumes the risk of delinquencies. The County in return retains the penalties and accrued interest thereon.

Secured Property tax bills are mailed once a year during the month of October on the current secured tax roll, to the owner of the property as of the lien date (January 1). Payments can be made in two installments, and are due on November 1 and February 1. Delinquent accounts are assessed a penalty of 10 percent. Accounts, which remain unpaid on June 30, are charged an additional 1-½ percent per month. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The penalty percentage rates are the same as secured property tax.

Compensated Absences

The liability for vested vacation and sick pay is recorded as an expense when earned. District employees have a vested interest in 100 percent of accrued vacation time and 85 percent of accrued sick time for employees hired before May 1, 1985. Employees hired after May 1, 1985 have a vested interest in up to 40 percent of their sick time, based upon length of employment with the District.

Statement of Cash Flows

For purposes of the statement of cash flows, all highly liquid investments, including restricted assets, are considered to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #1 --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASBS No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

New Accounting Pronouncements

In November 2003, GASB issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year. The District does not believe this statement will have a significant impact on the financial statements.

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2007. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In December 2004, GASB issued GASBS No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

CENTRAL CONTRA COSTA SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005. The District does not believe this statement will have a significant impact on the financial statements.

NOTE #2 – CASH AND CASH EQUIVALENTS

Summary of Investments

Investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Cash and investments available for operations	\$ 69,164,122
Restricted cash and investments	3,613,196
Total Deposits and Investments	<u>\$ 72,777,318</u>

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	1 year	None	None
Banker's Acceptance	1 year (2)	40%	15%
Commercial Paper (1)	1 year (2)	25%	15%
Collateralized Certificates of Deposit	1 year (2)	30%	15%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

(1) Prime quality; limited to corporations with assets over \$500,000,000

(2) Prior approval of the Board of Directors must be obtained to acquire maturities beyond one year

CENTRAL CONTRA COSTA SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE# 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Federal Securities	None	None	None
Direct or indirect obligations of the following agencies of the USA:	None	None	None
Export-Import Bank	None	None	None
Farmers Home Administration	None	None	None
Participation Certificates issued by the General Services Administration	None	None	None
Mortgage-backed bonds or pass-through obligations issued by GNMA, FNMA, FHLMC, or FHA	None	None	None
Project notes issued by the US Department of HUD	None	None	None
Public housing notes and bonds guaranteed by the USA	None	None	None
Certificates of Deposit (fully insured by FDIC)	None	None	None
Commercial Paper - US Corporations (1)	180 Days	None	None
Bankers acceptances (1)	270 Days	None	None
State Investment Pool (LAIF)	None	None	None
Money Market Funds (1)	None	None	None

(1) Rated highest short-term rating by S&P and Moody's

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CENTRAL CONTRA COSTA SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE# 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Maturity Date
U.S. Treasuries	\$ 33,704,000	September to December 2005
Commercial Paper	12,000,000	July to October 2005
Money Market Mutual Funds	3,613,196	8 days
Contra Costa County Treasurer Investment Pool	760,122	58.75 days
State Investment Pool (LAIF)	22,700,000	165 days
Total	<u>\$ 72,777,318</u>	

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 minimum rating required by the California Government Code, the Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Not Required To Be Rated	Rating as of Year End		
				AAAm	A	Unrated
U.S. Treasuries	\$ 33,704,000	N/A	\$33,704,000	\$ -	\$ -	\$ -
Commercial Paper	12,000,000	A	-	-	12,000,000	-
Money Market Mutual Funds	3,613,196	A	-	3,613,196	-	-
State Investment Pool	22,700,000	N/A	-	-	-	22,700,000
Total	<u>\$ 72,017,196</u>		<u>\$33,704,000</u>	<u>\$ 3,613,196</u>	<u>\$ 12,000,000</u>	<u>\$ 22,700,000</u>

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code (see General Authorizations above). Investments in any one issuer (other than United States Treasuries, mutual funds, and external investment pools) that represent five percent (5%) or more of the total investments are as follows:

Investment Type	Issuer	Reported Amount
Commercial Paper	Prudential	\$ 5,000,000
Commercial Paper	Citicorp	5,000,000

CENTRAL CONTRA COSTA SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE #2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Investment in County Treasury - The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary 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 fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

Custodial Credit Risk - Investments

Custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g. the broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirement that would limit the exposure to custodial credit risk. The District's policy is to use the services of the Treasurer's Office of the County of Contra Costa, which will transact the District's investment decisions in compliance with the requirements in the District's policy. The County Treasurer's Office will execute the District's investments through such brokers, dealers, and financial institutions as are approved by the County Treasurer, and through the State Treasurer's Office for investment in the Local Agency Investment Fund.

NOTE #3 – ACCOUNTS RECEIVABLE

At June 30, 2005, accounts receivable are comprised of the following:

City of Concord (see Note 8)	\$ 9,935,160
All other	<u>1,075,612</u>
Total accounts receivable	<u><u>\$ 11,010,772</u></u>

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #4 – PROPERTY, PLANT AND EQUIPMENT, AND CONSTRUCTION IN PROGRESS

Property, plant and equipment, and construction in progress are summarized below for the year ended June 30, 2005:

	Balance Beginning of Year	Additions	Retirements	Transfer from CIP	Balance End of Year
At Cost					
Capital assets not being depreciated					
Land	\$ 16,780,269	\$ -	\$ (347,000)	\$ -	\$ 16,433,269
Construction in progress	19,554,582	25,147,841	-	(22,264,062)	22,438,361
Total nondepreciated assets	36,334,851	25,147,841	(347,000)	(22,264,062)	38,871,630
Capital assets being depreciated					
Sewage collection system	185,746,757	-	(747,000)	11,309,116	196,308,873
Contributed sewer lines	132,443,827	5,141,420	-	-	137,585,247
Outfall sewers	8,518,443	-	-	-	8,518,443
Sewage treatment plant	237,531,642	-	(545,000)	8,864,571	245,851,213
Recycled water infrastructure	8,886,294	-	-	506,500	9,392,794
Pumping stations	39,641,580	-	-	589,974	40,231,554
Buildings	13,232,054	-	-	32,735	13,264,789
Furniture and equipment	13,788,481	-	(106,647)	961,166	14,643,000
Motor vehicles	3,890,609	328,903	(69,087)	-	4,150,425
Total depreciated assets	643,679,687	5,470,323	(1,467,734)	22,264,062	669,946,338
Less accumulated depreciation:					
Sewage system and lines	60,908,504	4,583,065	(747,000)	-	64,744,569
Sewage treatment plant	104,228,469	8,060,437	(545,000)	-	111,743,906
Recycled water infrastructure	1,864,381	398,109	-	-	2,262,490
Pumping stations	8,097,180	1,508,071	-	-	9,605,251
Buildings	4,267,749	304,969	-	-	4,572,718
Furniture and equipment	9,036,972	810,667	(98,670)	-	9,748,969
Motor vehicles	2,395,666	376,237	(69,087)	-	2,702,816
Total accumulated depreciation	190,798,921	16,041,555	(1,459,757)	-	205,380,719
Total capital assets being depreciated, net	452,880,766	(10,571,232)	(7,977)	22,264,062	464,565,619
Capital assets, net	\$ 489,215,617	\$ 14,576,609	\$ (354,977)	\$ -	\$ 503,437,249

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #5 – CONTRACTUAL ASSESSMENT DISTRICTS:

The District established the Contractual Assessment District (CAD) program to help homeowners finance the cost of connecting to the District. The construction costs associated with the project within the program are capitalized and depreciated. Individual homeowners are assessed an amount equal to their share of the construction cost and connection fee. The assessments plus interest are generally payable over 10 years. At year-end, the receivable balance was \$2,189,770.

NOTE #6 – LONG-TERM DEBT

Revenue Bonds - 2002

In May 2002, the District issued \$16,565,000 of Revenue Installment Certificates for Wastewater Facilities Improvements, with interest rates ranging from 4.0% to 5.0%. The bonds are secured by a pledge of revenue. Principal payments are due annually on September 1, commencing in fiscal year 2005, and interest is payable semi-annually on September 1 and March 1 of each year.

Refunding Revenue Bonds – 1998

In September 1998, the District issued \$25,335,000 of Refunding Revenue Bonds with interest rates ranging from 3.5% and 4.7%. The Bonds are secured by a pledge of revenue. Principal payments are due annually on September 1, and interest is payable semiannually on September 1 and March 1.

The District issued the 1998 Refunding Revenue Bonds to advance refund the 1994 Revenue Installment Certificates, which had interest rates of 5.25 to 6.25%. The net proceeds were deposited in an escrow fund to service and redeem the 1994 debt. As a result, the advance refunding met the requirements of an in-substance debt defeasance, and the outstanding balance of the 1994 debt was removed from the District's accounts.

The excess of the amount required to be deposited into the escrow fund over the net carrying amount of the 1994 debt resulted in a deferred loss. The deferred loss is reported as reduction of the new debt and is being amortized over the 15-year term of the new debt.

