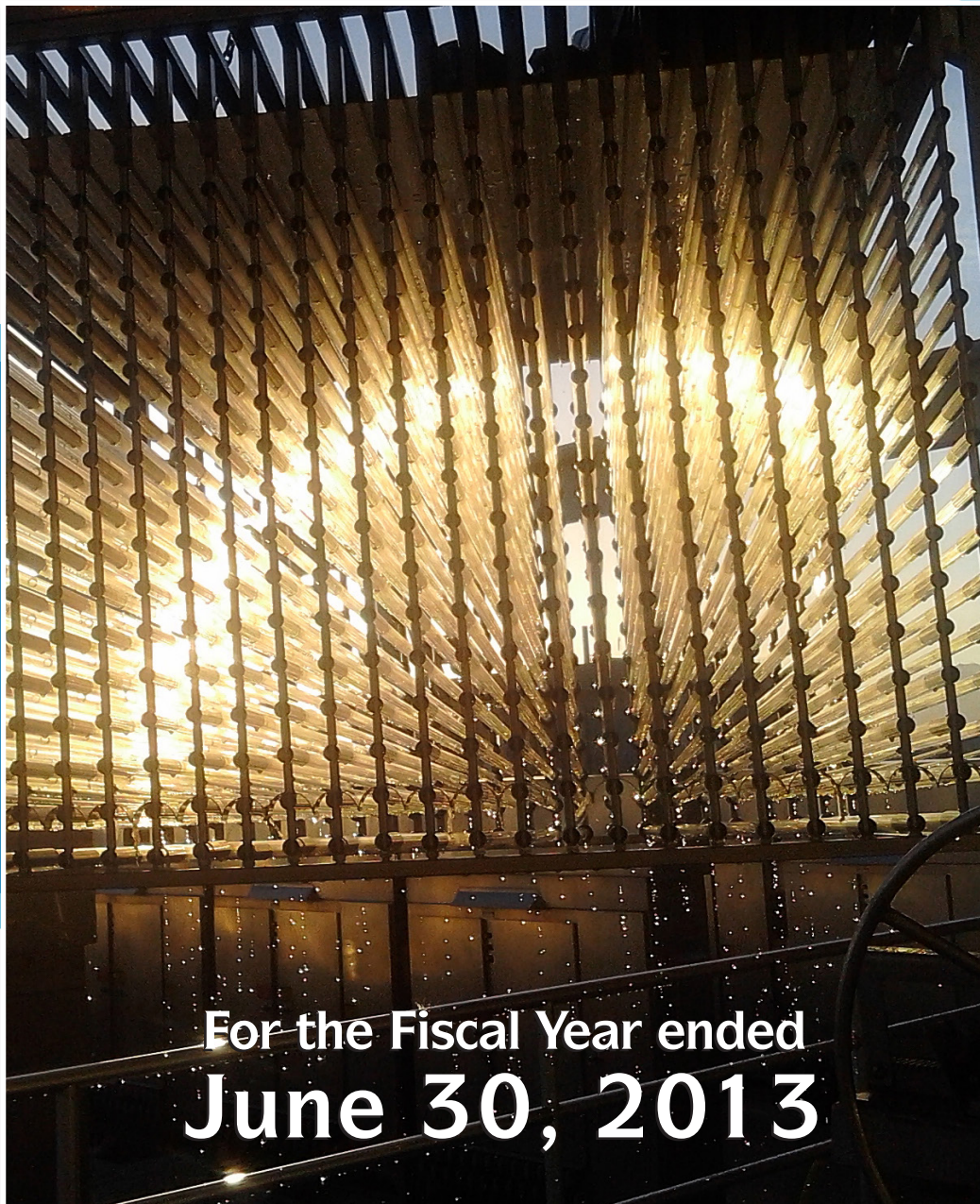




Central Contra Costa Sanitary District
5019 Imhoff Place, Martinez, CA 94553

Comprehensive Annual Financial Report



For the Fiscal Year ended
June 30, 2013

Ultraviolet Light Disinfection Unit

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

**Prepared By:
Finance & Accounting Division**

CENTRAL CONTRA COSTA SANITARY DISTRICT
Comprehensive Annual Financial Report
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For the Year Ended June 30, 2013

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Central Contra Costa Sanitary District

Introductory Section





November 13, 2013

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2013.

