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COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

**Prepared By:
Finance & Accounting Division**

CENTRAL CONTRA COSTA SANITARY DISTRICT
Comprehensive Annual Financial Report
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INTRODUCTION





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CENTRAL CONTRA COSTA SANITARY DISTRICT

5019 IMHOFF PLACE, MARTINEZ, CA 94553-4392

December 10, 2018

Central Contra Costa Sanitary District Customers 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, 2018.

Management of Central Contra Costa Sanitary District (the District) assumes full responsibility for the completeness and reliability of the information in these financial statements, based upon a comprehensive system of internal controls that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Maze & Associates has issued an unmodified (“clean”) opinion on the District’s financial statements for the year ended June 30, 2018. 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.

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 clean wastewater for approximately 348,000 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 cleans wastewater for 141,000 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 at responsible rates, through conducting long-range financial planning and managing

costs. The District has approximately 1,500 miles of sewer pipeline, ranging in size from 4 inches to 102 inches in diameter, and 19 sewage-pumping stations (three of which are privately owned) 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 81% of the Sewer Service Charge revenue. The District's treatment capacity has grown from 4.5 million gallons per day (mgd) in 1948 to 53.8 mgd currently. Bonds, state grants, federal grants, and pay-as-you-go resources of the District have currently financed capital expenditures and capacity expansions, although in recent years, pay-as-you go resources have funded the capital program.

The District also operates an expanding Recycled Water Program that provides high-quality recycled water for landscape irrigation at parks, school ballfields, and commercial businesses near the District's treatment plant. Due to strong customer demand the District maintained operation of its residential recycled water fill station, which allows residential customers to obtain a maximum of 300 gallons of recycled water per trip for use in hand watering lawns, landscaping, and gardens. The District is also pursuing new recycled water projects to take advantage of the potential water supply that highly-treated wastewater represents, and to expand recycled water availability to District customers, and potentially, to put such water to beneficial use outside of the District's service territory through water exchanges.

In addition to its wastewater responsibility, the District also operates and maintains a permanent Household Hazardous Waste (HHW) Collection Facility in partnership with Mt. View Sanitary District and other local governments. The HHW Collection Facility is located adjacent to the District's wastewater treatment plant and seeks to keep pollutants out of the sewer system, making this facility an important part of our overall Pollution Prevention Program. Completing its 21st year of operation, the HHW Facility currently serves over 35,000 residential and small business customers annually, from which over 2 million pounds of hazardous waste is collected and properly disposed of each year. Another pollution prevention strategy of the District, is the Pharmaceutical Collection Program, of which its thirteen collection sites collected over seventeen thousand pounds of expired or unwanted medications.

Organization, Accounting and Budgetary Controls

A five-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 employed 274 employees at year end, and has authorized 290 regular employees organized in three departments led by Managers responsible for their budgets and expenses. The three departments are: Administrative, Engineering, and Operations.

The District, by law, uses an enterprise fund to account for its operations and 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** – accounts for activity associated with the payment of the District's long term bonds and loans.

Each year, the Board adopts the following four budgets: Operations and Maintenance, Capital Improvement and Sewer Construction, Self-Insurance, and Debt-Service. The Board Finance Committee reviews disbursements prior to each regular Board meeting, and disbursements are then approved by the full Board. Monthly financial statements are issued to management and the Board. District management is accountable for variances and adhering to overall budget constraints. The Board has delegated various contracting and spending authority to the General Manager, as specified by an adopted Board policy. Additional limited contracting and spending authority is further delegated to certain staff classifications as specified by internal signature limits - the District also has several documented financial policies (including debt management and fiscal reserves) that are reviewed and updated in accordance with best practices.

ASSESSING THE DISTRICT'S ECONOMIC CONDITION

Local Economy and Outlook

According to the Legislative Analyst's Office (LAO), California's unemployment should continue to remain around 3.5 - 4%, which many economists consider "full employment", for the next several years. The economic outlook assumes continued moderate growth with notably higher wage and salary growth in the near future. The state's 2018-19 General Fund revenues are budgeted to be about \$3.5 billion higher than the previous fiscal year as a result of the healthy growth in personal income and corporate taxes. There is consensus belief that the current economic expansion is expected to continue through the end of the decade, however there are several factors that will influence the path of the state's economy in ways that are difficult to anticipate. Such factors are: tight labor markets, Federal Reserve actions, and international trade.

According to the UCLA Anderson forecast, the U.S. should continue to see slow but steady GDP growth, between 2-3%, while operating at full employment. Real GDP is projected to drop to 2% in 2019 and 1% in 2020. Business investment may increase by 7% in 2018 and 2019 as a result of the recent reductions in corporate tax rates, and is expected to continue being the driving force in economic growth. However, even with economic growth and increased wages, affordable housing continues to be a challenge for citizens living in high-demand areas and fast-growing cities, such as the San Francisco bay area.

Increased home values have led to growth and new connections in the service area which continue to benefit the District. Concord and Walnut Creek continue to expand their commercial and residential projects which have increased sewer service charges and connections fees. The District and the labor bargaining units have agreed upon new contracts which are effective through April 17, 2022, with such agreements approved by the Board on November 1, 2018. The previous labor contracts progressively reduced, and in fiscal year 2016-17 eliminated the District contributions toward the employee share of employee retirement costs, while the District continues to pay the employer share of retirement costs. Payment of the unfunded liability for pension and other post employment benefits has been a major concern for the District as it is for many public entities. An additional payment for the unfunded actuarial accrued liability (“UAAL”) is included as part of the financial plan and recent year budgets for the District to alleviate future fiscal obligations of the unfunded liability. Routine amortization, investment performance, and the additional payments toward the UAAL have resulted in substantial declines in pension and OPEB liabilities in recent years.

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 District has in recent years maintained balanced revenue sources, adequate reserves, and minimal debt obligations. The District reviews its rate and other charges annually, and adopted a two-year rate action in fiscal year 2016-17. The District can increase its sewer service charge rates as required to maintain financial stability and cover projected cost increases by providing public notice (as required by Proposition 218) to all customers, holding a Public Hearing, and obtaining approval by the Board of Directors. The District has maintained an essentially flat O&M budget since FY 2014-15, while budgeted investment in capital projects has increased over this period. The District also maintains strong market access to obtain bond financing, as needed, due to the District’s AAA and Aa1 bond ratings. The District’s 2009 debt was refinanced in September 2018 to save a projected \$8.2 million in interest costs through 2029. The District anticipates that it will continue to meet its mission and goals, continue to provide excellent customer service and responsible rates to its customers, and meet compliance requirements and other goals as specified in its strategic plan for the coming years.

Long-Term Financial Planning

District management analyzes and updates a strategic plan every two years, with the six goals being: provide exceptional customer service and maintain an excellent reputation in the community; strive to meet regulatory requirements; be a fiscally sound and effective wastewater utility; recruit, develop and retain a highly trained and safe workforce; maintain a reliable infrastructure; and embrace technology, innovation and environmental sustainability. Strategies to achieve each of the goals are developed, as well as metrics to evaluate success. Performance on achievement of the goals in the plan is reported quarterly to the Board of Directors. The District performs a 10-year long-term cash flow forecast each year shortly before the budget process begins. The main economic factors considered in long-range forecasting are: the impact of state legislation and mandates, regulatory compliance, Governmental Accounting Standards Board (GASB) requirements, negotiated salary increases and employee benefits (including projected

changes in retirement and health care costs), energy costs and interpreting the energy market, housing growth, and infrastructure renewal and replacement needs. The unfunded actuarial liabilities for pension and other post employment benefits (OPEB) are also considered in the financial planning process. The District currently has an 83% funded ratio for the pension unfunded actuarial liability and a 56% funded ratio for OPEB, with the funded ratio for OPEB expected to increase to approximately 75% with a move to CalPERS as the healthcare plan provider in 2019.

Relevant Financial Policies

Investment Policy: The District's investment policies for District assets and GASB 45 Trust are reviewed and approved annually by the Board of Directors in accordance with District investment policy. During fiscal year 2017-18 the District contributed \$5.359 million to a new IRS Section 115 pension prefunding trust to help potentially smooth future pension contribution costs and to increase the pension funded ratio. Section 53646 of the California Government Code governs our investment practices, and is reviewed annually by staff, legal counsel and the Board. The Board receives monthly financial statements that include District investment performance. The GASB 45 Trust and the Section 115 Pension Trusts are governed by separate investment policies. Since 2008, the GASB 45 Trust funds have been invested with a moderate investment strategy, reflecting the relatively long-term horizon for use of the funds. The new Section 115 pension trust funds are invested using a moderately conservative strategy, reflecting the potentially somewhat shorter term need for the funds. The two trusts are managed by an outside investment advisor subject to investment policies adopted by the Board. The Board Finance Committee reviews GASB 45 Trust and Section 115 Pension Trust quarterly financial reports to monitor the District's investment performance.

Major Initiatives

The District's vision is to be a high-performance organization that provides exceptional customer service and regulatory compliance at responsible rates. Regulatory compliance is provided through utilizing best management practices in our operation of our collection system and treatment facilities, as well as through continued investment in our infrastructure.

The District has received the Platinum award from the National Association of Clean Water Agencies (NACWA) for 20 straight years in recognition of 100% compliance with our National Pollutant Discharge Elimination System (NPDES) permit. It has also reduced the number of sanitary sewer overflows by more than 60% in the past 13 years by improved sewer cleaning and a robust sewer rehabilitation program.

The District had a two-year Strategic Business Plan for FY 2016-17 through FY 2017-18, and adopted an updated plan covering FY 2018-19 and FY 2019-20. The Strategic Business Plan establishes policy direction and identifies six goals with key performance indicators that provide a roadmap for achieving increased effectiveness and efficiencies. The District continues to analyze current and future rates, costs, and cash flows to ensure that they remain consistent with the cost of service study that was completed in FY 2014-15, and anticipates an update of that study in FY 2018-19. The District is seeking out new revenues and funding sources, such as interagency agreements and possible state

loan and grant opportunities. State Revolving Fund loan applications are planned for submission by December 2018 to finance certain projects in the 10 year capital plan.

In order to effectively manage assets to meet future state and federal regulatory requirements, the District initiated an Asset Management Program and the preparation of a Comprehensive Wastewater Master Plan to evaluate options for addressing future regulatory requirements. The Master Plan was completed in FY 2016-17 and has been used as a roadmap for the capital improvements for the next 20 years. Individual projects are proposed in an annual capital improvement budget, and brought to the Board for approval above specified limits. In May 2018, the Board approved the adoption of the Uniform Construction Cost Accounting Act, which will provide a streamlined contracting and approval process for smaller capital projects.

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 comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the eighteenth 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 comprehensive annual financial report continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The District also had its Certificate of Excellence from the California Special Districts Leadership Foundation renewed during September 2017. This award is achieved by demonstrating the completion of essential governance transparency requirements, and is renewed every two years.

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 Chris Thomas, Finance Administrator, Diana Diaz, Accountant, and Amal Lyon, Accountant.
- The outgoing Finance Manager, Thea Vassallo, who retired with 20 years of service in August 2018.
- 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,



Philip Leiber
Director of Finance & Administration

**CENTRAL CONTRA COSTA SANITARY DISTRICT
BOARD OF DIRECTORS
June 30, 2018**

James A. Nejedly.....President
David R. Williams.....President Pro-Tem
Paul H. Causey.....Member
Michael R. McGill.....Member
Tad J. PileckiMember

VISION, MISSION, VALUES

OUR VISION

To be a high-performance organization that provides exceptional customer service and regulatory compliance at responsible rates

OUR MISSION

To protect public health and the environment

OUR VALUES

People

- Value customers and employees
- Respect each other
- Work as a team
- Work effectively and efficiently
- Celebrate our successes and learn from our challenges

Community

- Value water sector partners
- Foster excellent community relationships
- Be open, transparent and accessible
- Understand service level expectations
- Build partnerships

Principles

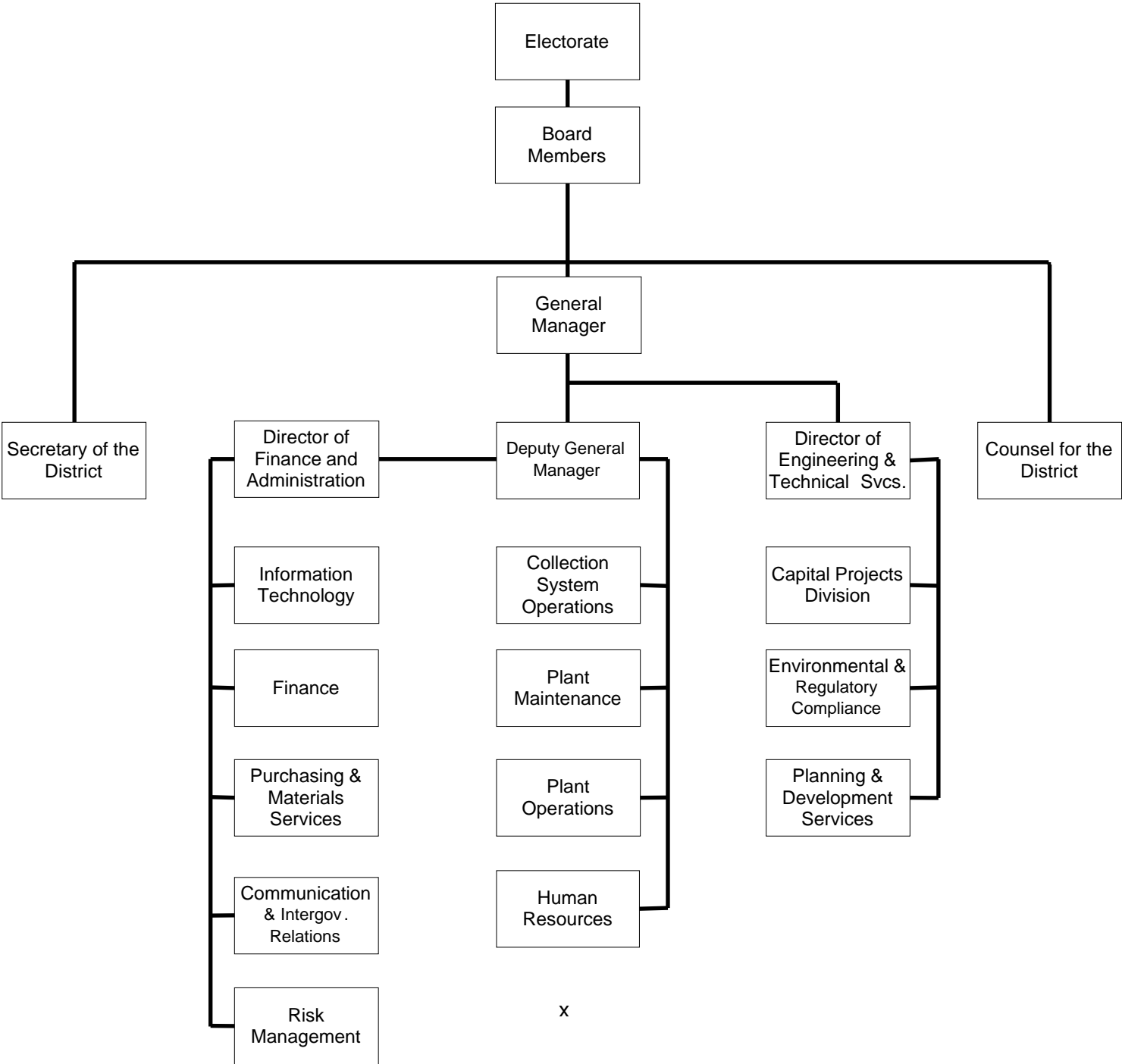
- Be truthful and honest
- Be fair, kind and friendly
- Take ownership and responsibility

Leadership and Commitment

- Promote a passionate and empowered workforce
- Encourage continuous growth and development
- Inspire dedication and top-quality results
- Provide a safe and healthful environment