CENTRAL CONTRA COSTA SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE #6 – LONG-TERM DEBT (CONTINUED)

Refunding Revenue Bonds – 1998 - Continued

The 2002 and 1998 Revenue Bonds debt service requirements are as follows:

Fiscal Year Ending June 30,	2002 Debt Service Requirement	1998 Debt Service Requirement	Total
2006	\$ 1,283,461	\$ 2,220,674	\$ 3,504,135
2007	1,280,061	2,218,570	3,498,631
2008	1,270,961	2,217,310	3,488,271
2009	1,271,061	2,216,178	3,487,239
2010	1,265,261	2,216,478	3,481,739
2011-2015	6,328,494	11,097,013	17,425,507
2016-2020	6,337,333	-	6,337,333
2021-2024	5,080,125	-	5,080,125
Total	24,116,757	22,186,223	46,302,980
Amount representing interest	(8,116,757)	(4,241,223)	(12,357,980)
Principal outstanding	16,000,000	17,945,000	33,945,000
Less: Unamortized deferred loss on refunding at year end	-	(1,605,236)	(1,605,236)
	16,000,000	16,339,764	32,339,764
Less: Current portion of revenue bonds	(575,000)	(1,485,000)	(2,060,000)
Long-term portion of revenue bonds	<u>\$ 15,425,000</u>	<u>\$ 14,854,764</u>	<u>\$ 30,279,764</u>

Water Reclamation Loan Contract

The District has entered into a contract with the State of California State Water Resources Control Board (the Board) where the Board advanced to the District \$2,916,872 for design and construction costs for projects related to recycled water treatment programs.

CENTRAL CONTRA COSTA SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE #6 – LONG-TERM DEBT (CONTINUED)

Water Reclamation Loan Contract - Continued

The District must repay advances from the Board over a 20-year period beginning March 31, 1999, with an interest rate of 2.6%. Debt service requirements are as follows:

Years	Debt Service Requirements
2006	\$ 187,119
2007	187,119
2008	187,119
2009	187,119
2010	187,119
2011-2015	935,596
2016-2019	561,359
Total	2,432,550
Amount representing interest	(390,665)
	2,041,885
Less: Current portion of Water Reclamation Loan Contract	(134,030)
	1,907,855
Long term portion of Water Reclamation Loan Contract	\$ 1,907,855

Local Improvement District Bonds

Within the District's boundaries, there exist several Improvement Districts, which were formed for the sole purpose of financing sewer system improvements. The District has no oversight responsibility for these Districts and is not liable for repayment of any bonds issued to finance these local district improvements. Contra Costa County acts as the agent for the property owners in these districts in collecting assessments, forwarding collections to bondholders, and initiating foreclosure procedures, if appropriate. The outstanding balance on these bonds was \$200,000 at June 30, 2005.

CENTRAL CONTRA COSTA SANITARY DISTRICT

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE #7 – RISK MANAGEMENT

Insurance Coverage

The District's insurance coverage is as follows:

Type of Insurance Coverage	Insurer	Limits	Self Insured Deductible Per Occurrence
All-Risk Property			
Fire	California Sanitation Risk Management Authority (CSRMA)	\$ 394,600,860	\$ 250,000
Boiler & Machinery (Shared Limits per Occurrence)	CSRMA	\$ 100,000,000	\$ 250,000
Liability			
Errors & Omissions	Insurance Company of the State of Pennsylvania (AIG)	\$ 10,000,000	\$ 500,000
Employment Practices Liability	AIG	\$ 10,000,000	\$ 1,000,000
Employment Practices Liability	Lloyds of London	\$ 500,000	\$ 500,000
General Liability	AIG	\$ 10,000,000	\$ 500,000
Auto Liability	AIG	\$ 10,000,000	\$ 500,000
Pollution (General Aggregate) General Liability	American International Specialty Lines Insurance Co.	\$ 5,000,000	\$ 5,000
Pollution Liability	American International Specialty Lines Insurance Co.	\$ 10,000,000	\$ 50,000
Pollution (Legal Liability Aggregate)	American International Specialty Lines Insurance Co.	\$ 10,000,000	\$ 50,000
Workers' Compensation	CSRMA	\$ 25,750,000	\$ -

Liability for Uninsured Claims

The Governmental Accounting Standards Board (GASB) requires state and local governments to record their liability for uninsured claims in their financial statements.

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #7 – RISK MANAGEMENT (CONTINUED)

Liability for Uninsured Claims - Continued

The District's uninsured claims activity and exposure relates primarily to its general and automobile liability program. The District records its estimated liability for uninsured claims in this area based on the results of periodic actuarial evaluations. The actuarial evaluations are typically performed every two years. For intervening years, the liability for uninsured claims is reviewed for adequacy based on claims activity during the intervening period.

For the fiscal years ended June 30, 2005, 2004, and 2003 settlements have not exceeded insurance coverage. Changes in the District's estimated liability for uninsured claims for fiscal years 2005, 2004, and 2003 are summarized as follows:

	2005	2004	2003
Beginning balance	\$ 437,360	\$ 437,360	\$ 379,710
Provisions for claims incurred in the current year and changes in the liability for uninsured-claims incurred in prior years	551,188	82,122	215,534
Claims and claim adjustment expenses paid	(107,048)	(82,122)	(157,884)
Ending balance	<u>\$ 881,500</u>	<u>\$ 437,360</u>	<u>\$ 437,360</u>

NOTE #8 – AGREEMENT WITH CITY OF CONCORD

In 1974, the District and the City of Concord (the City) entered into a cost-sharing agreement under which the District became responsible for providing sewage treatment facilities and services to the City. Under this agreement, the City pays a service charge for its share of operating, maintenance and administrative costs and makes a contribution for its share of facilities capital costs expended. Service charges and contributions to capital costs from the City totaled \$6,603,000 and \$2,608,000 respectively, for the year ended June 30, 2005.

The District had the opportunity to make an unexpected capital purchase of real property adjacent to its existing treatment plant. The City of Concord's share according to the terms of the above agreement is \$905,255. Because the purchase was unexpected, the District agreed to accept four equal annual payments beginning July 1, 2004 and annually thereafter on July 1. The interest shall accrue at 2.06% on a declining balance basis and each installment payment will be in the amount of \$246,000. At the end of June 30, 2005, interest of \$14,731 had accrued for a total receivable balance of \$724,160.

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #9 – PENSION PLAN

Plan Description

Substantially, all District full-time employees are required to participate in the Contra Costa County Employees' Retirement Association, a cost-sharing multiple-employer public employee deferred benefit retirement plan (Plan), governed by the County Employee's Retirement Law of 1937, as amended. The latest available actuarial and financial information for the Plan is for the year ended December 31, 2004. The Contra Costa Employees' Retirement Association issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Contra Costa County Employees' Retirement Association, 1355 Willow Way Suite 221, Concord, CA 94520-5728 or calling (925) 646-5741.

The Plan provides for retirement, disability, and death and survivor benefits. Annual cost of living (COL) adjustments to retirement allowances can be granted by the Retirement Board as provided by State statutes. Service retirements are based on age, length of service and final average salary. Subject to vested status, employees can withdraw contributions plus interest credited, or leave them as a deferred retirement when they terminate or transfer to a reciprocal retirement system.

Plan Contribution Requirement

The Plan requires employees to pay one-half of the basic retirement benefit and one-half of future COL costs. However, the District has chosen to pay the employee's basic contributions. The contribution requirement and payment from the District for the plan year ended December 31, 2004, was \$5,893,040. These contributions represented 32% of covered payroll. The District's contribution for the plan years ended December 31, 2003 and 2002 were \$5,562,304 and \$3,641,530 respectively and were equal to the District's required contributions and the employee's basic contributions for each year.

NOTE #10 – POST EMPLOYEMENT HEALTH CARE BENEFITS

The District provides certain health care and life insurance benefits for retired employees. These benefits are provided for in negotiated employment agreements, commonly referred to as Memorandums of Understanding, which cover substantially all employees who reach normal retirement age while working for the District. These benefits, and similar benefits for active employees, are provided through a health maintenance organization and an insurance company whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were \$1,610,474 for the 167 eligible retirees for the year ended June 30, 2005.

CENTRAL CONTRA COSTA SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

NOTE #11 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

Claims and losses are recorded when they are reasonably probable of being incurred and the amount is estimable. Insurance proceeds and settlements are recorded when received.

The District has purchase commitments relating to construction projects at June 30, 2005 of \$12,358,430.