Management of Central Contra Costa Sanitary 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 unqualified (“clean”) opinion on the Central Contra Costa Sanitary District’s financial statements for the year ended June 30, 2013. 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 process wastewater for approximately 333,000 residents of Danville, Lafayette, Martinez, Moraga, Orinda, Pleasant Hill, San Ramon, Walnut Creek and some of the unincorporated communities within Central Contra Costa County. The District also treats wastewater for 134,900 residents of the Cities of Concord and Clayton under a 1974 contract with the City of Concord.

The District is committed to protecting the public health and preserving the environment while minimizing facility and operating costs. The District has approximately 1,500 miles of sewer pipeline, ranging in size from 6 inches to 120 inches in diameter, and 16 sewage-pumping stations in the District's sewage collection system. The District is the sole provider of wastewater service within the District limits (see map of service area). Residents make up the largest segment of the District's customer base representing approximately 82% of the Sewer Service Charge revenue. The District's treatment capacity has grown from 4.5 million gallons per day (mgd) initiated in 1948 to 53.8 mgd currently. Bonds, state grants, federal grants, and pay-as-you-go resources of the District have financed expansions.

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

In addition to its wastewater responsibility, the District also teamed with Mountain View Sanitary District and other local governments to build and operate the first permanent Household Hazardous Waste (HHW) Collection Facility in Contra Costa County. The HHW Collection Facility is located adjacent to the District's wastewater treatment plant and seeks to keep pollutants out of the sewer system, making this facility an important part of our Pollution Prevention Program. Completing its sixteenth year of operation, the HHW currently serves approximately 15.5 percent of the central County households.

Organization, Accounting and Budgetary Controls

A 5-member Board of Directors governs the District. Board members are elected on a non-partisan basis and serve a four-year term. The Board appoints the General Manager, who in accordance with policies established by the Board of Directors, manages District affairs. The District employs 254 regular employees organized in four departments led by Managers responsible for their budgets and expenses. The four departments are: Administrative, Engineering, Collection Systems, and Plant Operations.

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

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

- **Debt Service** – 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. A detailed mid-year and annual budget analysis are prepared and presented to the Board. District management is accountable for variances and adhering to budget constraints. The District also has several documented financial policies that are reviewed and updated as appropriate.

ASSESSING THE DISTRICT'S ECONOMIC CONDITION

Local Economy and Outlook

While the nation as a whole is slowly recovering from the most severe economic contraction since the Great Depression, economic data for the past year indicate California, in particular the Bay Area, is leading the nation in job gain and economic recovery. Employment in the Bay Area has consistently grown at a faster rate than the country as a whole during the year. According to the Legislative Analyst's Office (LAO), voter approval of Proposition 30 (a temporary ¼ cent increase in sales tax and an income tax increase on earnings over \$250,000), improved state economy, and budget cuts will produce a budget reserve for the first time in five years. Contrary to budget shortfalls of recent years, a projected surplus in general fund is restoring some programs, such as school funding, from prior year cuts and will see an increase in state funding. Key economic indicators show positive signs of growth for the East Bay and the state. Furthermore, the UCLA Anderson Forecast predicts the nine-county region of the Bay Area will continue as a top performer in job and economic recovery.

The decline in home values and foreclosures from sub-prime lending leading to a restrictive credit market has turned the corner and home prices in California have risen steeply in the past year. In contrast to the bursting of the housing bubble which began in 2008 and continued for several years, a rapid recovery is underway in the housing market. Existing single-family home prices in the East Bay, as in the rest of the state, have increased dramatically and the upswing is predicted to continue. Low interest rates on mortgages along with declining inventory of affordable homes have caused a flurry of activities in the housing market that is expected to continue in the foreseeable future. Both single-family and multi-family residential building permits have increased as a result of the strong housing market.