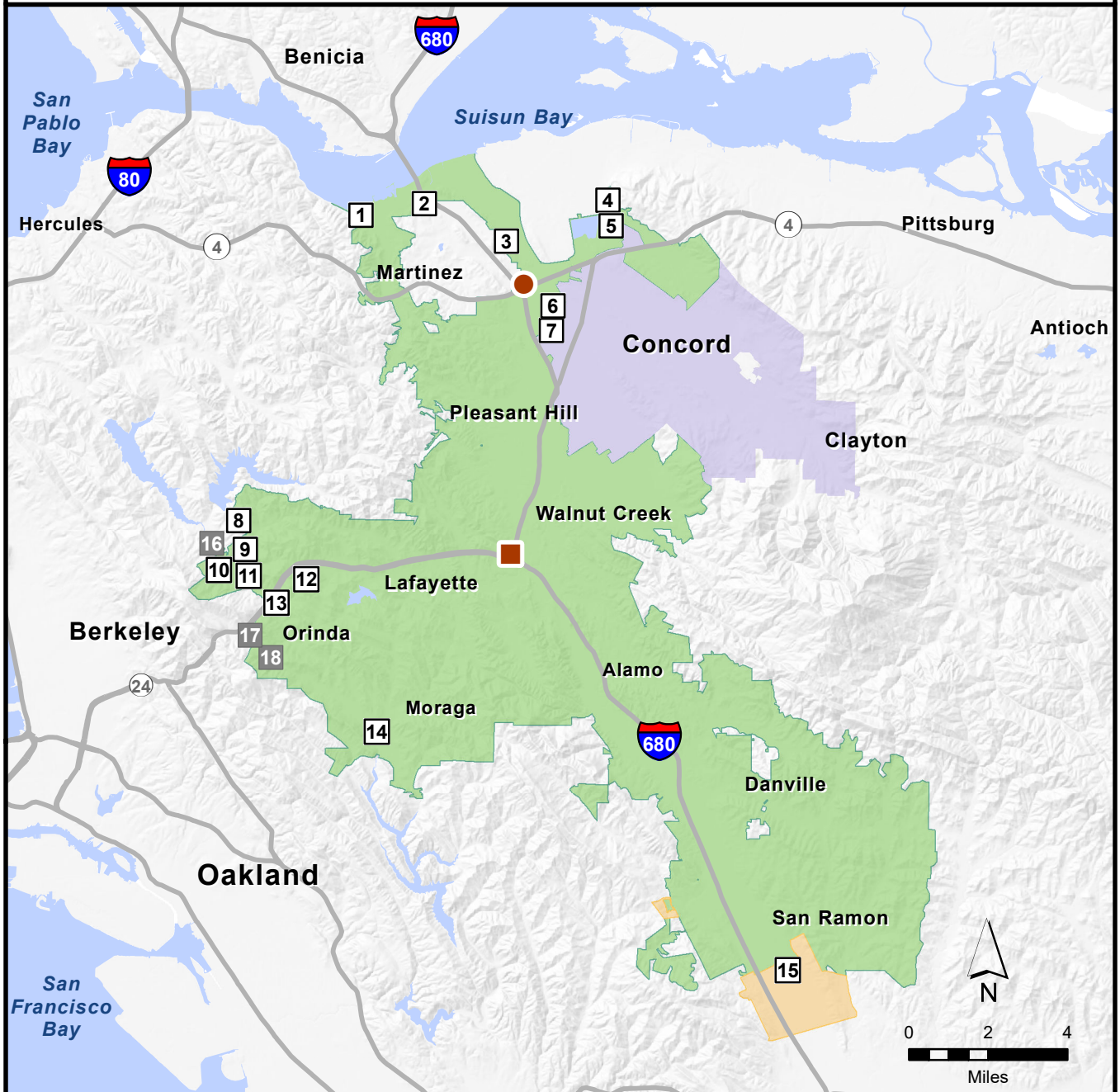









CENTRAL CONTRA COSTA SANITARY DISTRICT
Organization Chart - Composite



Central Contra Costa Sanitary District Map of Service Area

June 30, 2018



	CCCSD's Headquarters Office Building, Treatment Plant, and HHW Collection Facility		Pumping Station
	CCCSD's Collection System Operations Department (sewer maintenance)		Privately Owned Pumping Station
	Wastewater collection and treatment and HHW collection for 348,330 people	CCCSD Pumping Stations	
	Wastewater treatment and HHW collection for 140,590 residents in Concord and Clayton by contract	1. Martinez	11. Lower Orinda
	HHW disposal services only	2. Fairview	12. Bates Blvd. - Orinda
		3. Maltby	13. Orinda Crossroads
		4. Clyde	14. Moraga
		5. Concord Industrial	15. San Ramon
		6. Buchanan Field North	PRIVATELY OWNED:
		7. Buchanan Field South	16. Wagner Ranch
		8. Sleepy Hollow	17. Lower Wilder
		9. Acacia	18. Upper Wilder
		10. Flush Kleen	



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**Central Contra Costa Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

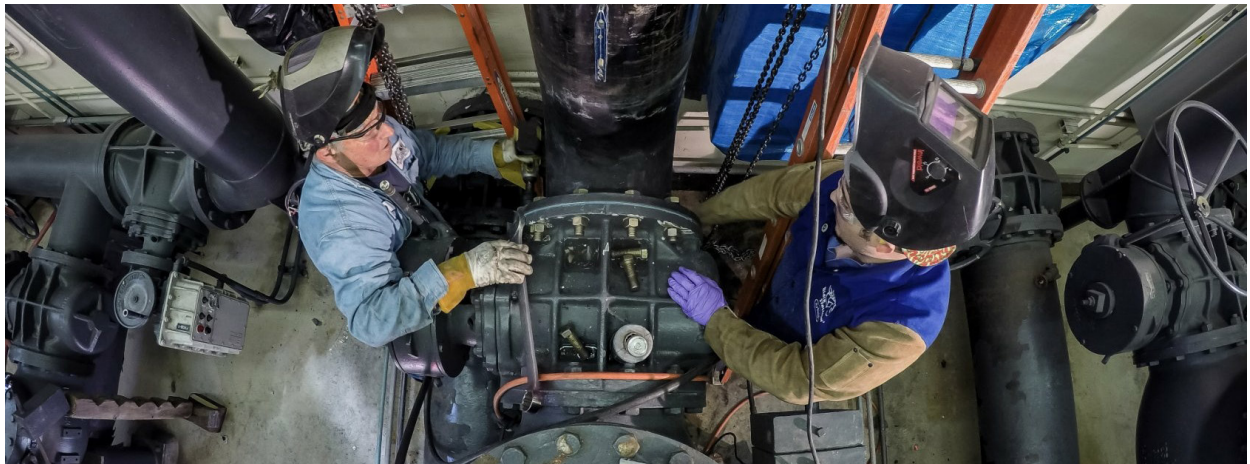
June 30, 2017

Christopher P. Morill

Executive Director/CEO

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FINANCIALS





INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Central Contra Costa Sanitary District
Martinez, California

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund of the Central Contra Costa Sanitary District (District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the business-type activities and the fiduciary fund of the Central Contra Costa Sanitary District as of June 30, 2018 and 2017, and the respective changes in net position and cash flows, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions, which became effective during the year ended June 30, 2018 and had material effects on the financial statements as discussed in Note 11B and Note 10 in the notes to the financial statements.

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Maze + Associates

Pleasant Hill, California
December 4, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Central Contra Costa Sanitary District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2018. This information is presented in conjunction with the audited financial statements, which follow this report.

FINANCIAL HIGHLIGHTS

The District's 2017-18 financial highlights are listed below. These results are discussed in more detail later in the report.

- The District's total ending net position decreased by \$5.7 million or -0.90% in 2017-18. This is mainly due to increases in operating and non-operating revenues and capital contributions.
- Total revenues in 2017-18 increased by \$5.7 million or 5.28%. The total Sewer Service Charge (SSC) rate increased for single family homes by 5.37% to \$530 and 5.34% for multi-family homes to \$513. Increased property values in the service area lead to an increase in property taxes.
- Total 2017-18 expenses increased by \$8.1 million or 7.91%. This is mainly due to an increase in additional contributions to the OPEB UAAL and the implementation of GASB 75 which required the District to record a liability and expense to reflect the balance and activity of its total Net OPEB Liability.
- Capital Contributions increased in 2017-18 by \$5.2 million or 19.53%. The increase is mainly due to an increase in contributions from the City of Concord and a higher allocation of SSC to customer contributions to capital costs.

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. This report also contains other supplementary information in addition to the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

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

- **Statement of Net Position** – reports the District's current financial resources (short-term spendable resources) with capital assets, deferred outflows of resources, long-term obligations, and deferred inflows of resources.

- **Statement of Revenues, Expenses and Changes in Net Position** – 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, non-capital financing activities, capital and related financing activities, investing activities, and non-cash activities.

STATEMENT OF NET POSITION

The following table shows the condensed statement of net position of the Central Contra Costa Sanitary District for the past three fiscal years:

Table 1 – Condensed Statement of Net Position

	Fiscal Year Ended June 30			% Increase (Decrease)	
	2017-18	2016-17	2015-16	FY 17-18 vs. FY 16-17	FY 17-18 vs. FY 15-16
Current Assets	\$ 119,043,984	\$ 105,876,117	\$ 95,584,553	12.44%	24.54%
Capital Assets	652,402,342	632,452,631	616,005,037	3.15%	5.91%
Other Non-Current Assets	11,462,838	10,057,548	7,580,512	13.97%	51.21%
Total Assets	782,909,164	748,386,296	719,170,102	4.61%	8.86%
Deferred Outflows of Resources – Pension & OPEB Related	21,533,421	29,078,203	34,464,472	-25.95%	-37.52%
Current Liabilities	14,441,630	13,720,331	10,986,379	5.26%	31.45%
Non-Current Liabilities	140,952,831	121,055,247	127,458,808	16.44%	10.59%
Total Liabilities	155,394,461	134,775,578	138,445,187	15.30%	12.24%
Deferred Inflows of Resources – Pension Related	28,076,634	16,051,905	21,618,960	74.91%	29.87%
Net Investment in Capital Assets	623,307,342	600,770,254	581,844,903	3.75%	7.13%
Restricted - Debt Service	4,421,504	4,449,437	4,363,251	-0.63%	1.34%
Unrestricted	(6,757,356)	21,417,325	7,362,273	-131.55%	-191.78%
Total Net Position	\$ 620,971,490	\$ 626,637,016	\$ 593,570,427	-0.90%	4.62%

The total net position of the District increased from \$593.6 million in 2015-16 to \$626.6 million in 2016-17 and decreased to \$621.0 million in 2017-18. The District’s total assets have increased by \$34.5 million or 4.61% compared to 2016-17, and \$63.7 million or 8.86% compared to 2015-16. The total liabilities increased \$20.6 million or 15.30% compared to 2016-17, and increased \$16.9 million or 12.24% compared to 2015-16. The increase in net position over the three-year period totals \$27.4 million or 4.62% and is the result of the combination of net income, capital contributions, and the implementation of GASB 75 which required the District to record the Net OPEB Liability.

By far the largest portion of the District's net position (100.4%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, intangible assets, and sewer line infrastructure), less any related debt used to acquire those assets that are 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 funds 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 \$4.4 million restricted for debt service. The remaining negative balance of \$6.8 million in unrestricted net position decreased by \$28.2 million from 2016-17 and decreased by \$14.1 million from 2015-16 due to increased operating and non-operating revenues and capital contributions, and the implementation of GASB 75 which required the District to record the Net OPEB Liability in the Statement of Net Position.

REVIEW OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The table below shows the condensed statement of revenues, expenses, and changes in net position for the District for the past three fiscal years:

Table 2 – Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30			% Increase (Decrease)	
	2017-18	2016-17	2015-16	FY 17-18 vs. FY 16-17	FY 17-18 vs. FY 15-16
	Sewer Service Charges (SSC)	\$ 90,797,844	\$ 86,989,488	\$86,147,863	4.38%
Other Service Charges and Miscellaneous	1,698,591	1,635,953	1,586,673	3.83%	7.05%
Total Operating Revenue	92,496,435	88,625,441	87,734,536	4.37%	5.43%
Property Tax	17,650,741	16,318,874	14,835,167	8.16%	18.98%
Permit & Inspection Fees	2,592,137	2,600,888	2,546,723	-0.34%	1.78%
Interest and All Other	2,299,187	1,728,082	1,757,403	33.05%	30.83%
Total Non-Operating Revenues	22,542,065	20,647,844	19,139,293	9.17%	17.78%
Total Revenues	115,038,500	109,273,285	106,873,829	5.28%	7.64%
Total Labor and Benefits	68,862,484	62,305,898	63,988,158	10.52%	7.62%
Chemicals & Utilities	5,374,271	6,106,904	5,053,263	-12.00%	6.35%
Repairs and Maintenance	4,428,947	4,662,918	4,891,062	-5.02%	-9.45%
Professional, Legal and Outside Services	2,988,280	3,891,224	4,196,302	-23.20%	-28.79%
Materials & Supplies	2,103,331	2,008,100	2,251,356	4.74%	-6.57%
Hauling and Disposal	1,032,064	999,168	889,471	3.29%	16.03%
Self-Insurance Expense	788,689	697,792	1,600,617	13.03%	-50.73%
Pension Expense	(4,441,205)	(4,080,558)	(9,778,389)	8.84%	-54.58%
OPEB Expense	5,545,563	-	-	100.00%	100.00%
All Other	1,436,950	1,981,186	1,815,647	-27.47%	-20.86%
Depreciation Expense	21,561,704	22,892,153	22,885,030	-5.81%	-5.78%
Total Operating Expenses	109,681,078	101,464,785	97,792,517	8.10%	12.16%
Non-Operating Expense - Interest Expense	1,230,680	1,313,398	1,427,641	-6.30%	-13.80%
Total Expenses	\$110,911,758	\$ 102,778,183	\$99,220,158	7.91%	11.78%

**Table 2 – Condensed Statement of Revenues, Expenses, and Changes in Net Position
(Continued)**

	Fiscal Year Ended June 30			% Increase (Decrease)	
	2017-18	2016-17	2015-16	FY 17-18 vs. FY 16-17	FY 17-18 vs. FY 15-16
	Income Before Capital Contributions	4,126,742	6,495,102	7,653,671	-36.46%
Customer Contributions (SSC)	20,425,514	16,628,105	11,991,752	22.84%	70.33%
Contributed Sewer Lines	2,003,614	2,899,042	1,774,168	-30.89%	12.93%
Capital Contributions - Connection Fees	9,331,420	7,044,340	8,543,758	32.47%	9.22%
Total Capital Contributions	31,760,548	26,571,487	22,309,678	19.53%	42.36%
Change in Net Position	35,887,290	33,066,589	29,963,349	8.53%	19.77%
Beginning Net Position	626,637,016	593,570,427	563,607,078	5.57%	11.18%
Prior Period Adjustment – GASB 75 (Note 1M)	(41,552,816)	-	-	-	-
Ending Net Position	\$ 620,971,490	\$ 626,637,016	\$ 593,570,427	-0.90%	4.62%

Revenue

Total operating revenues increased from \$87.7 million in 2015-16 to \$88.6 million in 2016-17 and to \$92.5 million in 2017-18. Operating revenues increased by \$3.9 million or 4.37% compared to 2016-17, and increased by \$4.8 million or 5.43% comparing 2017-18 to 2015-16.

Total non-operating revenue increased from \$19.1 million in 2015-16 to \$20.6 million in 2016-17 and to \$22.5 million in 2017-18. An increase compared to 2016-17 by \$1.9 million or 9.17%, and increased by \$3.4 million or 17.78% comparing 2017-18 to 2015-16.

Total revenues increased from \$106.9 million in 2015-16 to \$109.3 million in 2016-17 to \$115.0 million in 2017-18. The change in total revenue resulted in an increase of \$5.7 million or 5.28% comparing 2017-18 to 2016-17, and increased by \$8.1 million or 7.64% comparing 2017-18 to 2015-16. There was a 5.37% rate increase for single family homes and a 5.34% rate increase for multi-family homes in 2017-18, a 6.79% rate increase for single family homes and a 5.18% rate increase for multi-family homes in 2016-17, and a 7.29% rate increase for single family homes and a 5.47% rate increase for multi-family homes in 2015-16. The Sewer Service Charge allocation to cover capital costs increased to 15.70% in 2017-18 from 14.25% in 2016-17 and 10.33% in 2015-16. Property tax revenue increased by \$1.3 million or 8.16% from 2017-18 to 2016-17, and \$2.8 million or 18.98% comparing 2017-18 to 2015-2016 due to the continued increase in property values.

Expenses

Total expenses increased from \$99.2 million in 2015-16 to \$102.8 million in 2016-17 and increased to \$110.9 million in 2017-18. In 2017-18, total expenses increased by \$8.1 million or 7.91% compared to 2016-17. Comparing 2017-18 to 2015-16, total expenses were \$11.7 million or 11.78% higher. Increase from 2015-16 is mainly due to additional contributions to pension and OPEB UAAL, the implementation of GASB 75, and the pension and OPEB expense adjustments. Non-operating expense is mainly driven by debt service interest expense.

Total income before capital contributions went from \$7.7 million in 2015-16, to \$6.5 million in 2016-17, and \$4.1 million in 2017-18.

Total capital contributions in 2017-18 were \$31.8 million compared to \$26.6 million in 2016-17 and \$22.3 million in 2015-16. This was mainly due to higher customer contributions SSC in 2017-18 due to the rate increase, a shift of the internal SSC revenue allocation, and volatility in connection fees due to the fluctuation of the housing and construction markets. The total change in net position increased by \$2.8 million or 8.53% when comparing 2017-18 to 2016-17 and increased \$5.9 million or 19.77% when comparing 2017-18 to 2015-16.

CAPITAL ASSETS

Capital assets for fiscal years 2017-18, 2016-17 and 2015-16 totaled \$652.4 million, \$632.4 million, and \$616.0 million, respectively. Capital assets include the District’s entire major infrastructure including wastewater treatment facilities, sewers, land, buildings, pumping stations, vehicles, intangible assets and furniture and equipment exceeding our capitalization policy limit of \$5,000, net of depreciation. As of June 30, 2018, the District’s investment in capital assets totaled \$652.4 million, an increase of \$20.0 million or 3.15% over the capital asset balance of \$632.4 million at June 30, 2017. Capital assets increased by \$36.4 million or 5.91% comparing 2017-18 to 2015-16. A comparison of the District’s capital assets over the past three fiscal years is presented below:

Table 3 – Capital Assets

	Fiscal Year Ended June 30			% Increase (Decrease)	
	2017-18	2016-17	2015-16	FY 17-18 vs. FY 16-17	FY 17-18 vs. FY 15-16
	Land	\$ 17,320,570	\$ 17,320,570	\$ 17,320,570	0.00%
Sewage Collection System	379,247,498	351,503,806	341,412,320	7.89%	11.08%
Contributed Sewer Lines	159,795,333	157,791,719	154,863,632	1.27%	3.18%
Outfall Sewers	11,371,574	11,371,574	11,371,574	0.00%	0.00%
Sewage Treatment Plant	341,675,108	333,962,356	323,360,945	2.31%	5.66%
Recycled Water Infrastructure	20,292,366	20,292,366	19,215,350	0.00%	5.60%
Pumping Stations	57,327,020	57,278,141	56,270,149	0.09%	1.88%
Buildings	44,238,508	44,238,508	42,412,648	0.00%	4.30%
Intangible Assets	4,949,507	4,941,707	4,936,407	0.16%	0.27%
Furniture & Equipment	13,841,424	14,012,837	12,627,569	-1.22%	9.61%
Motor Vehicles	7,695,424	7,614,982	7,378,730	1.06%	4.29%
Construction In Progress	35,820,635	33,388,571	24,480,982	7.28%	46.32%
Subtotal	1,093,574,967	1,053,717,137	1,015,650,876	3.78%	7.67%
Less Accumulated Depreciation	441,172,625	421,264,506	399,645,839	4.73%	10.39%
Total Capital Assets (net of depreciation)	\$ 652,402,342	\$ 632,452,631	\$ 616,005,037	3.15%	5.91%

The major reasons for the increase in capital assets, net of depreciation, of \$20.0 million from 2016-17 to 2017-18 and \$36.4 million from 2015-16 to 2017-18, are as follows:

- Sewer pipe ongoing renovations, upgrades, expansion, pumping station improvements, and contributed sewer lines increased by \$29.8 million comparing 2017-18 to 2016-17 and \$43.8 million comparing 2017-18 to 2015-16.
- Treatment plant infrastructure renovations, upgrades, equipment, and improvements increased by \$7.8 million comparing 2017-18 to 2016-17 and \$18.3 million comparing 2017-18 to 2015-16.
- All other asset categories, including construction in progress, increased by \$2.3 million comparing 2017-18 to 2016-17 and increased by \$14.0 million comparing 2017-18 to 2015-16.
- Capital asset increases are offset by an increased subtraction of accumulated depreciation of \$20.0 million comparing 2017-18 to 2016-17 and \$41.6 million comparing 2017-18 to 2015-16 due to increasing capital asset investment and its associated depreciation expense.