SUPPLEMENTARY

CENTRAL CONTRA COSTA SANITARY DISTRICT

**COMBINING SCHEDULE OF STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005**

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and investments available for operations	\$ 289,729	\$ 65,338,868	\$ 3,535,525	\$ -	\$ -	\$ 69,164,122
Accounts receivable	7,634,442	3,376,330	-	-	-	11,010,772
Interest receivable	-	70,594	-	-	-	70,594
Due from other sub-funds	69,827,324	55,757,170	1,003,575	38,243,271	(164,831,340)	-
Parts and supplies	1,496,779	-	-	-	-	1,496,779
Prepaid expenses	1,241,647	-	-	-	-	1,241,647
TOTAL CURRENT ASSETS	80,489,921	124,542,962	4,539,100	38,243,271	(164,831,340)	82,983,914
NONCURRENT ASSETS						
Restricted cash and investments	-	-	-	3,613,196	-	3,613,196
Land, property, plant and equipment, net of accumulative depreciation	480,998,888	-	-	-	-	480,998,888
Construction in progress	22,438,361	-	-	-	-	22,438,361
Contractual assessment district receivable	-	2,189,770	-	-	-	2,189,770
Revenue bond issuance costs, net of amortization	-	-	-	320,117	-	320,117
TOTAL ASSETS	583,927,170	126,732,732	4,539,100	42,176,584	(164,831,340)	592,544,246
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 2,797,609	\$ 1,498,046	\$ 19,190	-	\$ -	\$ 4,314,845
Due from other sub-funds	76,090,239	82,585,577	980,714	5,174,810	(164,831,340)	-
Interest payable	-	272,988	-	494,492	-	767,480
Current portion of refunding revenue bonds	-	-	-	2,060,000	-	2,060,000
Current portion of water reclamation loan contract	-	-	-	134,030	-	134,030
Liability for uninsured claims	-	-	881,500	-	-	881,500
Accrued compensation absences	4,862,902	-	-	-	-	4,862,902
Refundable deposits	135,009	526,716	-	-	-	661,725
TOTAL CURRENT LIABILITIES	83,885,759	84,883,327	1,881,404	7,863,332	(164,831,340)	13,682,482
NONCURRENT LIABILITIES						
Revenue bonds, net of current portion	-	-	-	30,279,764	-	30,279,764
Water reclamation loan contract, net of current portion	-	-	-	1,907,855	-	1,907,855
TOTAL LIABILITIES	83,885,759	84,883,327	1,881,404	40,050,951	(164,831,340)	45,870,101
NET ASSETS:						
Invested in capital assets, net of related debt	503,437,247	-	-	(34,061,532)	-	469,375,715
Restricted for debt service	-	-	-	3,118,704	-	3,118,704
Unrestricted	(3,395,836)	41,849,405	2,657,696	33,068,461	-	74,179,726
TOTAL NET ASSETS	\$500,041,411	\$ 41,849,405	\$ 2,657,696	\$ 2,125,633	\$ -	\$ 546,674,145

CENTRAL CONTRA COSTA SANITARY DISTRICT

**COMBINING SCHEDULE OF STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Eliminations	Totals
Operating Revenues:						
Sewer service charges (SSC)	\$ 32,282,806	\$ -	\$ -	\$ -	\$ -	\$ 32,282,806
Service charges - City of Concord	6,603,000	-	-	-	-	6,603,000
Other service charges	672,887	-	-	-	-	672,887
Miscellaneous charges	612,851	-	-	-	-	612,851
Total operating revenues	40,171,544	-	-	-	-	40,171,544
Operating Expenses:						
Sewage collection and pumping stations	8,533,883	-	-	-	-	8,533,883
Sewage treatment	18,767,128	-	-	-	-	18,767,128
Engineering	5,311,981	-	-	-	-	5,311,981
Administrative and general	9,681,994	-	1,189,693	-	-	10,871,687
Depreciation	16,041,555	-	-	-	-	16,041,555
Total operating expenses	58,336,541	-	1,189,693	-	-	59,526,234
Operating Loss	(18,164,997)	-	(1,189,693)	-	-	(19,354,690)
Non-Operating Revenues (Expenses):						
Taxes	-	197,450	-	3,812,930	-	4,010,380
City of Concord cash contributions to capital costs	-	2,622,731	-	-	-	2,622,731
Customer cash contributions to capital cost (SSC)	-	12,093,854	-	-	-	12,093,854
Permit and inspection fees	1,232,983	839,018	-	-	-	2,072,001
Interest earnings	191,081	1,157,523	82,028	88,560	-	1,519,192
Pump zone fees	-	2,193,619	-	-	-	2,193,619
Interest expense	-	-	-	(1,775,857)	-	(1,775,857)
Other income (expense)	661,240	170,143	278,333	-	-	1,109,716
Total non-operating revenues (expenses)	2,085,304	19,274,338	360,361	2,125,633	-	23,845,636
Income (loss) before contributions and transfers	(16,079,693)	19,274,338	(829,332)	2,125,633	-	4,490,946
Contributed sewer lines	5,530,848	-	-	-	-	5,530,848
Capital contributions - connection fees	-	10,728,717	-	-	-	10,728,717
Transfers	26,256,048	(26,256,048)	-	-	-	-
Change In Net Assets	15,707,203	3,747,007	(829,332)	2,125,633	-	20,750,511
Total Net Assets - Beginning	484,334,208	38,102,398	3,487,028	-	-	525,923,634
Total Net Assets - Ending	\$ 500,041,411	\$ 41,849,405	\$ 2,657,696	\$ 2,125,633	\$ -	\$ 546,674,145

CENTRAL CONTRA COSTA SANITARY DISTRICT

**SCHEDULE OF RUNNING EXPENSES
COMPARISON OF BUDGET AND ACTUAL EXPENSES BY DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005**

	Sewage Collection	Pumping Stations	Sewage Treatment Plant	Engineering	Administrative and General	Total	Budget	Variance Favorable (Unfavorable)
Salaries and Wages	\$ 3,282,762	\$ 763,395	\$ 6,806,980	\$ 4,039,669	\$ 3,661,922	\$ 18,554,728	\$ 19,425,872	\$ 871,144
Employee Benefits	1,753,668	373,278	3,594,943	2,089,085	3,928,216	11,739,190	12,227,350	488,160
Directors' Fees and Expense					49,009	49,009	50,000	991
Chemicals		132,348	878,201			1,010,549	1,127,000	116,451
Professional and Legal Services	9,767		11,166	137,347	269,666	427,946	376,995	(50,951)
Outside Services	136,740	73,194	476,719	388,240	847,548	1,922,441	2,050,080	127,639
Hauling and Disposal	76,891	5,805	370,933	361,597		815,226	987,060	171,834
Repairs and Maintenance	528,078	134,297	1,959,027	89,766	189,782	2,900,950	2,757,003	(143,947)
Materials and Supplies	518,388	34,271	743,979	149,160	129,664	1,575,462	1,480,850	(94,612)
Utilities	73,160	447,290	3,534,203	44,624	1116,462	4,215,739	4,004,850	(210,889)
Other	92,189	186,006	512,708	107,635	489,725	1,388,263	1,698,844	310,581
Less Capitalized Overhead and Benefits	(35,394)	(52,250)	(121,731)	(2,095,142)		(2,304,517)	(2,294,990)	9,527
Total	\$ 6,436,249	\$ 2,097,634	\$ 18,767,128	\$ 5,311,981	\$ 9,681,994	\$ 42,294,986	\$ 43,890,914	\$ 1,595,928