See Note 5 in the audited financial statements.

DEBT ADMINISTRATION

The total debt obligations for fiscal years 2017-18, 2016-17 and 2015-16 totaled \$29.1 million, \$31.7 million, and \$34.2 million, respectively. As of June 30, 2018, the District's outstanding debt totaled \$29.1 million, which is a decrease of \$2.6 million or -8.17% over the debt balance of \$31.7 million at June 30, 2017. Debt decreased by \$5.1 million or -14.83% comparing 2017-18 to 2015-16. The 2009 certificates of participation and the 1999 State Water Resources Control Board Water Reclamation Loan principal and related interest for both decrease annually due to the scheduled principal payments. The District did not issue any new debt this fiscal year. The source of funds for repayment of debt issued for expansion purposes is the state property taxes received. A comparison of the District's debt service for the past three fiscal years is presented below:

Table 4 – Debt Outstanding

	Outstanding Balance - Fiscal Year Ended June 30			% Increase (Decrease)	
	2017-18	2016-17	2015-16	FY 16-17	FY 16-17
				vs. FY 15-16	vs. FY 14-15
Revenue Bonds	\$ 29,095,000	\$ 31,500,000	\$ 33,800,000	-7.63%	-13.92%
Water Reclamation Loan	-	182,377	360,134	-100.00%	-100.00%
Total Debt Service	\$ 29,095,000	\$ 31,682,377	\$ 34,160,134	-8.17%	-14.83%

See Note 6 in the audited financial statements.

ECONOMIC AND OTHER FACTORS

The State of California's economy continues to grow at a modest 2-3% and is currently operating at full employment. California unemployment rate is projected to be between 3-4% through 2020. Changes in property values and income tax regulations could potentially effect the property tax revenue in the near future. The federal tax reform has been targeted to increase business development which should continue to stimulate growth in the state and local economies. Federal and State economic challenges will continue into the future and could have a trickle-down effect on local government.

Items specifically impacting the District are:

- Current and future legislation impacting public employee pensions is still being litigated, currently requiring higher employee contributions and lower pensions by eliminating spiking.
- Changes to the healthcare providers in order to reduce operating costs.
- The necessary replacement and upgrading of existing infrastructure.
- Implementation of the Comprehensive Wastewater Master Plan.
- Housing market continues to show improvement which impacts the District's property tax revenues, and development and user fees.
- Regulatory requirements becoming more stringent, causing the District to spend more on compliance, both for operations and maintenance costs and capital projects. This may require debt financing for large capital projects in the near future.

In addition to making efforts to reduce spending and improve process efficiencies, the District has the ability to raise the SSC to meet its long-term commitments. The District has a Standard and Poor's AAA rating, and was able to refinance the 2009 debt in September 2018 to save a projected \$8.2 million in interest costs through 2029.

FINANCIAL CONTACT

The financial report is designed to provide the District's customers and creditors with a general overview of District 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: Director of Finance & Administration Philip Leiber, Central Contra Costa Sanitary District, 5019 Imhoff Place, Martinez, CA 94553.

CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$57,137,987	\$41,346,327
Short term investments (Note 2)	34,000,000	39,000,000
Accounts receivable, net (Note 3)	22,961,800	19,965,896
Interest receivable	99,384	14,665
Parts and supplies	2,245,055	2,089,765
Prepaid expenses	2,599,758	3,459,464
Total current assets	<u>119,043,984</u>	<u>105,876,117</u>
NON-CURRENT ASSETS		
Restricted cash and cash equivalents (Notes 1.F. and 2)	5,497,153	236,702
Restricted investments (Note 2)	4,856,450	4,856,450
Assessment Districts receivable (Note 4)	1,109,235	1,311,825
Net OPEB asset	<u>-</u>	<u>3,652,571</u>
Capital assets:		
Nondepreciable (Note 5)	58,090,712	55,650,848
Depreciable, net of accumulated depreciation (Note 5)	<u>594,311,630</u>	<u>576,801,783</u>
Total capital assets, net	<u>652,402,342</u>	<u>632,452,631</u>
Total non-current assets	<u>663,865,180</u>	<u>642,510,179</u>
TOTAL ASSETS	<u>782,909,164</u>	<u>748,386,296</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 9)	21,503,021	29,078,203
OPEB related (Note 10)	30,400	-
Total Deferred Outflows of Resources	<u>21,533,421</u>	<u>29,078,203</u>

(Continued)

See accompanying notes to financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

LIABILITIES	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$9,664,738	\$8,908,133
Interest payable	534,330	558,380
Refunding Water Revenue Bonds - current portion (Note 6)	2,480,000	2,405,000
Water Reclamation Loan Contract - current portion (Note 6)	-	182,377
Accrued compensated absences - current portion (Note 1.J.)	464,500	457,000
Provision for uninsured claims (Note 7)	882,230	807,079
Refundable deposits	415,832	402,362
Total current liabilities	<u>14,441,630</u>	<u>13,720,331</u>
NON-CURRENT LIABILITIES		
Refunding Water Revenue Bonds, noncurrent portion (Note 6)	26,615,000	29,095,000
Accrued compensated absences, noncurrent portion (Note 1.J.)	4,181,377	4,113,131
Net pension liability (Note 9)	63,806,000	87,847,116
Net OPEB liability (Note 10)	46,350,454	-
Total non-current liabilities	<u>140,952,831</u>	<u>121,055,247</u>
TOTAL LIABILITIES	<u>155,394,461</u>	<u>134,775,578</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related (Note 9)	28,076,634	16,051,905
Total Deferred Inflows of Resources	<u>28,076,634</u>	<u>16,051,905</u>
NET POSITION (Note 11)		
Net investment in capital assets	623,307,342	600,770,254
Restricted for debt service	4,421,504	4,449,437
Unrestricted	<u>(6,757,356)</u>	<u>21,417,325</u>
TOTAL NET POSITION	<u>\$620,971,490</u>	<u>\$626,637,016</u>

See accompanying notes to financial statements

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CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Sewer service charges (SSC)	\$75,824,221	\$73,138,235
Service charges - City of Concord (Note 8)	14,973,623	13,851,253
Other services charges	1,078,594	1,029,500
Miscellaneous charges	619,997	606,453
Total operating revenues	92,496,435	88,625,441
OPERATING EXPENSES		
Sewage collection and pumping stations	15,954,881	16,826,922
Sewage treatment	26,050,876	25,631,809
Engineering	16,472,501	15,342,640
Recycled water	1,023,757	970,640
Administrative and general	27,513,001	23,881,179
Pension expense adjustments (Note 9)	(4,441,205)	(4,080,558)
OPEB expense adjustments (Note 10)	5,545,563	-
Depreciation (Note 5)	21,561,704	22,892,153
Total operating expenses	109,681,078	101,464,785
OPERATING (LOSSES)	(17,184,643)	(12,839,344)
NONOPERATING REVENUES (EXPENSES)		
Taxes	17,650,741	16,318,874
Permit and inspection fees	2,592,137	2,600,888
Interest earnings	1,223,349	761,838
Interest expense	(1,230,680)	(1,313,398)
Other income (expense), net	1,075,838	966,244
Total nonoperating revenues (expenses), net	21,311,385	19,334,446
INCOME BEFORE CAPITAL CONTRIBUTIONS	4,126,742	6,495,102
CAPITAL CONTRIBUTIONS		
City of Concord contributions to capital costs (Note 8)	6,364,725	4,476,961
Customer contributions to capital cost (SSC)	14,060,789	12,151,144
Contributed sewer lines	2,003,614	2,899,042
Capital contributions - connection fees	9,331,420	7,044,340
Total capital contributions	31,760,548	26,571,487
CHANGE IN NET POSITION	35,887,290	33,066,589
NET POSITION, BEGINNING OF YEAR	626,637,016	593,570,427
Prior period adjustment for implementation of GASB Statement 75 (Note 11B)	(41,552,816)	-
NET POSITION, END OF YEAR	\$620,971,490	\$626,637,016

See accompanying notes to financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$89,703,121	\$87,882,087
Payments to suppliers	(41,555,023)	(40,233,129)
Payments to employees and related benefits	(41,035,510)	(42,646,197)
Net cash provided (used) by operating activities	7,112,588	5,002,761
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of taxes	17,650,741	16,318,874
Inspection/permit fees and other non-operating income	3,667,975	3,567,132
Cash flows from noncapital financing activities	21,318,716	19,886,006
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	22,429,128	19,527,147
Connection fees	9,331,420	7,044,340
Acquisition and construction of capital assets	(41,511,415)	(39,595,091)
Proceeds from disposal of capital assets	-	255,344
Interest paid on long-term debt	(1,254,730)	(1,347,398)
Principal payments on long-term debt	(2,587,377)	(2,477,757)
Cash flows (used for) capital and related financing activities	(13,592,974)	(16,593,415)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments	72,075,151	43,807,079
Acquisition of investments	(67,000,000)	(44,000,000)
Interest received	1,138,630	928,880
Cash flows from (used for) investing activities	6,213,781	735,959
NET INCREASE (DECREASE) IN CASH	21,052,111	9,031,311
Cash, beginning of year	41,583,029	32,551,718
Cash, end of year	\$62,635,140	\$41,583,029

(Continued)

See accompanying notes to financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating (losses)	(\$17,184,643)	(\$12,839,344)
Adjustments to reconcile operating losses to cash flows from operating activities:		
Depreciation	21,561,704	22,892,153
Changes in assets and liabilities:		
Receivables, net	(2,793,314)	(743,354)
Parts and supplies	(155,290)	56,407
Prepaid expenses	859,706	(673,057)
Net OPEB asset	3,652,571	(2,544,327)
Accounts payable and accrued expenses	756,605	2,733,908
Accrued payroll and related expenses	75,746	92,589
Refundable deposits	13,470	108,344
Net pension liability	(4,441,205)	(4,080,558)
Net OPEB liability	4,767,238	-
Net cash provided (used) by operating activities	\$7,112,588	\$5,002,761
SCHEDULE OF NON CASH ACTIVITY		
Change in fair value of investments	\$1,138,630	\$928,880
Capital asset donations	2,003,614	2,899,052
Total non cash activity	\$3,142,244	\$3,827,932
CASH AND CASH EQUIVALENTS, AS PRESENTED ON STATEMENT OF NET POSITION:		
Unrestricted cash and cash equivalents	\$57,137,987	\$41,346,327
Restricted cash and cash equivalents	5,497,153	236,702
Total cash and cash equivalents at end of year	\$62,635,140	\$41,583,029

See accompanying notes to financial statements

CENTRAL CONTRA COUNTY SANITARY DISTRICT
 STATEMENTS OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
 JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Investments with Trustees:		
Cash equivalents (Note 2)	\$1,635,346	\$1,137,442
Equity securities	15,961,335	26,564,682
Equity mutual funds	41,999,998	24,626,243
Total investments	59,596,679	52,328,367
Total Assets	\$59,596,679	\$52,328,367
NET POSITION		
Net position held in trust for OPEB benefits	\$59,596,679	\$52,328,367

See accompanying notes to basic financial statements

CENTRAL CONTRA COUNTY SANITARY DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
ADDITIONS		
Contributions:		
District	\$3,946,500	\$5,028,700
Total contributions	3,946,500	5,028,700
Investment income:		
Net appreciation in fair value of investments	2,500,297	3,802,694
Interest, dividends and other	959,972	932,882
Less: investment expenses	(138,457)	(139,063)
Total net investment income	3,321,812	4,596,513
Total additions	7,268,312	9,625,213
Change in net position	7,268,312	9,625,213
NET POSITION		
Beginning of year	52,328,367	42,703,154
End of year	\$59,596,679	\$52,328,367

See accompanying notes to basic financial statements

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**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

**NOTE 1 – DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES**

A. *Reporting Entity*

The Central Contra Costa Sanitary District (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 basic financial statements present the financial statements of Central Contra Costa Sanitary District and its component unit. The component unit discussed in the following paragraph is blended in the District's reporting entity because of the significance of its operational and financial relationship with the District.

Blended Component Unit - Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the Governing Board of the component unit is the same as of Governing Board of the District and because its purpose is to finance facilities to be used for the direct benefit of the District. The *Central Contra Costa Sanitary District Facilities Financing Authority (Authority)* was organized solely for the purpose of providing financial assistance to the District. The Authority does this 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 Authority has no employees and the Board of Directors of the Authority consists 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 Authority.

B. *Basis of Accounting*

The District's financial statements are prepared on the accrual basis of accounting. The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements for certain accounting and financial reporting guidance.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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

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

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

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.

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 position which is allocable to each of these sub-funds has been shown separately in the accompanying supplementary information to the financial statements.

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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

The District reports its *Other Post-Employment Benefit Trust Fund* as a fiduciary fund. The Fund consists of the Public Agencies Post-Retirement Health Care Plan, which was established in 2005, amended and restated in 2007. The fundamental purpose of the trust is to fund post-employment benefits (other than pension benefits), such as medical, dental, vision, life insurance, long-term care and similar benefits.

C. *Investments*

Investments held at June 30, 2018 and 2017 with original maturities greater than one year, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

D. *Fair Value Measurements*

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

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

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

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

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

E. *Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

F. *Bank Escrow Deposit*

An escrow agreement was formed between the District and the National Park Service for the right-of-way through the John Muir National Historic Site, in lieu of issuing a performance bond. The current right-of-way permit is 10 years, but is renewable and must remain in effect so long as there is sewage running through the area; therefore, it is unlikely that the escrow funds will ever be released to the District. These funds are listed as restricted cash in the financial statements.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 For the Years Ended June 30, 2018 and 2017**

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

G. *Parts and Supplies*

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

H. *Property, Plant, and Equipment*

Purchased capital assets are stated at historical cost. Capital assets contributed to the District are reported at acquisition value. The capitalization threshold for capital assets is \$5,000. Expenditures which materially increase the value or life of capital assets 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 over the asset’s useful life as follows:

	<u>Years</u>
Sewage Collection Facilities	75
Intangible Assets	75
Sewage Treatment Plant and Pumping Plants	40
Buildings	50
Furniture and Equipment	5 – 15
Motor Vehicles	7 – 15

I. *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 1½ 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.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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

J. *Compensated Absences*

The liability for vested vacation, compensatory time, 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.

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

	2018	2017
Beginning Balance	\$4,570,131	\$4,477,542
Additions	326,791	627,663
Payments	(251,045)	(535,074)
Ending Balance	\$4,645,877	\$4,570,131
Current Portion	\$464,500	\$457,000

The current portion of the liability to be used within the next year is estimated by management to be approximately 10% of the ending balance.

K. *Statement of Cash Flows*

For purposes of the statement of cash flows, all highly liquid investments, including restricted assets, with maturities of three months or less when purchased, are considered to be cash equivalents. Included therein are petty cash, bank accounts, and the State of California Local Agency Investment Fund (LAIF). Restricted assets are debt service amounts maintained by fiduciaries and not available for general expenses.

L. *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 THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

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

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

GASB Statement No. 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement required the District to make a prior period adjustment. As a result, the beginning net position was reduced by \$41,552,816.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of this pronouncement did not have a financial impact on the District.

GASB Statement No. 85 – Omnibus. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This statement was implemented by the District in the current year. See Note 10 for additional information.

GASB Statement No. 86 – Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this pronouncement did not have a financial impact on the District.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 2 – CASH AND INVESTMENTS

A. *Summary of Cash and Investments*

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	2018	2017
Cash and cash equivalents	\$57,137,987	\$41,346,327
Short term investments	34,000,000	39,000,000
Restricted cash and cash equivalents	100,000	236,702
Restricted investments	4,856,450	4,856,450
Total District Cash and Investments	96,094,437	85,439,479
Cash and investments held with Pension trust	5,397,153	
Cash and investments held with OPEB trust	59,596,679	52,328,367
Total Cash and Investments	\$161,088,269	\$137,767,846

B. *Policies and Practices*

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instruments, registered State warrants or treasury notes, securities of the U.S. Governments, or its agencies, commercial paper, certificates of deposit placed with commercial banks and/or savings with loan companies, and certificates of participation. State code and the District's investment policy prohibit the District from investing in investments with a rating of less than A or equivalent.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. 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	California State Limits			District Policy	District Policy
	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Maximum Percentage of Portfolio (Per Issuer)	Minimum Credit Quality
U.S. Treasury Obligations	5 years	None	None	100%	N/A
U.S. Government Agency Issues	5 years	None	None	100%	N/A
Money Market Funds	N/A	20%	10%	10%	A
Negotiable Certificates of Deposit	5 years	30%	30%	30%	AA
Banker's Acceptances	180	40%	40%	5%	N/A
Commercial Paper (1)	270	25%	10%	5%	A-1
Medium Term Notes	5 years	30%	5%	5%	AA
Collateralized Certificates of Deposit (2)	5 years	30%	None	30%	Aaa
Supranationals	5 years	30%	5%	5%	AA
County Pooled Investment Funds	N/A	None	None	100%	N/A
Local Agency Investment Fund (LAIF)	N/A	None	\$65 million	100%	N/A

(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, excluding Treasury Notes and LAIF.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Fair Value Hierarchy

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

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

Investment Type	2018	
	Level 2	Total
Investments Reported at Fair Value:		
U.S. Federal Agency Securities - FHLB	\$19,000,000	\$19,000,000
Commercial Paper - General Electric	7,500,000	7,500,000
Commercial Paper - Mitsubishi UFG Union Bank	2,500,000	2,500,000
Commercial Paper - Chevron	5,000,000	5,000,000
Total Investments	<u>\$34,000,000</u>	<u>34,000,000</u>
Investments Measured at Cost:		
Certificates of Deposit - Non-Negotiable		4,856,450
Investments Exempt from Fair Value Hierarchy:		
California Local Agency Investment Fund		<u>52,000,000</u>
Total Investments		90,856,450
Cash and investments held with Pension trust		5,397,153
Cash and investments held with OPEB trust		59,596,679
Cash in bank		<u>5,237,987</u>
Total Cash and Investments		<u>\$161,088,269</u>

U.S. Federal Agency Securities and Commercial Paper totaling \$19 million and \$15 million, respectively, classified in Level 2 of the fair value hierarchy, is valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2017:

Investment Type	2017		Total
	Level 1	Level 2	
Investments Reported at Fair Value:			
U.S. Federal Agency Securities - FHLB		\$20,000,000	\$20,000,000
U.S. Treasury Notes	\$15,000,000		15,000,000
Commercial Paper - BNP Paribas		4,000,000	4,000,000
Total Investments	<u>\$15,000,000</u>	<u>\$24,000,000</u>	39,000,000
Investments Reported at Cost:			
Certificates of Deposit - Non-Negotiable			4,856,450
Investments Uncategorized:			
California Local Agency Investment Fund			30,200,000
Total Investments			<u>74,056,450</u>
Cash and investments held with OPEB trust			52,328,367
Cash in bank			11,383,029
Total Cash and Investments			<u>\$137,767,846</u>

U.S. Treasury Notes totaling \$15 million, classified in Level 1 of the fair value hierarchy are valued using a quoted price in an active market for an identical asset. U.S. Federal Agency Securities and Commercial Paper totaling \$20 million and \$4 million, respectively, classified in Level 2 of the fair value hierarchy, is valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment; generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. It is the District's policy to manage 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. District policy is that investment maturities do not exceed one year, with the exception of Treasury Notes or Local Agency Investment Fund; however, investments can be held longer with Board approval.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 2 – CASH AND INVESTMENTS (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 investments by maturity, as of June 30:

Investment Type	2018		Maturity
	12 Months or less	More than 12 Months	
Certificates of Deposit - Debt Reserve		\$4,856,450	4/28/20
Commercial Paper - General Electric	\$2,500,000		7/25/18
Commercial Paper - Mitsubishi UFG Union Bank	2,500,000		7/27/18
Commercial Paper - General Electric	5,000,000		9/6/18
Commercial Paper - Chevron	5,000,000		9/6/18
U.S Federal Agency Securities - FHLB	4,000,000		7/18/18
U.S Federal Agency Securities - FHLB	5,000,000		7/25/18
U.S Federal Agency Securities - FHLB	5,000,000		12/5/18
U.S Federal Agency Securities - FHLB	5,000,000		5/25/19
California Local Agency Investment Fund	52,000,000		
Total Investments	86,000,000	4,856,450	
Cash and investments held with Pension trust	5,397,153		
Cash and investments held with OPEB trust	59,596,679		
Cash in bank	5,237,987		
Total Cash and Investments	\$156,231,819	\$4,856,450	

Investment Type	2017		Maturity
	12 Months or less	More than 12 Months	
Certificates of Deposit - Debt Reserve		\$4,856,450	4/28/20
Commercial Paper - BNP Paribas New York	\$4,000,000		7/19/17
U.S. Treasury Notes	15,000,000		12/7/17
U.S Federal Agency Securities - FHLB	20,000,000		7/20/17
California Local Agency Investment Fund	30,200,000		Not applicable
Total Investments	69,200,000	4,856,450	
Cash and investments held with OPEB trust	52,328,367		
Cash in bank	11,383,029		
Total Cash and Investments	\$132,911,396	\$4,856,450	

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, of each investment type as provided by Moody’s investment rating system, of which a P -1 rating is the top rating for short term investments.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Type	Totals	
	2018	2017
<i>Rated P-1:</i>		
U.S. Federal Agency Securities - FHLB	\$19,000,000	\$20,000,000
Commercial Paper - General Electric	7,500,000	
Commercial Paper - Mitsubishi UFG Union Bank	2,500,000	
Commercial Paper - Chevron	5,000,000	
Commercial Paper - BNP Paribas New York		4,000,000
Total Rated Investments	34,000,000	24,000,000
<i>Not rated:</i>		
Certificates of Deposit - non-negotiable	4,856,450	4,856,450
California Local Agency Investment Fund	52,000,000	30,200,000
U.S. Treasury Notes		15,000,000
Cash and investments held with Pension trust	5,397,153	
Cash and investments held with OPEB trust	59,596,679	52,328,367
Cash in Bank	5,237,987	11,383,029
Total Cash and Investments	\$161,088,269	\$137,767,846

G. Concentration of Credit Risk

Investments in LAIF – The District is a voluntary participant in LAIF which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of the District’s investment in this pool is reported in the accompanying financial statements 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 are recorded on an amortized cost basis. At June 30, 2018 and 2017, these investments matured in an average of 193 and 194 days, respectively.

Investments 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 financial statements in cash and cash equivalents 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 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.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 2 – CASH AND INVESTMENTS (Continued)

H. 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 requirements 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 of the District's policy. The County Treasurer's Office will execute the District's investments through such broker-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

Accounts receivable for the years ended June 30 are comprised of the following:

	2018	2017
City of Concord (see Note 8)	\$21,338,348	\$18,328,214
Household Hazardous Waste Partners	821,874	753,686
All Other	801,578	883,996
Total Accounts Receivable	<u>\$22,961,800</u>	<u>\$19,965,896</u>

NOTE 4 – ASSESSMENT DISTRICTS RECEIVABLE

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 at an amount equal to their share of the construction costs and connection fee. The assessments, plus interest, are generally payable over 10 years. The CAD receivable balance at June 30, 2018 and 2017 was \$162,781 and \$217,778, respectively.

The District also established the Alhambra Valley Assessment District (AVAD) to provide services to residents in the Alhambra Valley in Martinez. Residents have the choice to pay cash or finance the construction costs and connection fees. The AVAD receivable balance at June 30, 2018 and 2017 was \$946,454 and \$1,094,047, respectively.

The total receivable balance at June 30, 2018 and 2017 for CAD and AVAD was \$1,109,235 and \$1,311,825, respectively, and is shown as a non-current asset on the Statement of Net Position.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 5 – CAPITAL ASSETS

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

	Balance at June 30, 2017	Additions	Retirements	Transfers & Adjustments	Balance at June 30, 2018
Capital assets not being depreciated:					
Land	\$17,320,570				\$17,320,570
Easements (intangible)	4,941,707			\$7,800	4,949,507
Construction in Progress	33,388,571	\$39,507,801		(37,075,737)	35,820,635
Total nondepreciated assets	<u>55,650,848</u>	<u>39,507,801</u>		<u>(37,067,937)</u>	<u>58,090,712</u>
Capital assets being depreciated:					
Sewage collection system	351,503,806		(\$364,004)	28,107,696	379,247,498
Contributed sewer lines	157,791,719	2,003,614			159,795,333
Outfall sewers	11,371,574				11,371,574
Sewage treatment plant	333,962,356			7,712,752	341,675,108
Recycled water infrastructure	20,292,366				20,292,366
Pumping stations	57,278,141			48,879	57,327,020
Buildings	44,238,508				44,238,508
Furniture and equipment	14,012,837		(1,264,023)	1,092,610	13,841,424
Motor vehicles	7,614,982		(25,558)	106,000	7,695,424
Total depreciated assets	<u>998,066,289</u>	<u>2,003,614</u>	<u>(1,653,585)</u>	<u>37,067,937</u>	<u>1,035,484,255</u>
Less accumulated depreciation:					
Sewage collection system	68,942,762	4,947,051	(364,004)		73,525,809
Contributed sewer lines	59,361,001	2,130,488			61,491,489
Outfall sewers	3,616,981	151,395			3,768,376
Sewage treatment plant	220,382,147	8,427,628			228,809,775
Recycled water infrastructure	8,866,352	813,973			9,680,325
Pumping stations	33,104,637	2,183,806			35,288,443
Buildings	12,876,506	1,278,155			14,154,661
Furniture and equipment	9,260,262	1,239,776	(1,264,023)		9,236,015
Motor vehicles	4,853,858	389,432	(25,558)		5,217,732
Total accumulated depreciation	<u>421,264,506</u>	<u>21,561,704</u>	<u>(1,653,585)</u>		<u>441,172,625</u>
Total capital assets being depreciated, net	<u>576,801,783</u>	<u>(19,558,090)</u>		<u>37,067,937</u>	<u>594,311,630</u>
Capital assets, net	<u>\$632,452,631</u>	<u>\$19,949,711</u>			<u>\$652,402,342</u>

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 5 – CAPITAL ASSETS (Continued)

Property, plant and equipment, and construction in progress are summarized below for the year ended June 30, 2017:

	Balance at June 30, 2016	Additions	Retirements	Transfers & Adjustments	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	\$17,320,570				\$17,320,570
Easements (intangible)	4,936,407			\$5,300	4,941,707
Construction in Progress	24,480,982	\$36,696,049	(\$255,344)	(27,533,116)	33,388,571
Total nondepreciated assets	46,737,959	36,696,049	(255,344)	(27,527,816)	55,650,848
Capital assets being depreciated:					
Sewage collection system	341,412,320		(335,000)	10,426,486	351,503,806
Contributed sewer lines	154,863,632	2,899,042	(5,440)	34,485	157,791,719
Outfall sewers	11,371,574				11,371,574
Sewage treatment plant	323,360,945		(550,000)	11,151,411	333,962,356
Recycled water infrastructure	19,215,350			1,077,016	20,292,366
Pumping stations	56,270,149			1,007,992	57,278,141
Buildings	42,412,648			1,825,860	44,238,508
Furniture and equipment	12,627,569		(159,988)	1,545,256	14,012,837
Motor vehicles	7,378,730		(223,058)	459,310	7,614,982
Total depreciated assets	968,912,917	2,899,042	(1,273,486)	27,527,816	998,066,289
Less accumulated depreciation:					
Sewage collection system	64,587,611	4,690,151	(335,000)		68,942,762
Contributed sewer lines	57,268,867	2,097,574	(5,440)		59,361,001
Outfall sewers	3,465,586	151,395			3,616,981
Sewage treatment plant	210,866,708	10,065,439	(550,000)		220,382,147
Recycled water infrastructure	8,060,811	805,541			8,866,352
Pumping stations	30,884,104	2,220,533			33,104,637
Buildings	11,617,825	1,258,681			12,876,506
Furniture and equipment	8,188,890	1,231,360	(159,988)		9,260,262
Motor vehicles	4,705,437	371,479	(223,058)		4,853,858
Total accumulated depreciation	399,645,839	22,892,153	(1,273,486)		421,264,506
Total capital assets being depreciated, net	569,267,078	(19,993,111)		27,527,816	576,801,783
Capital assets, net	\$616,005,037	\$16,702,938	(\$255,344)		\$632,452,631

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 6 – LONG-TERM DEBT

A. Summary of Activity

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

	Original Issue Amount	Balance June 30, 2017	Retirements	Balance June 30, 2018	Amount due within one year
2009 Series A Certificates of Participation					
Wastewater Revenue					
3.45-3.78%, due 9/1/2029	\$19,635,000	\$19,635,000		\$19,635,000	
2009 Series B Certificates of Participation					
Wastewater Revenue					
.40-3.79%, due 9/1/2029	34,490,000	11,865,000	\$2,405,000	9,460,000	\$2,480,000
1999 State Water Resources Control Board					
Water Reclamation Loan					
2.60%, due 3/31/2018	2,916,872	182,377	182,377		
Total Long-Term Debt		<u>31,682,377</u>	<u>\$2,587,377</u>	29,095,000	<u>\$2,480,000</u>
Less Current Portion		<u>(2,587,377)</u>		<u>(2,480,000)</u>	
Long Term Portion		<u>\$29,095,000</u>		<u>\$26,615,000</u>	

The changes in the District’s long-term obligations during the year ended June 30, 2017 consisted of the following:

	Original Issue Amount	Balance June 30, 2016	Retirements	Balance June 30, 2017	Amount due within one year
2009 Series A Certificates of Participation					
Wastewater Revenue					
3.45-3.78%, due 9/1/2029	\$19,635,000	\$19,635,000		\$19,635,000	
2009 Series B Certificates of Participation					
Wastewater Revenue					
.40-3.79%, due 9/1/2029	34,490,000	14,165,000	\$2,300,000	11,865,000	\$2,405,000
1999 State Water Resources Control Board					
Water Reclamation Loan					
2.60%, due 3/31/2018	2,916,872	360,134	177,757	182,377	182,377
Total Long-Term Debt		<u>34,160,134</u>	<u>\$2,477,757</u>	31,682,377	<u>\$2,587,377</u>
Less current portion		<u>(2,477,756)</u>		<u>(2,587,377)</u>	
		<u>\$31,682,378</u>		<u>\$29,095,000</u>	

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 6 – LONG-TERM DEBT (Continued)

B. Debt Service Requirements

The 2009 Revenue COP debt service requirements are as follows:

Fiscal Year Ending June 30,	Series A		Series B		Total		Series A	Net
	Principal	Interest	Principal	Interest	Principal	Interest	35% Tax Subsidy	Total
2019		\$1,190,840	\$2,480,000	\$329,483	\$ 2,480,000	\$1,520,323	(416,794.00)	\$3,583,529
2020		1,190,840	2,580,000	226,950	2,580,000	1,417,790	(416,794)	3,580,996
2021	\$1,660,000	1,118,907	1,025,000	175,583	2,685,000	1,294,490	(391,617)	3,587,873
2022	1,715,000	1,028,060	1,070,000	124,167	2,785,000	1,152,227	(359,821)	3,577,406
2023	1,775,000	931,413	1,125,000	68,375	2,900,000	999,788	(325,995)	3,573,793
2024 - 2028	9,920,000	2,931,816	1,180,000	9,833	11,100,000	2,941,649	(1,026,135)	13,015,514
2029 - 2030	4,565,000	202,450			4,565,000	202,450	(70,858)	4,696,592
Total	<u>\$19,635,000</u>	<u>\$8,594,326</u>	<u>\$9,460,000</u>	<u>\$934,391</u>	<u>\$29,095,000</u>	<u>\$9,528,717</u>	<u>(\$3,008,014)</u>	<u>\$35,615,703</u>

As part of the Federal budget sequestration, the Internal Revenue Service (IRS) has announced that, as of March 1, 2018, credit payments claimed by issuers of certain tax credit bonds, including Build America Bonds, may be subject to a reduction of 6.6%.

C. 2009 Wastewater Revenue Certificates of Participation

On November 12, 2009 and December 3, 2009 the District issued two Certificates of Participation (COP).

The 2009 Wastewater Revenue Certificates of Participation, Series A and Series B were issued for \$19,635,000 and \$34,490,000, respectively. The Series A COP are federally taxable “Build America Bonds” which have a direct 35% interest rate subsidy from the Federal Government. Yields on this series range from 3.45% to 3.78%, net of the subsidy. The Series B COP are tax exempt bonds that were used to refund the 1998 and 2002 bond issues and raise an additional \$30 million in new proceeds with yields ranging from .40% to 3.79%.

The two bonds total \$54,125,000, and are secured by a pledge of tax and net revenues of the wastewater system. Principal payments began annually on September 1, 2010 with semi-annual payments due on September 1 and March 1 of each year. Both bonds will be fully amortized as of September 1, 2029. The refunded portion of the original bonds will be paid off based on the original amortization schedule.

D. Water Reclamation Loan Contract

The District entered into a contract with the State of California State Water Resources Control Board (Board), which advanced the District \$2,916,872 for design and construction costs for projects related to recycled water treatment programs. The District must repay advances from the Board over a 20-year period beginning March 31, 1999, with an interest rate of 2.60%. As of June 30, 2018 the last payment consisting of \$182,377 in principal and \$4,742 of interest for a total of \$187,119, was paid off.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To manage these risks, the District joined with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for the member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. Through CSRMA, the District purchases property insurance and workers' compensation insurance.