CENTRAL CONTRA COSTA SANITARY DISTRICT

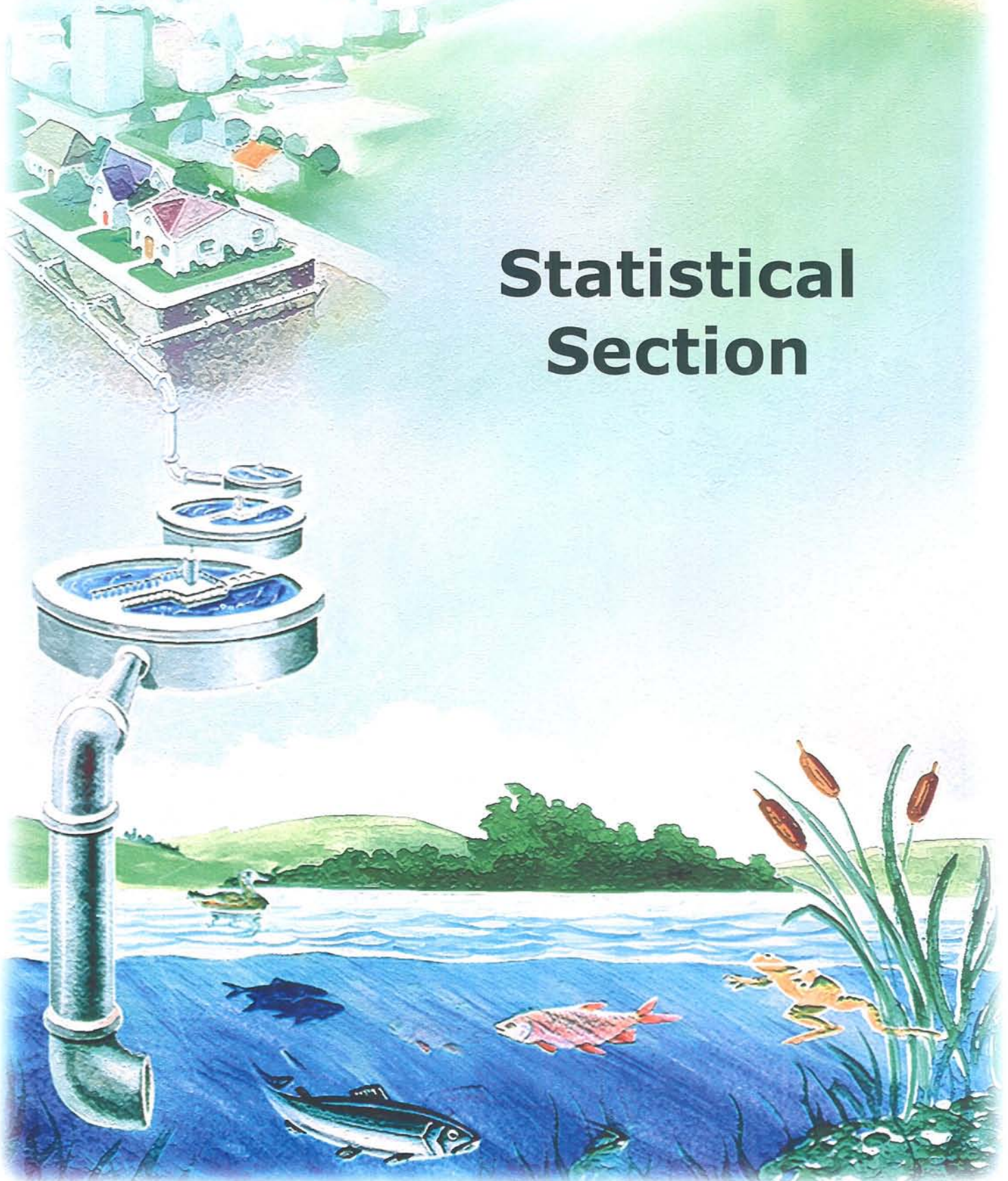
**RUNNING EXPENSE
SCHEDULE OF SUPPLEMENTAL NET ASSETS ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Prior Year Balance		\$ 10,931,545
2004-2005 Revenue	42,256,846	
2004-2005 Expense	(58,336,541)	
Add Back Depreciation Expense	<u>16,041,555</u>	<u>(38,140)</u>
Net Assets Attributed to General Operations		10,893,405
All Other Net Assets		<u>489,148,006</u>
Running Expense Net Assets		<u><u>\$500,041,411</u></u>



Central Contra Costa Sanitary District

Statistical Section



**Central Contra Costa Sanitary District
Statistical Section
Table of Contents**

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance has changed over time.

Changes in Net Assets and Statement of Net Assets - Last Three Fiscal Years..... S-1
 Revenue by Type - Last Ten Fiscal Years..... S-2
 Operating Expenses by Type - Last Ten Fiscal Years S-3

Revenue Capacity

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

Major Revenue Base and Rates - Historical and Current Fees - Last Ten Fiscal Years..... S-4
 List of Largest Customers - Last Three Fiscal Years..... S-5
 Assessed and Estimated Actual Valuation of Taxable Property - Last Ten Fiscal Years..... S-6
 Property Tax and Sewer Service Charge Fees Levied and Collected - Last Ten Fiscal Years..... S-6

Debt Capacity

This schedule contains information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Summary of Debt Service - Type, Debt Service Coverage, Debt Ratio - Last Ten Fiscal Years..... S-7

Demographic and Economic Information

This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Population Served - Last Ten Calendar Years S-8

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 the activities it performs.

Full-time Equivalent Employees by Department - Last Ten Fiscal Years S-9
 Biosolids Produced and Plant Flow Comparisons - Last Ten Years..... S-10
 Miscellaneous Statistics S-11

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in the 2002-2003 fiscal year; schedules presented include information beginning in that year.

**Central Contra Costa Sanitary District
Changes in Net Assets and Statement of Net Assets
Last Three Fiscal Years**

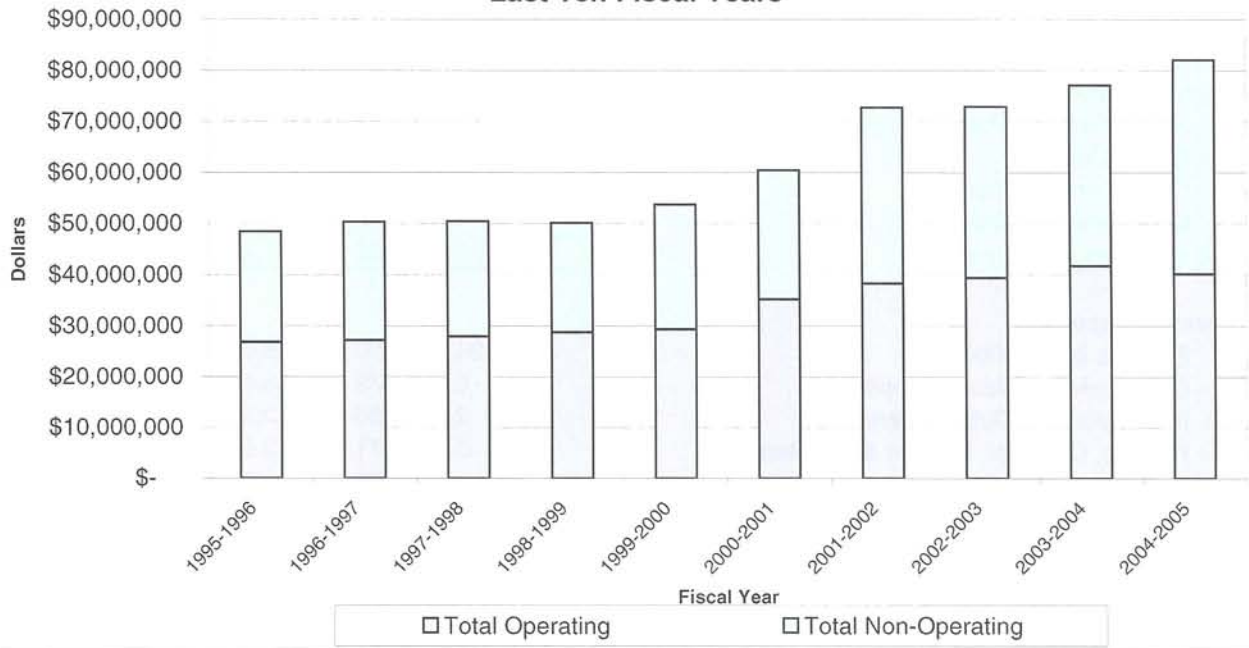
Changes in Net Assets	2002-2003	2003-2004	2004-2005
Operating Revenues:			
Sewer Service Charges (SSC)	31,967,101	33,935,899	32,282,806
City of Concord	6,321,452	6,609,602	6,603,000
Other Service Charges	633,037	648,617	672,887
Miscellaneous Charges	506,812	560,454	612,851
Total Operating Revenue	39,428,402	41,754,572	40,171,544
Operating Expenses:			
Salaries & Benefits	24,919,820	28,095,636	27,989,401
Chemicals, Utilities & Supplies	5,735,379	5,808,070	6,801,750
Professional & Outside Services	2,084,830	2,282,408	2,350,387
Hauling, Disposal, Repairs & Maintenance	3,557,171	3,871,749	3,716,176
Self-Insurance	632,007	689,702	1,189,693
Depreciation	14,527,871	15,186,594	16,041,555
All Other	1,018,345	1,042,809	1,437,272
Total Operating Expenses	52,475,423	56,976,968	59,526,234
Operating Loss	(13,047,021)	(15,222,396)	(19,354,690)
Non-Operating Revenues (Expenses):			
Property Taxes	8,801,230	8,919,327	4,010,380
Customer Contributions	7,833,641	10,187,725	14,716,585
Connection & Other Fees	1,479,870	2,936,298	4,265,620
Interest Income	925,509	831,215	1,519,192
Interest Expense	(1,153,349)	(1,101,115)	(1,775,857)
All Other	1,076,654	1,467,877	1,109,716
Total Non-Operating	18,963,555	23,241,327	23,845,636
Income Before Contributions and Transfers	5,916,534	8,018,931	4,490,946
Contributed Sewer Lines	7,818,537	4,410,808	5,530,848
Capital Contributions - Connection Fees	5,530,064	6,585,984	10,728,717
CHANGE IN NET ASSETS	19,265,135	19,015,723	20,750,511
Total Net Assets - Beginning	487,642,776	506,907,911	525,923,634
Total Net Assets - Ending	506,907,911	525,923,634	546,674,145

Statement of Net Assets	2002-2003	2003-2004	2004-2005
Investments in Capital Assets, Net of Related Debt	443,350,151	453,251,761	469,375,715
Restricted for Debt Service	4,484,542	3,035,944	3,118,704
Unrestricted	59,073,218	69,635,929	74,179,726
Total Net Assets	506,907,911	525,923,634	546,674,145

The District implemented GASB 34 in the 2002-2003 fiscal year, one year earlier than required.