A. Insurance Coverage

The District's insurance coverage is as follows:

Type of Coverage	Insurer	Limits	Self Insured Deductible Per Occurrence
All-Risk Property:			
Special Form Property	Alliant Property Insurance Program	\$554,248,174	\$250,000
Crime	National Union Fire Ins. Co.	1,000,000	2,500
Liability:			
Fiduciary Liability Insurance	RLI Insurance Company	1,000,000	-
Pollution- General Liability	Aspen Specialty Ins. Co.	1,000,000	5,000
Commercial Environment Excess	Aspen Specialty Ins. Co.	10,000,000	50,000
Special Excess Liability Coverage-ANML	Security National Ins. Co.	-	500,000
Excess Following Form Liability Policy	Allied World Assurance Company (U.S), Inc.	5,000,000	10,000,000
Employment Practice Liability	Hiscox Insurance Co. (Bermuda) Ltd.	1,000,000	35,000
Workers' Compensation:			
Excess Workers' Compensation	Safety National Casualty Corporation	Statutory	-

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 7 – RISK MANAGEMENT (Continued)

B. Provision for Uninsured Claims

The Governmental Accounting Standard Board (GASB) requires state and local governments to record their liability for uninsured claims in their financial statements. The District’s policy is to maintain a reserve for claims of \$1,500,000 which is equivalent to three claims at \$500,000 per occurrence. The District’s actuary has calculated its potential liability as of June 30, 2018 to be \$882,230.

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 fiscal years ended June 30, 2018, 2017, and 2016, settlements have not exceeded insurance coverage. Changes in the District’s estimated liability for retained losses are summarized as follows as of June 30:

	2018	2017	2016
Beginning balance	\$807,079	\$1,000,000	\$1,000,000
Provisions for claims incurred in the current year and changes in the liability for retained- losses incurred in prior years	243,897	(127,214)	888,745
Claims paid and/or adjustments	(168,746)	(65,707)	(888,745)
Ending balance	\$882,230	\$807,079	\$1,000,000

NOTE 8 – AGREEMENT WITH THE 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 and makes a contribution for its share of facilities capital costs expended. Service charges and contributions to capital costs from the City totaled \$14,973,623 and \$6,364,725 respectively, for the year ended June 30, 2018, for a total of \$21,338,348. Service charges and contributions to capital costs from the City totaled \$13,581,253 and \$4,476,961, respectively, for the year ended June 30, 2017, for a total of \$18,058,214.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 9 – PENSION PLANS

A. Contra Costa County Employees’ Retirement Association Pension Plan

Plan Descriptions – Substantially all District permanent employees are required to participate in the Contra Costa County Employees’ Retirement Association (CCCERA), a cost-sharing multiple employer public defined benefit retirement plan (Plan), governed by the County Employee’s Retirement Law of 1937, as amended, and the California Public Employees’ Pension Reform Act of 2013 (PEPRA). The latest available actuarial and financial information for the Plan is for the year ended December 31, 2017. CCCERA 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 by calling (925) 521-3960.

Benefits Provided – 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. Retirement benefits are based on age, length of service, date of membership and final average salary.

Subject to vested status, employees can withdraw contributions plus interests credited, or leave them as a deferred retirement when they terminate, or transfer to a reciprocal retirement system.

The Plans’ provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Membership date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	10 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	0% to 100%	No limit
Required employee contribution rates	11.85%	11.70%
Required employer contribution rates	53.39%	48.01%

Contributions – The Plan requires employees to pay a portion of the basic retirement benefit and a portion of future COL costs. However, the District has paid part of the employees’ basic contributions in accordance with the Memorandum of Understanding (MOU). Employees must pay the COL portion of the employee rate. For the year ended June 30, 2018, the contributions to the Plan were \$17,113,394.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 9 – PENSION PLANS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
	2018	2017
Miscellaneous	\$63,806,000	\$87,847,116
Total Net Pension Liability	\$63,806,000	\$87,847,116

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of December 31, 2016, 2017, and 2018 were as follows:

Reporting Date for Employer under GASB 68 as of December 31	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered Payroll	Proportionate share of the Net Pension Liability as a percentage of its covered payroll	Plan Fiduciary Net Pension as a percentage of the Total Pension Liability
2016	6.088%	\$91,746,888	\$29,061,743	315.70%	74.14%
2017	6.273%	87,847,116	31,584,169	278.14%	76.44%
2018	7.863%	63,806,000	33,306,938	191.57%	83.58%

For the year ended June 30, 2018, the District recognized negative pension expense of \$4,441,205. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$8,533,670	
Differences between expected and actual experience		\$6,290,561
Changes of assumptions or other inputs	1,924,151	782
Change in proportion and differences between employer contributions and proportionate share of contributions	11,045,200	5,334,713
Net difference between projected and actual earnings on pension plan investments		16,450,578
Total	\$21,503,021	\$28,076,634

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 9 – PENSION PLANS (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$9,004,848	
Differences between expected and actual experience		\$7,205,850
Changes of assumptions or other inputs	2,541,979	1,661
Change in proportion and differences between employer contributions and proportionate share of contributions	2,023,895	8,844,394
Net difference between projected and actual earnings on pension plan investments	15,507,481	
Total	\$29,078,203	\$16,051,905

The \$8,533,670 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

Year Ended June 30	Annual Amortization
2019	(\$3,599,296)
2020	(208,682)
2021	(5,236,162)
2022	(6,063,143)

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 9 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities in the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	December 31, 2016
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.75%
Payroll Growth	2.75% (1)
Projected Salary Increase	4.00% - 13.25% (2)
Cost of Living Adjustments	2.75%
Investment Rate of Return	7.00% (3)
Mortality	RP-2014 Healthy Annuitant Mortality Table

(1) Plus "across the board" real salary increases of 0.5% per year

(2) Vary by service, including inflation

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

Discount Rate – The discount rate used to measure the total pension liability was 7.0% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as December 31, 2017.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 9 – PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined in 2018 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	6%	5.75%
Developed International Equity	10%	6.99%
Emerging Markets Equity	14%	8.95%
Short-Term Govt/Credit	24%	0.20%
U.S. Treasury	2%	0.30%
Real Estate	7%	4.45%
Cash & Equivalents	1%	-0.46%
Risk Diversifying Strategies	2%	4.30%
Private Credit	17%	6.30%
Private Equity	17%	8.10%
Total	<u>100%</u>	

A change in the discount rate would affect the measurement of the Total Pension Liability (TPL). A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the Net Pension Liability (NPL) can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the NPL to a one percent decrease and a one percent increase in the discount rate:

	<u>Miscellaneous</u>
1% Decrease	6.00%
Net Pension Liability	\$116,617,009
Current Discount Rate	7.00%
Net Pension Liability	\$63,806,000
1% Increase	8.00%
Net Pension Liability	\$20,709,123

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 9 – PENSION PLANS (Continued)

B. Deferred Compensation Plan

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. The plan was established by the District's Board of Directors and any amendments to the plan must be authorized by the Board of Directors. 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.

The plan's 457 assets are held in trust with ICMA Retirement Corporation for the exclusive benefit of the participants and are not included in the District's financial statements.

C. 401 (a) Defined Contribution Plan

The District also contributes to a money purchase plan created in accordance with Internal Revenue Code section 401(a). The plan was established by the District's Board of Directors and any amendments to the plan must be authorized by the Board. Contributions to the plan are made in accordance with a memorandum of understanding stating that in 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 District contributed \$2,034,759 and \$1,964,899 to the Plan during the years ended June 30, 2018 and 2017, respectively.

The 401(a) money purchase plan assets are held in trust with ICMA Retirement Corporation for the exclusive benefit of the participants and are not included in the District's financial statements.

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS

A. General Information about the District's Other Post Employment Benefit (OPEB) Plan

Plan Description – The District's defined benefit post employment healthcare plan (DPHP) provides medical benefits to eligible retired District employees and beneficiaries. DPHP is part of the Public Agency portion of the Public Agency Retirement System (PARS), an agent multiple-employer plan through PARS, which acts as a common investment agent for participating public employees within the State of California. The District is the plan administrator. A menu of benefit provisions as well as other requirements is established by the State statute with the Public Employees' Retirement Law. DPHP selects optional benefit provisions from the benefit menu by contract with PARS and adopts those benefits through District resolution. PARS issues a separate Comprehensive Annual Financial Report. Copies of the PARS annual financial report may be obtained from PARS, 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660, by calling 1(800) 540-6369, or by emailing info@pars.org.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Benefit Terms – Post-employment healthcare and similar benefit allowances are provided to eligible employees who retire from the District or to their surviving spouses.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	274
Inactive employees or beneficiaries currently receiving benefit payments	278
Inactive employees entitled to but not yet receiving benefit payments	0
Total	552

B. Net OPEB Liability

Actuarial Methods and Assumptions – The District’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2016 that was rolled forward using standard update procedures to determine the \$105,947,197 total OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2016
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal, Level Dollar
Actuarial Assumptions:	
Contribution and Funding	District contributes full ADC less benefit payments to PARS trust Benefits payments paid outside the trust PARS portfolio: Moderate
Long-Term Expected Rate of Return on Investments	6.25% at June 30, 2018, net of investment expenses
Discount Rate	6.25% at June 30, 2018 6.25% at June 30, 2017
General Inflation	Crossover analysis showed benefit payments always fully funded by plan assets
Mortality, Disability, Termination, Retirement	3.00% per annum
Mortality Improvement	CCCERA 2012-2014 Experience Study
Medical Trend	Mortality improvement projected generationally with Scale MP-15 Pre-Medicare - 7.0% for 2017/18, decreasing to 5.0% for 2021/22 and later Medicare - 7.2% for 2017/18, decreasing to 5.0% for 2021/22 and later
Dental Trend	4.0%
Healthcare Participation for future Retirees	Currently Covered: 100% Currently Waived Coverage: 95% Self-Pay Board Members: 50%

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The underlying mortality assumptions were based on the mortality improvement projected generationally with Scale MP-15 and all other actuarial assumptions used in the July 1, 2016 valuation were based on the results of a July 1, 2016 actuarial experience study for the period of July 1, 2017 to June 30, 2018

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

<u>Asset Class Component</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	48.0%	4.82%
Fixed Income	45.0%	1.47%
REIT's	2.0%	3.76%
Cash	5.0%	0.06%
Total	<u>100.0%</u>	

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/17	\$102,752,608	\$52,328,367	\$50,424,241
Changes Recognized for the Measurement Period:			
Service Cost	2,370,276		2,370,276
Interest on the total OPEB liability	6,396,063		6,396,063
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions			
Contributions from the employer		9,649,750	(9,649,750)
Contributions from the employee			
Net investment income		3,354,822	(3,354,822)
Benefit payments	(5,571,750)	(5,571,750)	
Administrative expenses		(164,446)	164,446
Net changes	3,194,589	7,268,376	(4,073,787)
Balance at 6/30/18	\$105,947,197	\$59,596,743	\$46,350,454

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

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

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(5.25 %)	(6.25%)	(7.25%)
\$59,893,914	\$46,350,454	\$35,199,864

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
\$33,053,134	\$46,350,454	\$62,640,542

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$5,545,563. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date		
Differences between actual and expected experience	0	0
Changes of assumptions	0	0
Net differences between projected and actual earnings on plan investments	\$30,400	0
Total	\$30,400	\$0

\$30,400 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	\$7,600
2020	7,600
2021	7,600
2022	7,600
	\$30,400

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the District's defined benefit post employment healthcare plan (DPHP). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Annual Money-Weighted Rate of Return on Investments

For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on investments, net of investment expense, were 5.96% and 6.25%. The money-weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 11 – NET POSITION

A. Net Position

Net Position is the excess of all the District’s assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions:

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

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

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

B. Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the District to make prior period adjustments. As a result, the beginning net position was restated and reduced by \$41,552,816. See Note 10.

NOTE 12 – LEASE COMMITMENTS

The District leases various facilities and equipment under operating leases. Following is a summary of operating lease commitments as of June 30, 2018:

Fiscal Year Ending	Office Equipment	Facilities	Total
2019	\$342,106	\$130,873	\$472,979
Total	\$342,106	\$130,873	\$472,979

Total rental expense for the fiscal years ended June 30, 2018 and 2017 was \$313,492 and \$168,336 respectively.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017**

NOTE 13 – 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 effect 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 a number of purchase commitments for ongoing operating and capital projects that involve multi-year contracts. Purchase commitments related to these multi-year contracts are approximately \$17,997,738 and \$16,006,727 as of June 30, 2018 and 2017, respectively.

NOTE 14 – SUBSEQUENT EVENTS

On September 13, 2018 the District issued two Wastewater Revenue Refunding Bonds (Bonds). The 2018 Wastewater Revenue Refunding Bonds, Series A and B (federally taxable) were issued for \$15,135,000 and \$4,315,000, respectively. The Bonds were issued to defease and refund all of the District's outstanding obligations with respect to the \$19,635,000 original principal amount of 2009 Wastewater Revenue Certificates of Participation, Series A and all of the District's outstanding obligations with respect to the \$34,490,000 original principal amount of 2009 Wastewater Revenue Certificates of Participation, Series B, and pay costs issuing the Bonds.

The two bonds total \$19,450,000 and are secured by a pledge of tax and net revenues of the wastewater system. Principal payments begin annually on September 1, 2020 and 2019 for the Series A and B Bonds, respectively, with semi-annual interest payments due on September 1 and March 1 of each year. Yields range from 1.396% to 2.34% and 2.62% to 3.12% for the Series A and Series B Bonds, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL CONTRA COSTA SANITARY DISTRICT
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ended June 30, 2018
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Change in Total Pension Liability				
Service Cost	\$16,824,515	\$12,802,725	\$11,744,271	\$14,396,402
Interest on the Total Pension Liability	48,499,837	37,390,012	35,450,291	42,024,521
Expensed portion of current-period changes in proportion and difference between employer's contributions and proportionate share of contributions	2,760,509	327,813	(3,509,681)	533,503
Expensed portion of current-period benefit changes				
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(515,890)	(275,839)	(836,604)	(2,988,813)
Expensed portion of current-period changes of assumptions or other inputs			972,205	(1,231)
Member contributions	(7,646,322)	(5,608,003)	(5,196,358)	(5,860,025)
Projected earnings on plan investments	(40,879,748)	(30,774,476)	(30,472,528)	(34,980,271)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(7,365,020)	(83,909)	5,198,286	(200,059)
Administrative expense	724,963	536,021	494,025	522,670
Other	96,447	(563,858)	40,685	
Recognition of beginning of year deferred outflows of resources as pension expense	8,034,476	6,402,259		
Recognition of beginning of year deferred inflows of resources as pension expense	(4,917,635)	(3,558,862)	(2,593,424)	
Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	(2,648,365)	(2,976,178)	533,503	
Net change in total pension liability	<u>\$12,967,767</u>	<u>\$13,617,705</u>	<u>\$11,824,671</u>	<u>\$13,446,697</u>
Reconciliation of Net Pension Liability				
Beginning Net Pension Liability	\$87,847,116	\$91,746,888	\$89,535,510	\$110,183,830
Pension expense	12,967,767	13,617,705	11,824,671	13,446,697
Employer contributions	(17,880,152)	(18,043,391)	(22,752,611)	(24,451,234)
New net deferred inflows/outflows	(31,306,965)	(1,320,379)	21,270,461	(11,564,393)
Change in allocation of prior deferred inflows/outflows	2,764,089	543,221	2,163,011	
New net deferred flows due to change in proportion	9,882,621	1,170,291	(12,354,075)	1,920,610
Recognition of prior deferred inflows/outflows	(3,116,841)	(2,843,397)	2,593,424	
Recognition of prior deferred flows due to change in proportion	2,648,365	2,976,178	(533,503)	
Net pension liability - ending	<u>\$63,806,000</u>	<u>\$87,847,116</u>	<u>\$91,746,888</u>	<u>\$89,535,510</u>
Plan fiduciary net position as a percentage of the total pension liability	83.58%	76.44%	74.14%	73.86%
Covered payroll	\$33,306,938	\$31,584,169	\$29,601,743	\$27,930,233
Net pension liability as percentage of covered payroll	191.57%	278.14%	315.70%	332.77%

Notes to Schedule:

Changes in assumptions - In 2017, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

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

CENTRAL CONTRA COSTA SANITARY DISTRICT
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
As of fiscal year ending June 30, 2018
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 17,880,152	\$ 18,043,391	\$ 22,752,611	\$ 24,451,234
Contributions in relation to the actuarially determined contributions	<u>17,880,152</u>	<u>18,043,391</u>	<u>22,752,611</u>	<u>24,451,234</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 33,306,938	\$ 31,584,169	\$ 29,601,743	\$ 27,930,233
Contributions as a percentage of covered-employee payroll	53.68%	57.13%	76.86%	87.54%

Notes to Schedule

Measurement Date: 12/31/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	6 years **
Asset valuation method	5-year semi-annually
Inflation	2.75%
Salary increases	4% - 13.25%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Retirement age	50 years Classic, 52 years PEPR
Mortality	RP-2014 Healthy Annuitant Mortality Table with setbacks and forwards

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

** Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 6 years remaining as of December 31, 2016. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. Any changes in UAAL due to plan amendments will be amortized over a 10-year fixed period effective with that valuation.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

Single Employer
Last 10 fiscal years*

Measurement Date	<u>6/30/18</u>	<u>6/30/17</u>
Total OPEB Liability		
Service Cost	\$2,370,276	\$2,295,667
Interest	6,396,063	6,203,230
Changes in benefit terms		
Differences between expected and actual experience		
Changes of assumptions		
Benefit payments	(5,571,750)	(5,404,627)
Net change in total OPEB liability	<u>3,194,589</u>	<u>3,094,270</u>
Total OPEB liability - beginning	<u>102,752,608</u>	<u>99,658,338</u>
Total OPEB liability - ending (a)	<u><u>\$105,947,197</u></u>	<u><u>\$102,752,608</u></u>
Plan fiduciary net position		
Contributions - employer	\$9,649,750	\$10,433,327
Contributions - employee		
Net investment income	3,354,822	4,735,576
Administrative expense	(164,446)	(5,404,627)
Benefit payments	(5,571,750)	(139,063)
Net change in plan fiduciary net position	<u>7,268,376</u>	<u>9,625,213</u>
Plan fiduciary net position - beginning	<u>52,328,367</u>	<u>42,703,154</u>
Plan fiduciary net position - ending (b)	<u><u>\$59,596,743</u></u>	<u><u>\$52,328,367</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$46,350,454</u></u>	<u><u>\$50,424,241</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	56.25%	50.93%
Covered-employee payroll	<u><u>\$36,638,935</u></u>	<u><u>\$32,501,073</u></u>
Net OPEB liability as a percentage of covered-employee payroll	<u><u>126.51%</u></u>	<u><u>155.15%</u></u>

Notes to schedule:

* Fiscal year 2017 was the first year of implementation, therefore only two years are shown.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN
SCHEDULE OF INVESTMENT RETURN RATE**

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	5.96%	6.25%

**CENTRAL CONTRA COSTA SANITARY DISTRICT
POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN
SCHEDULE OF CONTRIBUTIONS**

Single Employer
Last 10 fiscal years*

Fiscal Year Ended June 30,	2018	2017
Actuarially determined contribution	\$7,524,000	\$7,866,000
Contributions in relation to the actuarially determined contribution	<u>9,649,750</u>	<u>10,433,327</u>
Contribution deficiency (excess)	<u>(\$2,125,750)</u>	<u>(\$2,567,327)</u>
Covered-employee payroll	<u>\$36,638,935</u>	<u>\$32,501,073</u>
Contributions as a percentage of covered-employee payroll	26.34%	32.10%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation Date	7/1/2016
Actuarial Cost Method:	Entry Age Normal, Level Dollar
Amortization Method:	Level dollar over closed 18 year period
Asset Valuation Method:	Investment gains and losses spread over 5-year rolling period not less than 80% nor greater than 120% of market value
Actuarial Assumptions:	
Discount Rate	6.25%
General Inflation	3.00%
Medical Trend	Pre-Medicare - 7.0% for 2017/18, decreasing to 5.0% for 2021/22 and later Medicare - 7.2% for 2017/18, decreasing to 5.0% for 2021/22 and later
Dental Trend	4.00%
Mortality Rate	CCCERA 2012-2014 Experience Study
Mortality Improvement	Mortality improvement projected generationally with Scale MP-15

* Fiscal year 2017 was the first year of implementation, therefore only two years are shown.