Source: Central Contra Costa Sanitary District Audited Financial Statements

**Central Contra Costa Sanitary District
Revenue By Type
Last Ten Fiscal Years**



Operating Revenue

Fiscal Year	Sewer Service Charges*	City of Concord	Other Service Charges	Miscellaneous Charges	Total Operating
1995-1996	21,940,280	4,539,927	158,749	146,063	26,785,019
1996-1997	22,045,880	4,827,711	145,978	148,745	27,168,314
1997-1998	22,474,802	4,693,646	547,682	202,239	27,918,369
1998-1999	23,063,532	4,786,407	661,168	229,851	28,740,958
1999-2000	23,165,616	5,342,002	446,168	309,535	29,263,321
2000-2001	27,613,157	6,610,774	601,270	345,295	35,170,496
2001-2002	31,228,855	5,897,008	617,768	508,916	38,252,547
2002-2003	31,967,101	6,321,452	633,037	506,812	39,428,402
2003-2004	33,935,899	6,609,602	648,617	560,454	41,754,572
2004-2005	32,282,806	6,603,000	672,887	612,851	40,171,544

Non-Operating Revenue

Fiscal Year	Property Taxes	Customer Contributions *1	Connection & Other Fees	Interest	All Other	Total Non-Operating
1995-1996	5,447,103	7,732,630	4,853,347	3,367,023	284,005	21,684,108
1996-1997	5,578,943	6,077,079	5,631,597	3,585,807	2,280,949	23,154,375
1997-1998	5,693,740	7,284,034	4,314,339	3,702,313	1,552,362	22,546,788
1998-1999	6,169,390	6,556,005	5,415,272	3,127,827	158,844	21,427,338
1999-2000	6,684,949	8,733,886	5,786,188	2,921,648	330,623	24,457,294
2000-2001	7,238,662	9,636,912	5,004,261	2,979,749	408,120	25,267,704
2001-2002	7,551,581	19,006,658	5,385,527	1,498,751	1,032,527	34,475,044
2002-2003	8,801,230	15,652,178	7,009,934	925,509	1,076,654	33,465,505
2003-2004	8,919,327	14,598,533	9,522,282	831,215	1,467,877	35,339,234
2004-2005	4,010,380	20,247,433	14,994,337	1,519,192	1,109,716	41,881,058

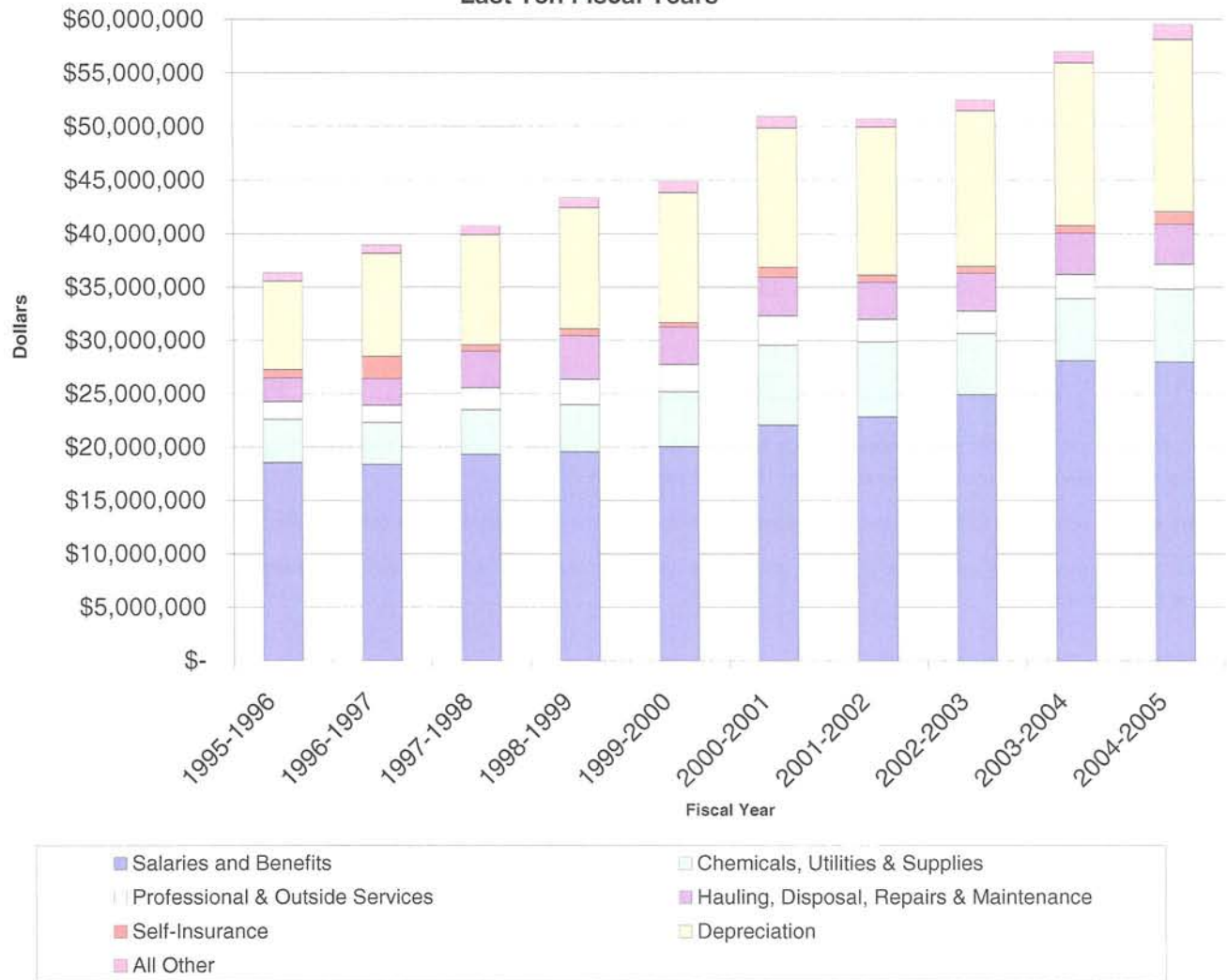
* Sewer Service Charge (SSC) represents the Running Expense Fund portion of SSC County collections along with District direct billings and counter collections.

*1 Customer Contributions also include the portion of SSC that is allocated to Sewer Construction Fund and City of Concord reimbursement of capital costs.

In addition due to change in GASB 33 reporting requirements, \$3.5 million in 2000-2001 , \$14.4 million in 2001-2002, \$7.8 million in 2002-03 , \$4.4 million in 2003-2004 and \$5.5 million in 2004-2005 for developer contributed sewer lines.

Source: Central Contra Costa Sanitary District Audited Financial Statements

**Central Contra Costa Sanitary District
Operating Expenses by Type
Last Ten Fiscal Years**



OPERATING EXPENSES

Fiscal Year	Salaries and Benefits	Chemicals, Utilities & Supplies	Professional & Outside Services	Hauling, Disposal, Repairs & Maintenance	Self-Insurance	Depreciation	All Other	Total Operating Expenses	Non-Operating Expenses
1995-1996	18,551,854	4,019,670	1,678,569	2,219,572	765,549	8,299,360	808,799	36,343,373	6,125
1996-1997	18,383,214	3,889,186	1,629,631	2,463,610	2,120,312	9,649,704	784,578	38,920,235	-
1997-1998	19,308,686	4,149,602	2,065,599	3,442,826	582,222	10,332,200	840,923	40,722,058	-
1998-1999	19,564,429	4,399,152	2,345,887	4,115,527	644,371	11,345,155	920,080	43,334,601	1,301,200
1999-2000	20,034,810	5,130,743	2,560,175	3,513,754	419,312	12,157,975	1,034,683	44,851,452	1,304,980
2000-2001	22,051,911	7,496,028	2,762,603	3,621,826	924,242	13,004,018	1,085,888	50,946,516	1,250,588
2001-2002	22,848,114	7,009,868	2,110,886	3,476,325	677,159	13,833,124	745,605	50,701,081	1,202,782
2002-2003	24,919,820	5,735,379	2,084,830	3,557,171	632,007	14,527,871	1,018,345	52,475,423	1,153,349
2003-2004	28,095,636	5,808,070	2,282,408	3,871,749	689,702	15,186,594	1,042,809	56,976,968	1,101,115
2004-2005	27,989,401	6,801,750	2,350,387	3,716,176	1,189,693	16,041,555	1,437,272	59,526,234	1,775,857

Informational - not graphed

Source: Central Contra Costa Sanitary District Audited Financial Statements

**Central Contra Costa Sanitary District
Major Revenue Base and Rates
Historical and Current Fees
Last Ten Fiscal Years**

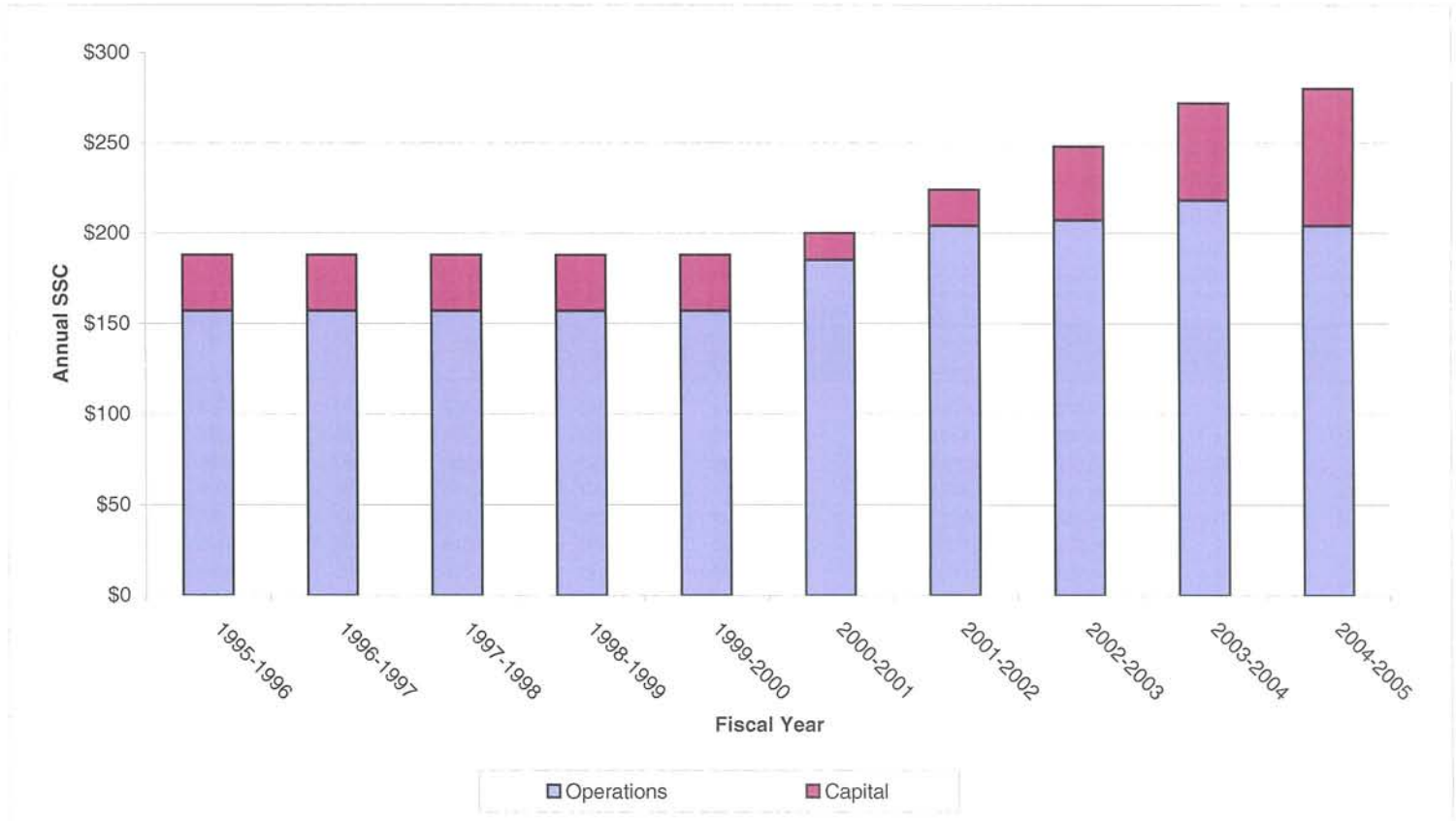
Fiscal Year	Annual Sewer Service Charge *1			Facility Capacity Fee *2	Pump Zone Fee *3
	Operations	Capital	Total		
1995-1996	157	31	188	2,572	348
1996-1997	157	31	188	2,572	348
1997-1998	157	31	188	2,572	348
1998-1999	157	31	188	2,572	348
1999-2000	157	31	188	2,572	348
2000-2001	185	15	200	2,572	348
2001-2002	204	20	224	3,360	710
2002-2003	207	41	248	3,360	710
2003-2004	218	54	272	3,983	988
2004-2005	204	76	280	3,983	988

*1 All residential accounts pay a flat annual sewer service charge shown above per household. The charge for commercial users consists of an annual rate based on a measured volume of water usage per 100 cubic feet (HCF).

*2 New users who are connected to the Wastewater System are charged Capital Improvement Fees called Facility Capacity Fees. (Fee is per connection.)

*3 New customers in areas where wastewater pumping stations are needed to reach the District's gravity fed sewers are charged a Pump Zone Fee. (Fee is per connection.)

Source: Central Contra Costa Sanitary District Environmental Services Division



**Central Contra Costa Sanitary District
List Of Largest Customers
Last Three Fiscal Years**

Ratepayer	2004-2005	Rank	Percentage of Operating Revenue	2003-2004	Rank	Percentage of Operating Revenue	2002-2003	Rank	Percentage of Operating Revenue
City of Concord*	\$ 6,603,000	1	15.81%	\$ 6,609,602	1	15.83%	\$ 6,321,452	1	16.03%
Contra Costa County General Services	294,670	2	0.71%	250,442	2	0.60%	222,619	2	0.56%
First Walnut Creek Mutual	225,190	3	0.54%	225,190	3	0.54%	206,246	3	0.52%
Park Regency	222,880	4	0.53%	222,880	4	0.53%	197,408	4	0.50%
Second Walnut Creek Mutual	210,000	5	0.50%	210,000	5	0.50%	158,224	5	0.40%
Sun Valley Mall	158,077	6	0.38%	158,077	6	0.38%	138,993	6	0.35%
Archstone Treat Commons Apartments	142,800	7	0.34%	142,800	7	0.34%	126,480	7	0.32%
Reflections San Ramon Apartments	139,062	8	0.33%	139,062	8	0.33%	-	-	-
Willows Shopping Center	112,797	9	0.27%	121,996	9	0.29%	103,321	9	0.26%
Kaiser Foundation Hospital	98,522	10	0.24%	-	-	-	-	-	-
St. Mary's College Contract	-	-	-	-	-	-	106,497	8	0.27%
Canyon Point Condominiums	-	-	-	97,440	10	0.23%	86,304	10	0.22%
Total	\$ 8,206,998		19.66%	\$ 8,177,489		19.58%	\$ 7,667,544		19.45%

The District implemented GASB 34 in the 2002-2003 fiscal year, one year earlier than required.

* Contract with the City of Concord to treat and dispose of wastewater for Concord/Clayton.

Source: Central Contra Costa Sanitary District Environmental Services Division

**Central Contra Costa Sanitary District
Assessed and Estimated Actual Valuation of Taxable Property
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>Change</u>
1995-1996	28,716,046,594	1,178,289,067	29,894,335,661	3%
1996-1997	29,533,445,439	1,115,907,444	30,649,352,883	3%
1997-1998	30,582,674,632	1,107,438,395	31,690,113,027	3%
1998-1999	32,514,783,517	1,119,407,570	33,634,191,087	6%
1999-2000	34,973,946,879	1,140,492,514	36,114,439,393	7%
2000-2001	38,029,210,584	1,225,608,154	39,254,818,738	9%
2001-2002	40,166,666,299	1,375,049,056	41,541,715,355	6%
2002-2003	43,172,880,129	1,434,598,034	44,607,478,163	7%
2003-2004	46,821,339,668	1,446,650,234	48,267,989,902	8%
2004-2005	50,577,841,843	1,416,240,351	51,994,082,194	8%

Source: Contra Costa County Auditor-Controller's Office

**Property Tax and Sewer Service Charge Fees Levied and Collected
Last Ten Fiscal Years**

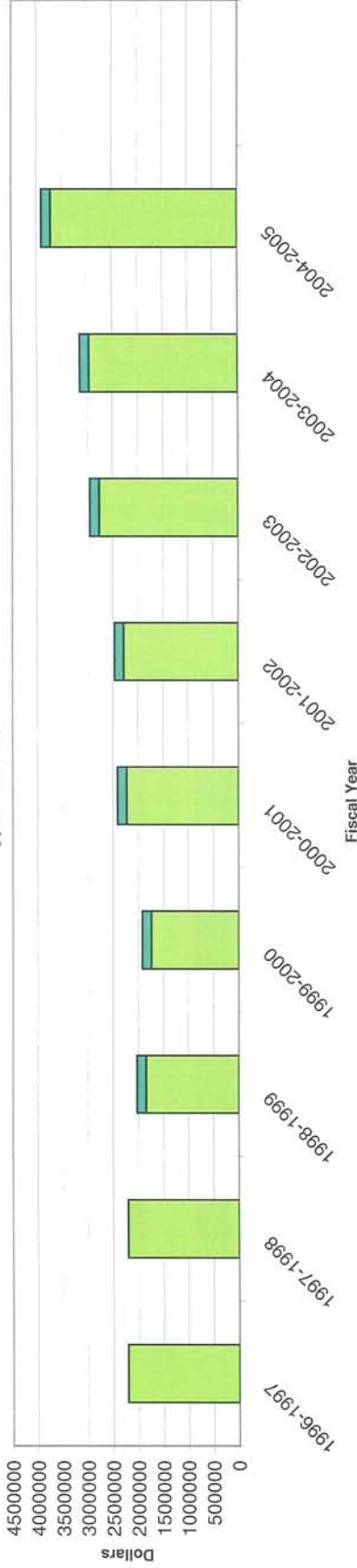
<u>Fiscal Year</u>	<u>Property Tax* Levied & Collected</u>	<u>Sewer Service Charges* Levied & Collected</u>
1995-1996	5,528,481	25,834,161
1996-1997	5,657,293	25,958,341
1997-1998	5,863,085	26,437,148
1998-1999	6,254,229	26,984,372
1999-2000	6,723,957	27,078,595
2000-2001	7,228,881	29,253,537
2001-2002	7,901,161	33,650,005
2002-2003	8,460,674	37,479,440
2003-2004	9,013,484	41,499,031
2004-2005	4,027,427	43,327,756

* General County taxes collected are the same as the amount levied since the County participates in California's alternative method of apportionment called the Teeter Plan. The Teeter Plan as provided in Section 4701 et seq. of the State Revenue and Taxation Code, establishes a mechanism for the County to advance the full amount of property tax and other levies to taxing agencies based on the tax levy, rather than on the basis of actual tax collections. Although this system is a simpler method to administer, the County assumes the risk of delinquencies. The County in return retains the penalties and accrued interest thereon.