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SUPPLEMENTARY INFORMATION

CENTRAL CONTRA COSTA SANITARY DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 ENTERPRISE SUB-FUNDS
 JUNE 30, 2018

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$29,683,539	\$20,285,073	\$7,169,375			\$57,137,987
Short term investments	14,000,000	20,000,000				34,000,000
Accounts receivable	16,398,841	6,562,959				22,961,800
Interest receivable				\$99,384		99,384
Parts and supplies	2,245,055					2,245,055
Prepaid expenses	2,599,758					2,599,758
Total current assets	64,927,193	46,848,032	7,169,375	99,384	-	119,043,984
NON-CURRENT ASSETS:						
Restricted cash and equivalents	5,497,153					5,497,153
Restricted investments				4,856,450		4,856,450
Assessment Districts receivable		1,109,235				1,109,235
CAPITAL ASSETS						
Nondepreciable	58,090,712					58,090,712
Depreciable, net of accumulated depreciation	594,311,630					594,311,630
Total capital assets, net	652,402,342	-	-	-	-	652,402,342
Total non-current assets	657,899,495	1,109,235	-	4,856,450	-	663,865,180
TOTAL ASSETS	722,826,688	47,957,267	7,169,375	4,955,834	-	782,909,164
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	21,503,021	-	-	-	-	21,503,021
OPEB related	30,400	-	-	-	-	30,400
Total deferred outflows	21,533,421	-	-	-	-	21,533,421
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	2,967,496	6,690,144	7,098			9,664,738
Interest payable				534,330		534,330
Refunding Water Revenue Bonds - current portion				2,480,000		2,480,000
Accrued compensated absences - current portion	464,500					464,500
Liability for uninsured claims			882,230			882,230
Refundable deposits	155,011	260,821				415,832
Total current liabilities	3,587,007	6,950,965	889,328	3,014,330	-	14,441,630
NON-CURRENT LIABILITIES:						
Refunding Water Revenue Bonds, noncurrent portion				26,615,000		26,615,000
Accrued compensated absences, noncurrent portion	4,181,377					4,181,377
Net pension liability	63,806,000					63,806,000
Net OPEB liability	46,350,454					46,350,454
Total noncurrent liabilities	114,337,831	-	-	26,615,000	-	140,952,831
TOTAL LIABILITIES	117,924,838	6,950,965	889,328	29,629,330	-	155,394,461
DEFERRED INFLOWS OF RESOURCES						
Pension related	28,076,634	-	-	-	-	28,076,634
NET POSITION						
Net investment in capital assets	652,402,342			(29,095,000)		623,307,342
Restricted for debt service				4,421,504		4,421,504
Unrestricted	(54,043,705)	41,006,302	6,280,047			(6,757,356)
TOTAL NET POSITION	\$598,358,637	\$41,006,302	\$6,280,047	(\$24,673,496)	-	\$620,971,490

CENTRAL CONTRA COSTA SANITARY DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 ENTERPRISE SUB-FUNDS
 FOR THE YEAR ENDING JUNE 30, 2018

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
OPERATING REVENUES						
Sewer service charges (SSC)	\$75,824,221					\$75,824,221
Service charges - City of Concord	14,973,623					14,973,623
Other services charges	1,078,594					1,078,594
Miscellaneous charges	619,997					619,997
Total operating revenues	92,496,435	-	-	-	-	92,496,435
OPERATING EXPENSES						
Sewage collection and pumping stations	15,954,881					15,954,881
Sewage treatment	26,050,876					26,050,876
Engineering	16,472,501					16,472,501
Recycled water	1,023,757					1,023,757
Administrative and general	27,845,484		\$788,689		(\$1,121,172)	27,513,001
Pension expense	(4,441,205)					(4,441,205)
OPEB expense	5,545,563					5,545,563
Depreciation	21,561,704					21,561,704
Total operating expenses	110,013,561	-	788,689	-	(1,121,172)	109,681,078
OPERATING INCOME (LOSS)	(17,517,126)	-	(788,689)	-	1,121,172	(17,184,643)
NONOPERATING REVENUES (EXPENSES)						
Taxes		\$13,918,715		\$3,732,026		17,650,741
Permit and inspection fees	2,215,920	376,217				2,592,137
Interest earnings	268,195	777,226	91,898	86,030		1,223,349
Interest expense				(1,230,680)		(1,230,680)
Other income (expense), net	1,054,830	21,008	1,121,172		(1,121,172)	1,075,838
Total nonoperating revenues	3,538,945	15,093,166	1,213,070	2,587,376	(1,121,172)	21,311,385
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(13,978,181)	15,093,166	424,381	2,587,376	-	4,126,742
CAPITAL CONTRIBUTIONS AND TRANSFERS						
City of Concord contributions to capital costs		6,364,725				6,364,725
Customer contributions to capital cost (SSC)		14,060,789				14,060,789
Contributed sewer lines	2,003,614					2,003,614
Capital contributions - connection fees		9,331,420				9,331,420
Transfers In (Out)	39,280,146	(39,249,198)	(3,016)	(27,932)		
Total capital contributions and transfers	41,283,760	(9,492,264)	(3,016)	(27,932)	-	31,760,548
CHANGE IN NET POSITION	27,305,579	5,600,902	421,365	2,559,444		35,887,290
NET POSITION, BEGINNING OF YEAR	612,605,874	35,405,400	5,858,682	(27,232,940)	-	626,637,016
Prior period adjustment	(41,552,816)					(41,552,816)
NET POSITION, END OF YEAR	\$598,358,637	\$41,006,302	\$6,280,047	(\$24,673,496)	-	\$620,971,490

CENTRAL CONTRA COSTA SANITARY DISTRICT

Schedule of Running Expenses
 Comparison of Budget and Actual Expenses by Department
 For the Year Ended June 30, 2018

	Administration	Engineering	Sewage Collection	Sewage Treatment Plant	Pumping Station	Recycled Water	Total	Budget	Variance Favorable (Unfavorable)
Salaries and Wages	\$6,401,312	\$9,828,945	\$6,131,155	\$10,123,952	\$970,127	\$391,983	\$33,847,474	\$34,797,628	\$950,154
Employee Benefits	17,454,730	7,149,700	4,894,560	7,815,438	737,446	300,452	38,352,326	36,752,619	(1,599,707)
Less Capitalized Overhead and Benefits	(36,334)	(3,114,993)	(27,133)	(158,856)	-	-	(3,337,316)	(3,972,203)	(634,887)
Total Salaries and Benefits	23,819,708	13,863,652	10,998,582	17,780,534	1,707,573	692,435	68,862,484	67,578,044	(1,284,440)
Directors' Fees and Expense	138,462	-	-	-	-	-	138,462	168,631	30,169
Chemicals	-	-	-	840,117	115,950	69,061	1,025,128	1,482,000	456,872
Utilities	119,789	180,978	151,034	3,195,408	532,526	169,408	4,349,143	4,639,790	290,647
Repairs and Maintenance	829,433	104,634	1,047,768	2,247,081	195,120	4,911	4,428,947	5,299,754	870,807
Hauling and Disposal	-	514,212	128,592	379,069	10,191	-	1,032,064	1,023,975	(8,089)
Professional and Legal Services	507,411	165,023	922	2,743	-	(12,395)	663,704	807,600	143,896
Outside Services	1,264,858	767,580	63,001	126,754	47,080	55,303	2,324,576	3,452,717	1,128,141
Self Insurance	585,000	-	-	-	-	-	585,000	585,000	-
Materials and Supplies	114,260	367,396	738,815	840,126	42,057	677	2,103,331	2,059,325	(44,006)
Other	466,563	509,026	122,047	639,044	53,623	44,357	1,834,660	2,616,751	782,091
Total	<u>\$27,845,484</u>	<u>\$16,472,501</u>	<u>\$13,250,761</u>	<u>\$26,050,876</u>	<u>\$2,704,120</u>	<u>\$1,023,757</u>	<u>\$87,347,499</u>	<u>\$89,713,587</u>	<u>\$2,366,088</u>

CENTRAL CONTRA COSTA SANITARY DISTRICT
 RUNNING EXPENSE
 SCHEDULE OF SUPPLEMENTAL NET POSITION ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prior Year Balance		\$12,921,800
2017 - 2018 Revenue	\$96,035,380	
2017 - 2018 Expense	(110,013,561)	
Add Back Depreciation Expense	21,561,704	<u>7,583,523</u>
Net Position Attributed to General Operations		20,505,323
Net Position Attributed to All Other		<u>577,853,314</u>
Running Expense Net Position		<u><u>\$598,358,637</u></u>

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STATISTICS



**Central Contra Costa Sanitary District
Statistical Section
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These schedules contain trend information to help the reader understand how the District’s financial performance has changed over time.

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

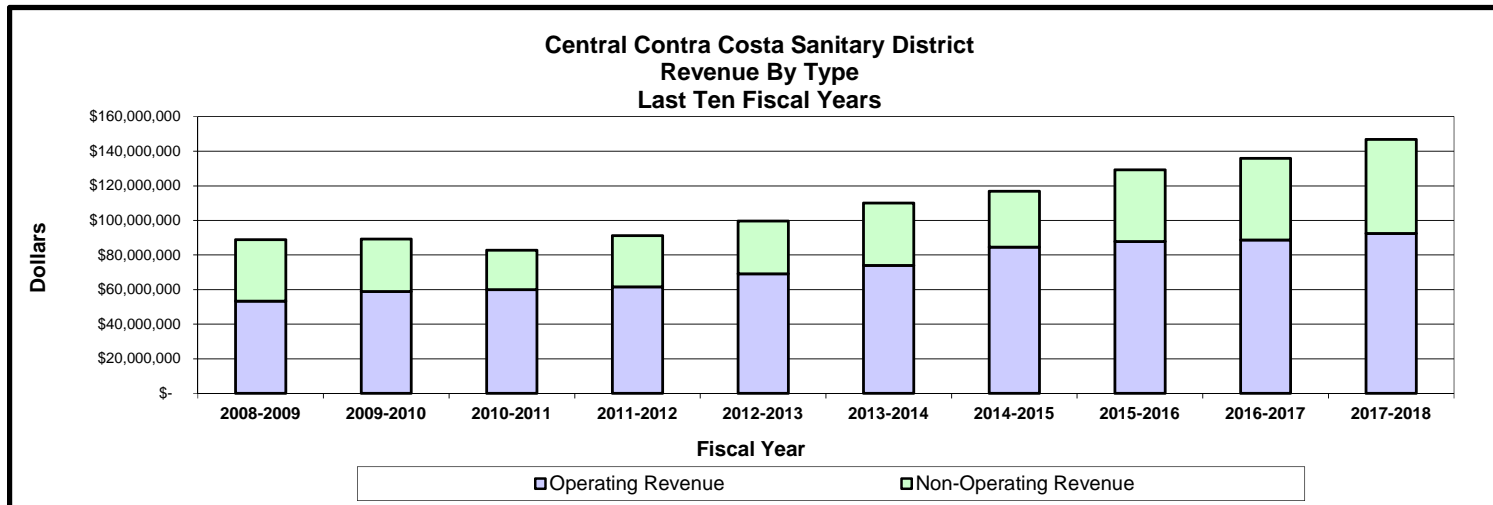
**Central Contra Costa Sanitary District
Changes in Net Position and Statement of Net Position
Last Ten Fiscal Years**

Changes in Net Position	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Operating Revenues:										
Sewer Service Charges (SSC)	\$43,087,454	\$48,692,520	\$49,095,870	\$49,123,848	\$56,770,984	\$60,796,421	\$70,023,512	\$72,233,903	\$73,138,235	\$75,824,221
City of Concord	8,755,857	8,664,668	9,224,952	10,647,389	10,483,421	11,625,864	12,892,945	13,913,960	13,851,253	14,973,623
Other Service Charges	872,978	824,022	913,017	915,485	1,076,401	1,035,134	1,006,197	963,014	1,029,500	1,078,594
Miscellaneous Charges	667,855	650,876	662,721	929,917	751,880	544,589	593,780	623,659	606,453	619,997
Total Operating Revenue	53,384,144	58,832,086	59,896,560	61,616,639	69,082,686	74,002,008	84,516,434	87,734,536	88,625,441	92,496,435
Operating Expenses:										
Salaries & Benefits	39,440,034	39,986,763	41,705,131	45,562,430	49,811,218	58,954,452	66,104,630	63,988,158	62,342,392	68,862,484
Chemicals, Utilities & Supplies	9,368,755	7,973,992	7,609,127	8,121,809	7,401,103	8,063,309	7,466,490	7,304,619	8,115,004	7,477,602
Professional & Outside Services	2,832,001	2,129,552	2,425,615	4,099,876	2,836,638	3,995,860	3,322,881	4,196,302	3,891,224	2,988,280
Hauling, Disposal, Repairs & Maintenance	3,938,129	3,808,635	3,916,789	4,077,741	4,239,421	4,041,355	4,758,260	5,780,533	5,662,086	5,461,011
Self-Insurance (net of transfers)	90,876	(688,859)	119,051	(65,688)	159,961	214,290	496,381	72,486	(300,108)	(332,483)
Pension/OPEB Expense	-	-	-	-	-	-	(3,012,757)	(9,778,389)	(4,080,558)	1,104,358
Depreciation	19,417,941	20,969,429	20,580,061	21,190,059	21,596,266	21,892,545	22,740,942	22,885,030	22,892,153	21,561,704
All Other	2,305,459	2,658,662	2,459,966	2,489,019	2,693,135	2,346,583	2,473,963	3,343,778	2,942,592	2,558,122
Total Operating Expenses	77,393,195	76,838,174	78,815,740	85,475,246	88,737,742	99,508,394	104,350,790	97,792,517	101,464,785	109,681,078
Operating Loss	(24,009,051)	(18,006,088)	(18,919,180)	(23,858,607)	(19,655,056)	(25,506,386)	(19,834,356)	(10,057,981)	(12,839,344)	(17,184,643)
Non-Operating Revenues (Expenses):										
Property Taxes *	12,539,375	12,260,123	12,213,624	12,047,169	13,010,477	13,093,841	14,083,331	14,835,167	16,318,874	17,650,741
Connection & Other Fees	1,093,756	776,348	895,825	903,810	1,169,809	1,575,251	1,843,942	2,546,723	2,600,888	2,592,137
Interest Income	1,033,095	570,024	673,990	294,938	405,474	359,288	318,475	562,308	761,838	1,223,349
Interest Expense	(1,421,686)	(1,553,467)	(2,061,903)	(1,919,375)	(1,802,084)	(1,996,689)	(1,523,127)	(1,427,641)	(1,313,398)	(1,230,680)
All Other *	639,523	12,295	(523,209)	931,660	951,100	932,464	1,828,530	1,195,095	966,244	1,075,838
Total Non-Operating	13,884,063	12,065,323	11,198,327	12,258,202	13,734,776	13,964,155	16,551,151	17,711,652	19,334,446	21,311,385
Income Before Contributions and Transfers	(10,124,988)	(5,940,765)	(7,720,853)	(11,600,405)	(5,920,280)	(11,542,231)	(3,283,205)	7,653,671	6,495,102	4,126,742
Customer Contributions**	13,938,421	6,793,040	5,018,092	8,888,663	8,001,147	10,486,067	6,769,623	11,991,752	16,628,105	20,425,514
Contributed Sewer Lines	1,231,022	1,840,259	533,616	792,011	939,628	1,462,316	794,218	1,774,168	2,899,042	2,003,614
Capital Contributions - Connection Fees	5,025,493	7,078,635	3,515,804	5,724,833	6,091,529	8,224,517	6,673,298	8,543,758	7,044,340	9,331,420
CHANGE IN NET POSITION	10,069,948	9,771,169	1,346,659	3,805,102	9,112,024	8,630,669	10,953,934	29,963,349	33,066,589	35,887,290
Total Net Position - Beginning	601,610,095	611,680,043	621,451,212	622,797,871	626,602,973	635,714,997	644,345,666	563,607,078	593,570,427	626,637,016
Prior Period Adjustment - GASB 68 and 71	-	-	-	-	-	-	(91,692,522)	-	-	-
Prior Period Adjustment - GASB 75	-	-	-	-	-	-	-	-	-	(41,552,816)
Total Net Position - Ending	\$611,680,043	\$621,451,212	\$622,797,871	\$626,602,973	\$635,714,997	\$644,345,666	\$563,607,078	\$593,570,427	\$626,637,016	\$620,971,490
Statement of Net Position	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Investments in Capital Assets, Net of Related Debt	\$552,165,498	\$531,324,187	\$541,613,208	\$549,462,506	\$559,523,642	\$568,006,023	\$573,175,094	\$581,844,903	\$600,770,254	\$623,307,342
Restricted for Debt Service	3,163,956	4,565,970	4,612,103	4,663,601	4,730,837	4,809,248	4,288,008	4,363,251	4,449,437	4,421,504
Unrestricted	56,350,589	85,561,055	76,572,560	72,476,866	71,460,518	71,530,395	(13,856,024)	7,362,273	21,417,325	(6,757,356)
Total Net Position	\$611,680,043	\$621,451,212	\$622,797,871	\$626,602,973	\$635,714,997	\$644,345,666	\$563,607,078	\$593,570,427	\$626,637,016	\$620,971,490

* 2009-2010 property taxes includes Prop 1A loan receivable revenue and offset of \$985,916. The revenue is offset by the provision for losses categorized in other.