Source: Contra Costa County Auditor-Controller's Office

**Central Contra Costa Sanitary District
Summary Of Debt Service
Last Ten Fiscal Years**

Type Of Debt



Summary By Type Of Debt

Fiscal Year	Revenue Bonds (1998 & 2002)				Recycled Water Loan				Total Debt Service			
	Principal	Interest	Debt Service	Total	Principal	Interest	Debt Service	Total	Principal	Interest	Debt Service	Total
1995-1996	-	1,458,830	1,458,830	1,458,830	-	-	-	-	755,000	1,458,830	1,458,830	1,458,830
1996-1997	755,000	1,459,741	2,214,741	2,214,741	-	-	-	-	790,000	1,459,741	2,214,741	2,214,741
1997-1998	790,000	1,421,245	2,211,245	2,211,245	-	-	-	-	974,194	1,053,674	2,027,868	2,027,868
1998-1999	835,000	1,005,749	1,840,749	1,840,749	139,194	47,925	187,119	187,119	839,900	1,085,934	1,925,834	1,925,834
1999-2000	725,000	1,013,715	1,738,715	1,738,715	114,900	72,219	187,119	187,119	1,362,887	1,048,472	2,411,359	2,411,359
2000-2001	1,245,000	979,240	2,224,240	2,224,240	117,887	69,232	187,119	187,119	1,405,952	1,059,574	2,465,526	2,465,526
2001-2002	1,285,000	993,407	2,278,407	2,278,407	124,097	63,022	187,119	187,119	1,454,097	1,498,893	2,952,990	2,952,990
2002-2003	1,330,000	1,435,811	2,765,811	2,765,811	127,323	59,796	187,119	187,119	1,502,323	1,643,535	3,145,858	3,145,858
2003-2004	1,375,000	1,583,739	2,958,739	2,958,739	130,634	56,485	187,119	187,119	2,125,634	1,775,857	3,901,491	3,901,491
2004-2005	1,995,000	1,719,372	3,714,372	3,714,372								

Debt Restrictions:

There is no maximum allowable amount of debt that the District may borrow.

Revenue Pledge & Covenant:
The District pledges Property Tax Revenue along with its ability to raise Sewer Service Charge (SSC) rates. Debt Coverage requirements are discussed in the footnotes below.

Fiscal Year	Debt Service Coverage Summary						Debt Ratio Summary					
	Total Debt Service	Operating Revenue	Total Operating Expenses less Depreciation	Non-Operating Revenue & Contributions	Net Revenue ^{*1}	Debt Service Coverage (Net Revenue) ^{*2}	Capital Improvement Fees/Concord	Adjusted Net Revenue ^{*3}	Debt Service Coverage (Adj. Net Revenue) ^{*4}	Debt to Expense Ratio	Sewer Service Equivalent Units ^{*5}	Cost of Debt Per Connection
1995-1996	\$ 1,458,830	26,785,019	\$ 28,044,013	21,684,108	20,425,114	14.00	7,007,472	13,417,642	9.20	5.20%	139,747	\$ 10.44
1996-1997	2,214,741	27,168,314	29,270,531	23,154,375	21,052,158	9.51	6,194,972	14,857,186	6.71	7.57%	140,420	15.77
1997-1998	2,211,245	27,918,369	30,389,858	22,546,788	20,075,299	9.08	6,327,985	13,747,314	6.22	7.28%	143,152	15.45
1998-1999	2,027,868	28,740,958	31,989,446	21,427,338	18,178,850	8.96	6,457,432	11,721,418	5.78	6.34%	146,891	13.81
1999-2000	1,925,834	29,263,321	32,693,477	24,457,294	21,027,138	10.92	8,867,213	12,159,925	6.31	5.89%	147,552	13.05
2000-2001	2,411,359	35,170,496	37,942,498	25,267,704	22,495,702	9.33	7,927,822	14,567,880	6.04	6.36%	149,245	16.16
2001-2002	2,465,526	38,252,547	36,867,957	34,475,044	35,859,634	14.54	5,753,738	30,105,896	12.21	6.69%	153,073	16.11
2002-2003	2,952,990	39,428,402	37,947,552	33,465,505	34,946,355	11.83	7,023,589	27,922,766	9.46	7.78%	154,420	19.12
2003-2004	3,145,858	41,754,572	41,790,374	35,339,234	35,303,432	11.22	8,370,344	26,933,088	8.56	7.53%	155,200	20.27
2004-2005	3,901,491	40,171,544	43,484,679	41,881,058	38,567,923	9.89	13,351,448	25,216,475	6.46	8.97%	158,250	24.65

*1 Net Revenue = Operating Revenue less Total Operating Expenses less Depreciation plus Non-Operating Revenue.

*2 This ratio must be above 1.00 to meet the Debt Rate Covenant.

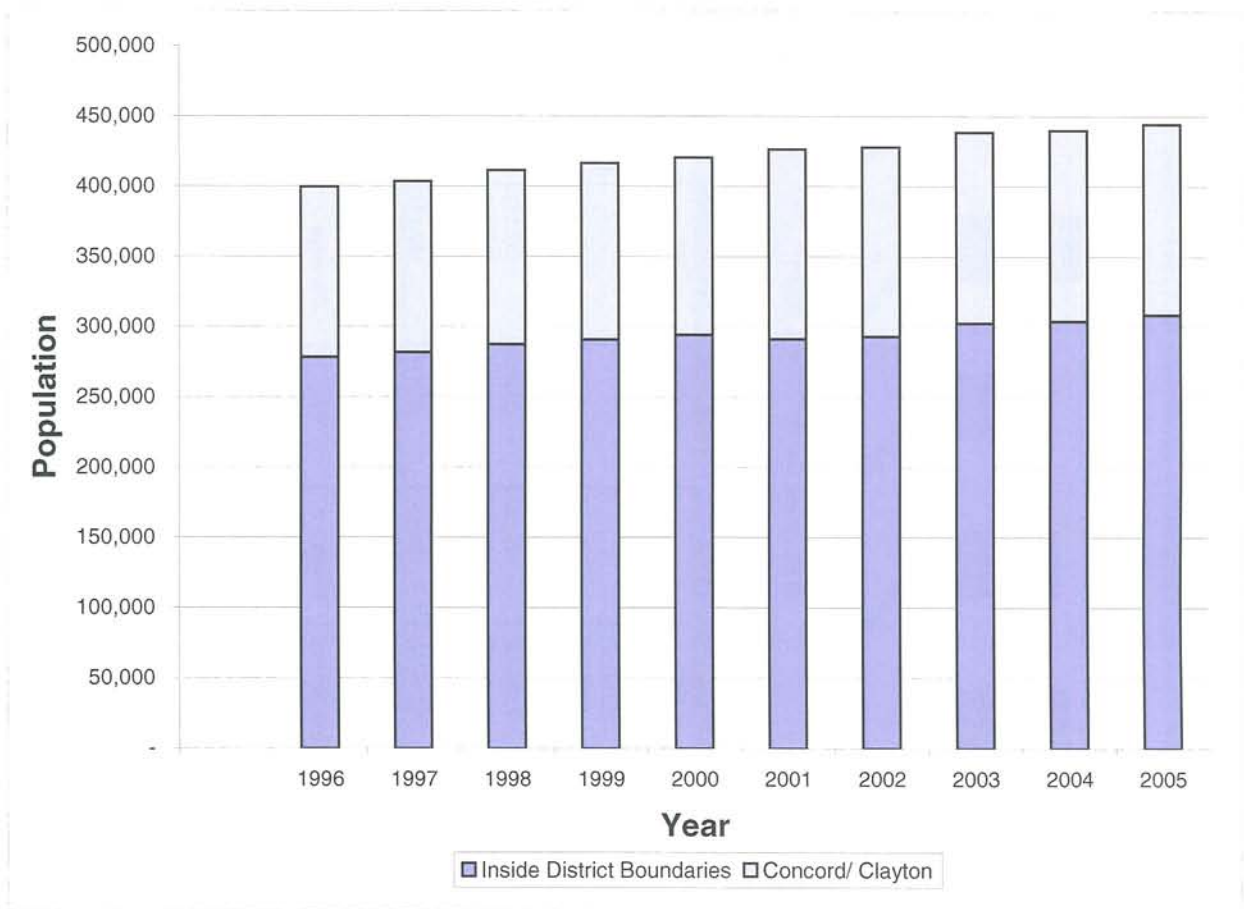
*3 Adjusted Net Revenue = Net Revenue less Capital Improvement Fees (Connection Fees) and City of Concord Capital Charges.