** Classification reclassified 2010-11, prior years reclassified for consistency. Previously included in Non-Operating. Includes capital cost contributions from the City of Concord and customer contributions (SSC).

Source: Central Contra Costa Sanitary District Audited Financial Statements



Operating Revenue

Fiscal Year	Sewer Service Charges*	City of Concord	Other Service Charges	Miscellaneous Charges	Total Operating
2008-2009	\$43,087,454	\$8,755,857	\$872,978	\$667,855	\$53,384,144
2009-2010	48,692,520	8,664,668	824,022	650,876	58,832,086
2010-2011	49,095,870	9,224,952	913,017	662,721	59,896,560
2011-2012	49,123,848	10,647,389	915,485	929,917	61,616,639
2012-2013	56,770,984	10,483,421	1,076,401	751,880	69,082,686
2013-2014	60,796,421	11,625,864	1,035,134	544,589	74,002,008
2014-2015	70,023,512	12,892,945	1,006,197	593,780	84,516,434
2015-2016	72,233,903	13,913,960	963,014	623,659	87,734,536
2016-2017	73,138,235	13,851,253	1,029,500	606,453	88,625,441
2017-2018	75,824,221	14,973,623	1,078,594	619,997	92,496,435

Non-Operating Revenue

Fiscal Year	Property Taxes *1	Customer Contributions *2	Connections & Other Fees *3	Interest	All Other	Total Non-Operating & Contributions
2008-2009	\$12,539,375	\$15,169,443	\$6,119,249	\$1,033,095	\$639,523	\$35,500,685
2009-2010	12,260,123	8,633,299	7,854,983	570,024	998,211	30,316,640
2010-2011	12,213,624	5,551,708	4,411,629	673,990	-	22,850,951
2011-2012	12,047,169	9,680,674	6,628,643	294,938	931,660	29,583,084
2012-2013	13,010,477	8,940,775	7,261,338	405,474	951,100	30,569,164
2013-2014	13,093,841	11,948,383	9,799,768	359,288	932,464	36,133,744
2014-2015	14,083,331	7,563,841	8,517,240	318,475	1,828,530	32,311,417
2015-2016	14,835,167	13,765,920	11,090,481	562,308	1,195,095	41,448,971
2016-2017	16,318,874	19,527,147	9,645,228	761,838	966,244	47,219,331
2017-2018	17,650,741	22,429,128	11,923,557	1,223,349	1,075,838	54,302,613

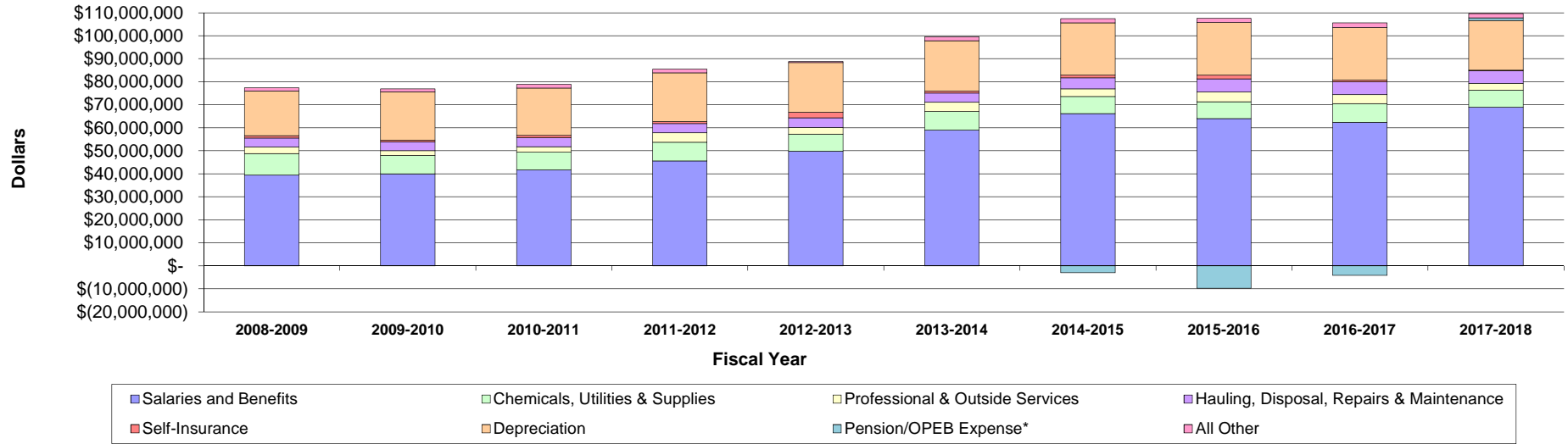
* Sewer Service Charge (SSC) represents the Running Expense Fund portion of SSC County collections along with District direct billings and counter collections.

*1 2009-2010 property taxes include Prop 1A loan receivable revenue of \$985,916.

*2 Customer Contributions include the portion of SSC that is allocated to Sewer Construction Fund, City of Concord reimbursement of capital costs, and developer contributed sewer lines beginning in 2000-2001, due to changes in GASB 33 reporting requirements.

*3 Includes connection fees, non-operating permit, inspection, and other fees. S-2

**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	Pension/OPEB Expense*	All Other	Total Operating Expenses	Non-Operating Expenses **
2008-2009	\$39,440,034	\$9,368,755	\$2,832,001	\$3,938,129	\$958,906	\$19,417,941	-	\$1,437,429	\$77,393,195	\$1,421,686
2009-2010	39,986,763	7,973,992	2,129,552	3,808,635	746,612	20,969,429	-	1,223,191	76,838,174	2,539,383
2010-2011	41,705,131	7,609,127	2,425,615	3,916,789	1,003,115	20,580,061	-	1,575,902	78,815,740	2,585,112
2011-2012	45,562,430	8,121,809	4,099,876	4,077,741	810,849	21,190,059	-	1,612,482	85,475,246	1,919,375
2012-2013	49,811,218	7,401,103	2,836,638	4,239,421	2,380,466	21,596,266	-	472,630	88,737,742	1,802,084
2013-2014	58,954,453	8,063,310	3,995,861	4,041,356	858,738	21,892,545	-	1,702,131	99,508,394	1,996,689
2014-2015	66,104,630	7,466,490	3,322,881	4,758,260	1,146,381	22,740,942	(\$3,012,757)	1,823,963	104,350,790	1,523,127
2015-2016	63,988,158	7,304,619	4,196,302	5,780,533	1,572,486	22,885,030	(9,778,389)	1,843,778	97,792,517	1,427,641
2016-2017	62,342,392	8,115,004	3,891,224	5,662,086	619,892	22,892,153	(4,080,558)	2,022,592	101,464,785	1,313,398
2017-2018	68,862,484	7,477,602	2,988,280	5,461,011	252,517	21,561,704	1,104,358	1,973,122	109,681,078	1,230,680

Informational - not graphed

* 2014-2015 pension expense is a result of the implementation of GASB 68 & 71.

** 2009-2010 non-operating expenses includes Prop 1A loan receivable revenue offset of \$985,916.

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	Single Family Annual Sewer Service Charge (SSC) *1			Facility Capacity Fee *2
	Operations	Capital	Total	
2008-2009	\$260	\$51	\$311	\$4,923
2009-2010	292	19	311	5,298
2010-2011	300	11	311	5,451
2011-2012	302	39	341	5,465
2012-2013	344	27	371	5,797
2013-2014	365	40	405	5,930
2014-2015	416	23	439	5,995
2015-2016	422	49	471	6,005
2016-2017	432	71	503	5,948
2017-2018	\$447	\$83	\$530	\$6,300

Fiscal Year	Multi-Family Annual Sewer Service Charge (SSC) *1			Pump Zone Fee *3
	Operations	Capital	Total	
2008-2009	\$260	\$51	\$311	\$1,586
2009-2010	292	19	311	1,651
2010-2011	300	11	311	1,641
2011-2012	302	39	341	1,606
2012-2013	344	27	371	1,625
2013-2014	365	40	405	1,587
2014-2015	416	23	439	1,585
2015-2016	415	48	463	1,650
2016-2017	418	69	487	1,608
2017-2018	\$432	\$81	\$513	\$1,639

*1 All residential accounts paid a flat annual sewer service charge shown above per household through 2014-2015. In 2015-2016, as a result of a cost of service study, the District changed to a two tier single family and multi family rate structure. 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
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>
2008-2009	\$68,888,723,534	\$1,738,606,038	\$70,627,329,572	3.9%
2009-2010	68,640,287,188	1,723,710,536	70,363,997,724	-0.4%
2010-2011	67,889,370,916	1,647,537,385	69,536,908,301	-1.2%
2011-2012	67,486,938,247	1,591,574,852	69,078,513,099	-0.7%
2012-2013	67,538,246,870	1,604,518,295	69,142,765,165	0.1%
2013-2014	74,400,356,922	1,742,364,655	76,142,721,577	10.1%
2014-2015	80,431,132,956	1,739,342,301	82,170,475,257	7.9%
2015-2016	86,701,930,276	1,645,712,628	88,347,642,904	7.5%
2016-2017	92,006,863,080	1,704,263,642	93,711,126,722	6.1%
2017-2018	97,298,029,346	1,722,229,970	99,020,259,316	5.7%

**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>Collection Percentage</u>	<u>% Change</u>	<u>Sewer Service Charges* Levied & Collected</u>	<u>Collection Percentage</u>	<u>% Change</u>
2008-2009	\$12,492,502	100%	3.3%	\$50,743,258	100%	3.8%
2009-2010	11,253,233 **	100%	-9.9%	50,896,210	100%	0.3%
2010-2011	12,171,725	100%	8.2%	50,196,629	100%	-1.4%
2011-2012	12,032,525	100%	-1.1%	54,586,208	100%	8.7%
2012-2013	13,185,988 ***	100%	9.6%	60,068,807	100%	10.0%
2013-2014	13,108,176	100%	-0.6%	66,604,323	100%	10.9%
2014-2015	14,195,300	100%	8.3%	72,622,738	100%	9.0%
2015-2016	15,323,818	100%	7.9%	78,930,977	100%	8.7%
2016-2017	16,428,089	100%	7.2%	83,601,971	100%	5.9%
2017-2018	17,300,475	100%	5.3%	87,944,554	100%	5.2%

* 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.

** Actual amount received from the County. Net of Prop 1A loan to state of \$985,916.

*** Includes repayment of Prop 1A loan in June, 2013. The repayment amount includes \$985,916 of principal and \$65,545 of interest for a total of \$1,051,461.

**Central Contra Costa Sanitary District
Sewer Service Charge
List Of Ten Largest Customers
Ten Fiscal Years**

Customer	2008-2009			2009-2010			2010-2011			2011-2012			2012-2013		
	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue
City of Concord 1.	\$8,755,857	1	16.40%	\$8,664,668	1	14.73%	\$9,224,952	1	15.40%	\$10,647,389	1	17.28%	\$10,483,421	1	15.18%
Chevron Offices & Office Park 2.	363,739	2	0.68%	165,561	7	0.28%	-	-	-	-	-	-	-	-	-
Contra Costa County General Services 3.	320,866	3	0.60%	305,880	2	0.52%	301,430	2	0.50%	292,384	4	0.47%	321,803	4	0.47%
First Walnut Creek Mutual	295,450	4	0.55%	295,450	3	0.50%	295,450	3	0.49%	323,950	2	0.53%	352,450	2	0.51%
Park Regency Apartments	277,412	5	0.52%	277,412	4	0.47%	277,412	4	0.46%	304,172	3	0.49%	330,932	3	0.48%
Second Walnut Creek Mutual Apts	233,250	6	0.44%	233,250	5	0.40%	233,250	5	0.39%	255,750	5	0.42%	278,250	5	0.40%
Sun Valley Mall	190,734	7	0.36%	197,566	6	0.34%	193,957	6	0.32%	203,037	6	0.33%	174,038	7	0.25%
St. Mary's College Contract	126,222	8	0.24%	-	-	-	-	-	-	119,407	9	0.19%	158,480	8	0.23%
John Muir Health 3.	125,292	9	0.23%	-	-	-	-	-	-	-	-	-	176,381	6	0.26%
Branch Creek Vista Apartments	124,400	10	0.23%	124,400	9	0.21%	124,400	7	0.21%	136,400	7	0.22%	148,400	9	0.21%
Kaiser Foundation Hospital 3.	-	-	-	136,753	8	0.23%	-	-	-	-	-	-	-	-	-
Bay Landing Apartments	-	-	-	111,960	10	0.19%	111,960	8	0.19%	122,760	8	0.20%	133,560	10	0.19%
Archstone Apartments	-	-	-	-	-	-	108,850	9-10	0.18%	119,350	10	0.19%	-	-	-
Muirland @ Windemere Apartments	-	-	-	-	-	-	108,850	9-10	0.18%	119,350	10	0.19%	-	-	-
Total	\$10,813,222		20.26%	\$10,512,900		17.87%	\$10,980,511		18.33%	\$12,643,949		20.52%	\$12,557,715		18.18%

Customer	2013-2014			2014-2015			2015-2016			2016-2017			2017-2018		
	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue	Operating Revenue	Rank	Percentage of Revenue
City of Concord 1.	\$11,625,864	1	15.71%	\$12,892,945	1	15.25%	\$13,913,960	1	15.86%	\$13,851,253	1	15.63%	\$14,973,623	1	16.19%
Contra Costa County General Services 3.	419,590	2	0.57%	451,567	2	0.53%	638,608	2	0.73%	547,943	2	0.62%	556,782	2	0.60%
First Walnut Creek Mutual	384,750	3	0.52%	417,050	3	0.49%	439,850	3	0.50%	462,650	3	0.52%	487,350	3	0.53%
Park Regency Apartments	361,260	4	0.49%	391,588	4	0.46%	412,996	4	0.47%	434,404	4	0.49%	457,596	4	0.49%
Second Walnut Creek Mutual Apts	303,750	5	0.41%	329,250	5	0.39%	347,250	5	0.40%	365,250	5	0.41%	387,750	5	0.42%
Sun Valley Mall	211,866	6	0.29%	299,697	6	0.35%	283,613	6	0.32%	298,005	7	0.34%	354,208	6	0.38%
John Muir Health 3.	148,374	8	0.20%	-	-	-	218,919	7	0.25%	322,601	6	0.36%	278,589	7	0.30%
San Ramon Unified School District	-	-	-	-	-	-	215,044	8	0.25%	225,339	8	0.25%	247,766	8	0.27%
Willows Shopping Center 3.	145,091	10	0.20%	-	-	-	206,210	9	0.24%	-	-	-	236,285	9	0.26%
Branch Creek Vista Apartments	162,000	7	0.22%	175,600	7	0.21%	-	-	194,800	9	0.22%	205,200	10	0.22%	
Kaiser Foundation Hospital 3.	-	-	-	158,848	8	0.19%	186,232	10	0.21%	186,281	10	0.21%	-	-	-
Bay Landing Apartments	145,800	9	0.20%	158,040	9	0.19%	-	-	-	-	-	-	-	-	-
Archstone Apartments	-	-	-	153,650	10	0.18%	-	-	-	-	-	-	-	-	-
Muirland @ Windemere Apartments	-	-	-	153,650	10	0.18%	-	-	-	-	-	-	-	-	-
Total	\$13,908,345		18.79%	\$15,581,885		18.44%	\$16,862,681		19.22%	\$16,888,526		19.06%	\$18,185,149		19.66%

1. Contract with the City of Concord to treat and dispose of wastewater for Concord and Clayton.
2. Charges included irrigation in years 2007-2008 and 2008-2009.
3. Kaiser, John Muir Health, Willows Shopping Center, and County hospital are permitted industries.
Source: Central Contra Costa Sanitary District Environmental Services Division