*4 This ratio must be above 1.25 to meet the Debt Rate Covenant.

*5 Number of connections to the sewer system. Commercial customers based on water consumption, averaged using the residential fixed rate (SSC/O&M SSC Rate).

**Central Contra Costa Sanitary District
Demographic and Economic Data
Population Served
Last Ten Calendar Years**

As Of January 1	Inside District Boundaries	Concord/ Clayton	Total Served	% Change
1996	278,330	121,200	399,530	-1.1% *
1997	281,650	121,850	403,500	1.0%
1998	287,320	124,030	411,350	1.9%
1999	290,780	125,610	416,390	1.2%
2000	294,170	126,300	420,470	1.0%
2001	291,230	135,150	426,380	1.4%
2002	293,080	134,920	428,000	0.4%
2003	302,675	135,900	438,575	2.5%
2004	303,980	135,845	439,825	0.3%
2005	308,428	135,780	444,208	1.0%



* Fluctuations from prior year due to population estimate revisions by the California Department of Finance.

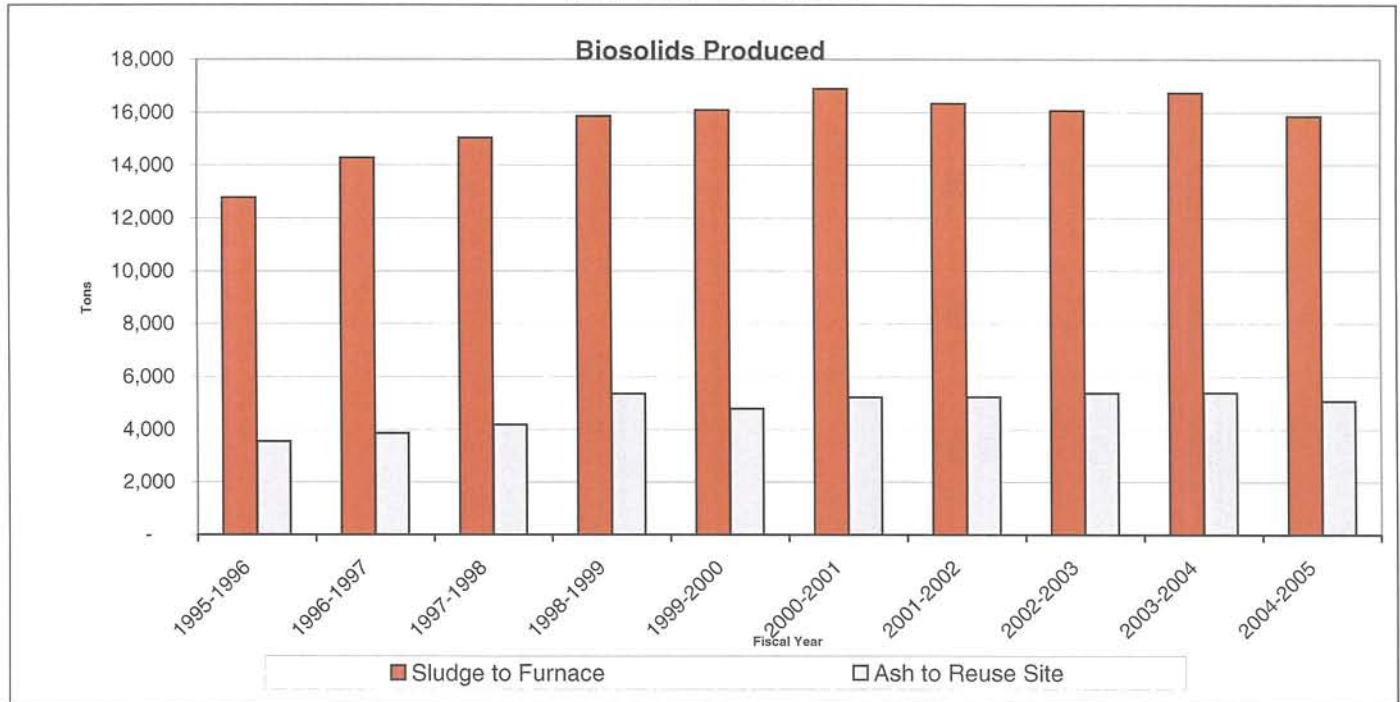
Source: Central Contra Costa Sanitary District Environmental Services Division

**Central Contra Costa Sanitary District
Full-time Equivalent Employees by Department
Last Ten Fiscal Years**

<u>Department</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Administration	41	40	36	39	43	42	42	43	42	43
Engineering	69	68	71	62	64	67	67	70	71	76
Operations										
Collection Systems	46	42	43	40	43	41	42	44	45	46
Plant	89	88	84	79	77	79	81	82	82	81
Pumping Station	5	5	7	7	7	7	7	8	9	9
Operations Total*	140	135	134	126	127	127	130	134	136	136
District Total	250	243	241	227	234	236	239	247	249	255

*Prior to Fiscal Year 2002, the current Operations Department was 3 separate departments. The totals listed above are the combined totals for the years listed prior to the consolidation.

**Central Contra Costa Sanitary District
Biosolids Produced and Plant Flow Comparisons
Last Ten Fiscal Years**



<u>Fiscal Year</u>	<u>Dry Tons/Year Sludge to Furnace</u>	<u>Wet Tons/Year Ash to Reuse Site</u>
1995-1996	12,775	3,550
1996-1997	14,280	3,863
1997-1998	15,041	4,184
1998-1999	15,847	5,353
1999-2000	16,076	4,781
2000-2001	16,881	5,226
2001-2002	16,318	5,235
2002-2003	16,053	5,384
2003-2004	16,727	5,397
2004-2005	15,841	5,074

Wet sludge, which at 22 to 28 percent solids, is pumped to the multiple-hearth furnace for incineration. The table above shows the dry tons per year of sludge to the furnace, excluding the 72 to 78 percent water in the wet sludge.

In the multi-hearth furnace, the wet sludge is converted to dry ash. Water is added to the dry ash as it is loaded into trucks (ratio of 60 percent ash to 40 percent water) to prevent the ash from blowing out of the truck during transport.

Plant Flow Comparisons

<u>Calendar Year*</u>	<u>Pipeline Miles</u>	<u>Treatment Plant Permitted Capacity (mgd)*1</u>	<u>Treatment Plant ADWF*2 (mgd)*1</u>	<u>Wastewater Treated (mgd) Per Day*3</u>	<u>Recycled Water Produced (mgd) Per Day*3</u>
1995	1,333	45.0	36.4	44.4	1.0
1996	1,333	45.0	38.5	45.9	1.0
1997	1,346	45.0	37.3	43.0	1.0
1998	1,361	45.0	42.0	51.0	1.1
1999	1,376	45.0	39.6	44.4	1.3
2000	1,391	45.0	40.8	45.5	1.4
2001	1,400	45.0	38.4	42.1	1.5
2002	1,400	53.8	39.4	43.1	1.5
2003	1,400	53.8	40.0	42.9	1.4
2004	1,400	53.8	40.6	44.7	1.5

* Data collected represents calendar year, therefore complete 2005 data not yet available. *2 Average Dry Weather Flow - based on average of lowest three months.

*1 mgd = Millions of gallons per day.

*3 Annual average of actual flow.

Source: Central Contra Costa Sanitary District Engineering and Plant Operations Depts.

**Central Contra Costa Sanitary District
Miscellaneous Statistics
June 30, 2005**

Governing Body:	Elected 5-Member Board of Directors
Governmental Structure:	Established in 1946 under the Sanitary District Act of 1923
Staff:	255 full-time equivalent employees
Authority:	California Health and Safety Code Section 4700 et. Seq.
Services:	Wastewater collection, treatment, and disposal Household Hazardous Waste Facility Recycled Water
Service Area:	142 square miles
Total Population Served:	444,208
Operations:	Total miles of trunk and sub-trunk sewers - 1,400 Number of pumping stations - 19 Average Dry Weather Flow - 40.6 mgd
Permitted Plant Capacity:	53.8 mgd (million gallons per day)
Type Of Treatment:	Discharge - Secondary; Reclamation - Tertiary
Sewer Service Charge:	\$280 annually per residential equivalent unit

Source: Central Contra Costa Sanitary District records