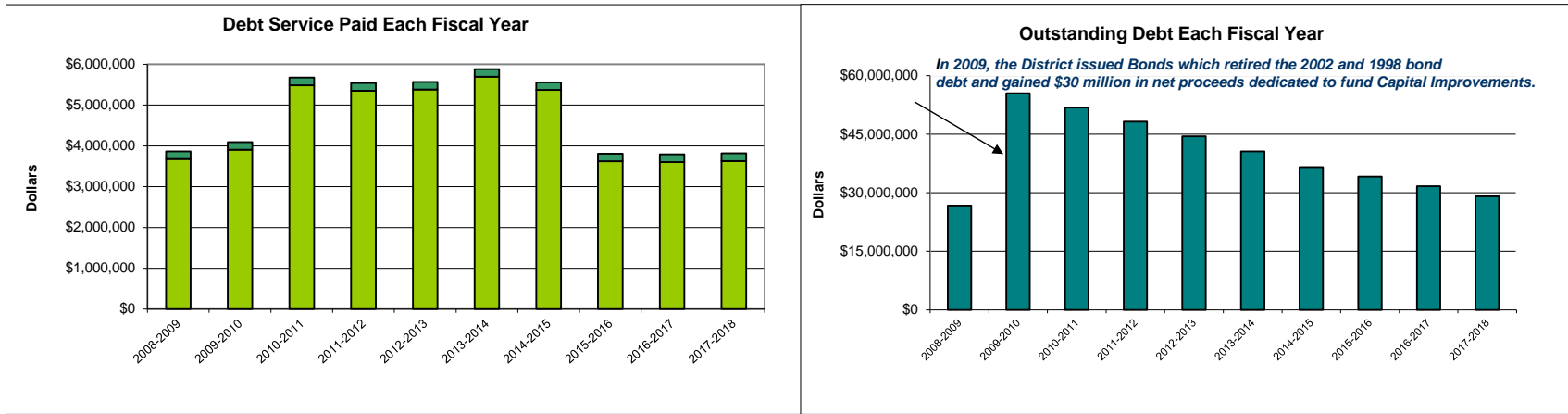
**Central Contra Costa Sanitary District
Payments Under the Concord Agreement
Last 10 Fiscal Years**

<u>Fiscal Year</u>	<u>Discharge Volume (mg)</u>	<u>Service Charges</u>	<u>Capital Contributions</u>	<u>Total</u>
2008-09	3,924	\$8,755,857	\$5,485,858	\$14,241,715
2009-10	4,077	8,664,668	3,628,949	12,293,617
2010-11	4,507	9,224,952	3,216,190	12,441,142
2011-12	4,279	10,647,389	2,541,688	13,189,077
2012-13	4,213	10,483,421	3,616,771	14,100,192
2013-14	3,914	11,625,864	3,820,858	15,446,722
2014-15	3,826	12,892,945	2,897,491	15,790,436
2015-16	3,878	13,913,960	3,671,892	17,585,852
2016-17	4,800	13,851,253	4,476,961	18,328,214
2017-18	4,265	14,973,623	6,364,725	21,338,348

**Central Contra Costa Sanitary District
Active Service Accounts and Fiscal Year Billings
Sewer Service Charges
Fiscal Year 2017-2018**

<u>User Group</u>	<u>No. of Accounts</u>	<u>2017-2018 Sewer Service Charge Billings</u>	<u>Residential Unit Equivalentents</u>	<u>Percentage of Total</u>
Residential	113,602	\$72,351,472	136,512	81%
Mixed Use	423	5,761,927	10,872	6%
Office	967	2,319,555	4,377	3%
Hotel/Motel	23	1,174,330	2,216	1%
Food Service	164	1,098,961	2,074	1%
Businesses	384	662,265	1,250	1%
Recreation/Entertainment	137	651,823	1,230	1%
Automotive/Car Wash	240	630,988	1,191	1%
Market/Supermarket	40	482,969	911	1%
Industrial Permitted	9	477,127	900	1%
All Other User Groups	994	4,097,581	7,731	5%
Subtotal	<u>116,983</u>	<u>\$89,708,998</u>	<u>169,262</u>	<u>100%</u>
Partial Year Charges (Counter)		\$443,523		
Prior Year Adjustments		(267,511)		
Total FY 2017-2018 Sewer Service Charge Revenue		<u>\$89,885,010</u>		

**Summary Of Debt Service
Last Ten Fiscal Years**



Fiscal Year	Summary By Type Of Debt											
	Revenue Bonds (2009, 2002 & 1998)			Water Reclamation Loan			Total Debt Service Annual Expense			TOTAL DEBT SERVICE OUTSTANDING		
	Principal	Interest & Amortization	Total Debt Service	Principal	Interest & Amortization	Total Debt Service	Principal	Interest & Amortization	Total Debt Service	Revenue Bonds	Water Rec. Loan	Total Debt Outstanding
2008-2009	\$2,300,000	\$1,379,326	\$3,679,326	\$144,759	\$42,360	\$187,119	\$2,444,759	\$1,421,686	\$3,866,445	\$25,240,000	\$1,484,491	\$26,724,491
2009-2010	2,390,000	1,514,871	3,904,871	148,523	38,596	187,119	2,538,523	1,553,467	4,091,990	54,125,000	1,335,968	55,460,968
2010-2011	3,460,000	2,027,168	5,487,168	152,385	34,734	187,119	3,612,385	2,061,903	5,674,288	50,665,000	1,183,583	51,848,583
2011-2012	3,465,000	1,888,601	5,353,601	156,346	30,773	187,119	3,621,346	1,919,375	5,540,721	47,200,000	1,027,237	48,227,237
2012-2013	3,605,000	1,775,376	5,380,376	160,411	26,708	187,119	3,765,411	1,802,084	5,567,495	43,595,000	866,826	44,461,826
2013-2014	3,720,000	1,974,151	5,694,151	164,581	22,537	187,118	3,884,581	1,996,688	5,881,269	39,875,000	702,245	40,577,245
2014-2015	3,865,000	1,504,939	5,369,939	168,860	18,258	187,118	4,033,860	1,523,197	5,557,057	36,010,000	533,385	36,543,385
2015-2016	2,210,000	1,413,772	3,623,772	173,251	13,868	187,119	2,383,251	1,427,640	3,810,891	33,800,000	360,134	34,160,134
2016-2017	2,300,000	1,304,036	3,604,036	177,757	9,362	187,119	2,477,757	1,313,398	3,791,155	31,500,000	182,377	31,682,377
2017-2018	2,405,000	1,225,938	3,630,938	182,377	4,742	187,119	2,587,377	1,230,680	3,818,057	29,095,000	-	29,095,000

Fiscal Year	Debt Service Coverage Summary									Debt Ratios		
	Total Debt Service	Operating Revenue	Total Operating Expenses less Depreciation *1	Non-Operating Revenue & Contributions	Net Revenue *2	Debt Service Coverage (Net Revenue) *3	Capital Improvement Fees/Concord	Adjusted Net Revenue *4	Debt Service Coverage (Adj. Net Revenue) *5	Annual Debt Service to Operating Exp.	Annual Debt Service per Customer	Total Debt Outstanding Per Customer
2008-2009	\$3,866,445	\$53,384,144	\$57,975,254	\$35,500,685	\$30,909,575	7.99	\$10,511,351	\$20,398,224	5.28	6.67%	\$23.33	\$161.26
2009-2010	4,091,990	58,832,086	55,868,745	30,316,640	33,279,981	8.13	10,707,584	22,572,397	5.52	7.32%	24.47	331.68
2010-2011	5,674,288	59,896,560	58,235,679	22,850,951	24,511,832	4.32	6,731,994	17,779,838	3.13	9.74%	34.67	316.81
2011-2012	5,540,721	61,616,639	64,285,187	29,583,084	26,914,536	4.86	8,266,521	18,648,015	3.37	8.62%	34.06	296.47
2012-2013	5,567,495	69,082,686	67,141,476	30,569,164	32,510,374	5.84	9,708,300	22,802,074	4.10	8.29%	33.78	269.73
2013-2014	5,881,269	74,002,008	77,615,849	36,133,744	32,519,903	5.53	12,045,375	20,474,528	3.48	7.58%	35.31	243.60
2014-2015	5,557,057	84,516,434	81,609,848	32,311,417	35,218,003	6.34	9,570,789	25,647,214	4.62	6.81%	33.01	217.10
2015-2016	3,810,891	87,734,536	74,907,487	41,448,971	54,276,020	14.24	12,215,650	42,060,370	11.04	5.09%	22.28	199.74
2016-2017	3,791,155	88,625,441	78,572,632	47,219,331	57,272,140	15.11	11,521,301	45,750,839	12.07	4.83%	22.36	186.85
2017-2018	3,818,057	92,496,435	88,119,374	51,841,253	56,218,314	14.72	15,696,145	40,522,169	10.61	4.33%	22.51	171.56

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

<a> GASB Statement No. 65 required that bond issuance costs of \$315,287, previously being amortized annually, be expensed in FY 2013-2014.

*1 2014-2015 includes implementation of pension expense reporting changes for GASB 68 & 71.

*2 Net Revenue = Operating Revenue, less Total Operating Expenses less Depreciation, plus Non-Operating Revenue & Contributions.

*3 This ratio must be above 1.00 to meet the Debt Rate Covenant (Net Revenue/Total Debt Service).

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

*5 This ratio must be above 1.25 to meet the Debt Rate Covenant (Adjusted Net Revenue/Total Debt Service).

Debt Restrictions:

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 to the left.

Reserve Requirement at June 30, 2018: \$4,856,450

Balance in reserve account at June 30, 2018: \$4,856,450

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

<u>As Of January 1</u>	<u>Inside District Boundaries</u>	<u>Concord/ Clayton</u>	<u>Total Served</u>	<u>% Change</u>
2009	322,200	134,000	456,200	1.0%
2010	326,600	135,400	462,000	1.3%
2011	321,800	133,600	455,400	-1.4%
2012	326,900	134,200	461,100	1.3%
2013	332,600	134,900	467,500	1.4%
2014	335,009	135,856	470,865	0.7%
2015	339,029	137,357	476,386	1.2%
2016	340,667	140,916	481,583	1.1%
2017	344,591	139,654	484,245	0.6%
2018	348,333	140,590	488,923	1.0%

Source: Central Contra Costa Sanitary District Environmental Services Division

**List of Ten Largest Employers in Contra Costa County
Last Year and Eight Years Ago***

<u>Employers</u>	<u>2009*</u>			<u>2017*</u>		
	<u>Estimated Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>	<u>Estimated Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Chevron Corporation	4,700	1	0.99%	10,000+	1	1.89%
Bay Alarm Co.	-		-	1,000-4,999	T-2	0.56%
St. Mary's College	-		-	1,000-4,999	T-2	0.56%
Bio-Rad Laboratories	1,700	4	0.36%	1,000-4,999	T-2	0.56%
Job Connections	-		-	1,000-4,999	T-2	0.56%
John Muir Medical Center	1,900	3	0.40%	1,000-4,999	T-2	0.56%
Kaiser Permanente	-		-	1,000-4,999	T-2	0.56%
La Raza Market	-		-	1,000-4,999	T-2	0.56%
Martinez Medical Offices	-		-	1,000-4,999	T-2	0.56%
USS-POSCO Industries	975	8	0.20%	1,000-4,999	T-2	0.56%
Kaiser Foundation Hospital	2,300	2	0.49%	-		-
John Muir/Mt. Diablo Medical Center	1,500	5	0.32%	-		-
24 Hour Fitness	1,300	6	0.27%	-		-
Doctors Medical Center	1,000	7	0.21%	-		-
Contra Costa Newspaper, Inc.	900	9	0.19%	-		-
Bank of the West	800	10	0.17%			
All Others	<u>456,725</u>		<u>96.40%</u>	<u>495,400</u>		<u>93.07%</u>
Total	<u><u>473,800</u></u>		<u><u>100.0%</u></u>	<u><u>532,400</u></u>		<u><u>100.0%</u></u>

Source: * County of Contra Costa, California, Comprehensive Annual Financial Report for June 30, 2017, Statistical Section, principal employers excludes government employers.

**Central Contra Costa Sanitary District
Demographic and Economic Statistics
Contra Costa County
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Population*	Personal Income*	Per Capita Personal Income*	Average Annual Unemployment Rate**
2008	1,023,344	\$60,281,111,000	\$58,906	6.3%
2009	1,037,890	56,296,792,000	54,242	10.8%
2010	1,052,799	56,882,501,000	54,030	11.3%
2011	1,066,182	61,498,902,000	57,681	10.4%
2012	1,079,093	66,772,041,000	61,878	9.0%
2013	1,095,310	67,290,115,000	61,435	7.4%
2014	1,110,971	71,164,468,000	64,056	6.2%
2015	1,126,027	77,914,957,000	69,195	5.0%
2016	1,138,645	82,204,425,000	72,195	4.4%
2017	1,147,439	87,810,279,000	76,527	3.8%

* U.S. Department of Commerce, Bureau of Economic Analysis. Estimates for 2010-2016 reflect county population estimates available as of March 2018.

** State of California, Employment Development Department (EDD), annual calendar figure.

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

Full-time Equivalent Positions Filled as of June 30

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Administration	45	45	44	39	39	44	46	49	43	43
Engineering	80	76	75	71	75	73	72	88	88	89
Operations										
Collection Systems	52	47	44	47	56	55	56	55	55	54
Plant	82	78	74	71	76	81	88	79	83	81
Pumping Station	10	10	8	7	8	8	8	7	7	7
Operations Total	<u>144</u>	<u>135</u>	<u>126</u>	<u>125</u>	<u>140</u>	<u>144</u>	<u>152</u>	<u>141</u>	<u>145</u>	<u>142</u>
District Total	<u><u>269</u></u>	<u><u>256</u></u>	<u><u>245</u></u>	<u><u>235</u></u>	<u><u>254</u></u>	<u><u>261</u></u>	<u><u>270</u></u>	<u><u>278</u></u>	<u><u>276</u></u>	<u><u>274</u></u>

**Number of Retirees and Surviving Spouses as of June 30
Last Ten Fiscal Years**

District Total	<u><u>187</u></u>	<u><u>201</u></u>	<u><u>215</u></u>	<u><u>237</u></u>	<u><u>244</u></u>	<u><u>243</u></u>	<u><u>244</u></u>	<u><u>249</u></u>	<u><u>259</u></u>	<u><u>278</u></u>
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Source: Central Contra Costa Sanitary District Finance and Human Resources Divisions

**Central Contra Costa Sanitary District
Capital Asset and Operating Statistics
Last Ten Calendar or Fiscal Years**

Treatment Plant	Year	Millions of Gallons per Day (mgd)									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Treatment Plant Permitted Capacity	Calendar	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
Average Dry Weather Flow (ADWF)	Calendar	36.6	32.5	38.9	37.2	33.2	33.8	30.4	29.1	30.8	33.3
Wastewater Treated per day	Calendar	41.0	37.0	40.6	41.9	39.8	36.8	35.6	31.8	35.4	43.2
		Tons per Year									
Sludge to Furnace (Dry)*1	Fiscal	15,212	15,299	15,056	15,790	15,097	14,590	16,789	16,623	17,031	17,105
Ash to Reuse Site (Wet)*2	Fiscal	4,177	4,082	3,814	3,850	3,667	3,618	3,811	3,651	4,230	3,956

*1 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.

*2 Wet sludge, which at 19 to 27 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 73 to 81 percent water in the wet sludge.

Collection Systems/Pumping Stations/Outfall Sewers

	Year	Other Data									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pipeline Miles	Calendar	1,500	1,500	1,500	1,500	1,526	1,526	1,519	1,519	1,519	1,535
Number of pumping stations (owned)	Calendar	17	17	16	16	16	16	16	16	16	15

Recycled Water

Recycled Water Pipeline	Calendar	10.5 miles	10.5 miles	10.5 miles	10.5 miles	10.5 miles	10.5 miles	13 miles	13 miles	13 miles	13 miles
Recycled Water Produced per day	Calendar	1.5 mgd	1.6 mgd	1.5 mgd	1.6 mgd	1.6 mgd	1.6 mgd	1.6 mgd	1.6 mgd	1.5 mgd	1.58 mgd
Number of Recycled Water Customers	Calendar	31	30	33	35	35	35	37	43	52	52
Residential Recycled Water Fill Station Customers	Calendar	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,020	2,259	2,313

Household Hazardous Waste (HHW) - Inception 1997/1998

Program Participation (Number of cars)	Fiscal	28,210	29,347	29,441	29,112	29,119	30,379	31,779	33,468	33,037	35,640
Percentage of Households in Service Area	Fiscal	14.4%	15.0%	15.6%	15.4%	15.4%	15.9%	16.6%	16.8%	16.7%	18.1%
Operating Cost per Car	Fiscal	\$76	\$76	\$82	\$87	\$93	\$83	\$78	\$72	\$80	\$77
Pounds of HHW per Car	Fiscal	67	65	68	67	68	66	63	64	65	64

Pharmaceutical Collection Program - Inception 2009

Number of Collection Sites	Calendar	N/A	5	10	10	10	12	13	13	13	13
Pounds of Expired or Unwanted medications Collected	Calendar	N/A	4,747	8,960	9,434	12,240	12,428	14,041	15,366	16,485	17,337

Miscellaneous Statistics

Governing Body:	Elected 5-Member Board of Directors
Governmental Structure:	Established in 1946 under the Sanitary District Act of 1923
Staff:	274 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 Residential and Truck Recycled Water Fill Station Pharmaceutical Collection Program (13-Collection Sites)
Type Of Treatment:	Discharge - Secondary; Reclamation - Tertiary
Service Area:	144 square miles
Total Population Served:	488,923
Sewer Service Charge:	\$530 for single family homes and \$513 for multi-family homes.