The strong housing market has a positive effect in the growth of new sewer service connections for the District. New construction of multi-family housing units in Walnut Creek and San Ramon have increased connection fees and will add to the stream of sewer service charge revenue. The District and the bargaining units have agreed on a 5-year contract that will go to December of 2017. The new contract continues the bulk of employee retirement cost being paid by the District. Payment of the unfunded liability is a major financial concern for the District as it is for many public entities. The District

has an excellent reputation in all areas of public service, which include finance, collection, treatment, training, safety, technology, capital projects, construction and customer service. The Central Contra Costa Sanitary District has balanced revenue sources, adequate reserves, and a moderate debt obligation. CCCSD reviews its rate and other charges annually. The District can increase its sewer service charge rates when needed to make up revenue shortfalls by providing public notice to all customers, holding a Public Hearing, and obtaining approval by the Board of Directors. The District is also able to obtain bond financing, as needed, due to the District's AAA bond rating. The District anticipates that it will continue to meet its mission and goals, continue to provide excellent customer service and reasonable rates to its customers, and meet compliance requirements given the current economic conditions.

Long Term Financial Planning

District management analyzes and updates their strategic plan annually, with the four main goals being: providing exceptional customer service, maintaining full regulatory compliance, maintaining responsible rates, and continuing to be a high performance organization. Strategies to achieve each of the goals are developed, as well as metrics to evaluate success. The District performs a 10-year long-term 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, GASB requirements, negotiated salary increases and employee benefits including significant increases in retirement and health care costs, energy costs and interpreting the energy market, housing growth, and infrastructure renewal and replacement needs. The District has a significant amount of unfunded actuarial liability for both pension and other post employment costs (OPEB) and various options for managing these liabilities are explored in the financial planning process.

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. Section 53646 of the California Government Code governs our investment practices, and is reviewed annually by staff, legal counsel and the Board. No required changes were necessary. The Board receives monthly financial statements that include District investment performance. Since 2008, the GASB 45 Trust investments are in a moderate investment strategy fund. The Board Budget and Finance Committee reviews GASB 45 Trust quarterly financial statements to monitor the District's investment strategy in the current volatile economy.

Major Initiatives

The District's vision is to be a high-performance organization that provides exceptional customer service and full regulatory compliance at responsible rates. Full regulatory compliance is provided through exceptional operation of our collection system and treatment facilities, as well as through continued investment in our infrastructure. Our current capital plan has an emphasis on renovation, particularly in the collection system, in order to improve service, and fix deteriorating pipes and pumping stations before they can contribute to a sewer system overflow. Both at the state and federal level, regulations addressing sewer system overflows and public notification have become

increasingly stringent over the last several years. Collection system operations was enhanced by the newly constructed administration/crew/warehouse building, which was designed to be LEED certified and incorporates many green design features. LEED represents "Leadership in Energy and Environmental Design," which is administered by the U.S. Green Building Council.

Our capital plan is also addressing treatment plant reliability through design and construction of several recently completed projects. The Outfall Improvements, Phase 6 project, allowed the District to inspect and repair the 3.5 mile 72-inch diameter outfall pipeline that transports fully treated effluent from the Martinez Treatment Plant Facility to Suisun Bay. A second project, the Piping Renovations, Phase 6 project, replaces aging pipe infrastructure with new modern piping. These projects are supplemented with treatment plant renovation projects to increase safety and replace other plant infrastructure.

The District has received Platinum and Gold awards from the National Association of Clean Water Agencies (NACWA) for fifteen straight years in recognition of 100 percent compliance with our National Pollutant Discharge Elimination System (NPDES) permit. It has also reduced the number of sanitary sewer overflows by more than 70% in the past 10 years by improved sewer cleaning and a robust sewer rehabilitation program.

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, 2012. This was the thirteenth 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.

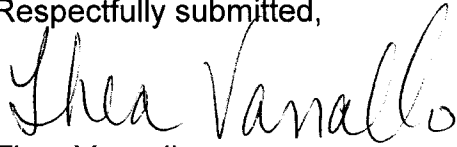
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Jamie King, Accountant, and Todd Smithey, Finance Administrator.
- 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,

A handwritten signature in cursive script that reads "Thea Vassallo". The signature is written in black ink and is positioned above the printed name and title.

Thea Vassallo
Finance Manager

**CENTRAL CONTRA COSTA SANITARY DISTRICT
BOARD OF DIRECTORS
June 30, 2013**

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



OUR MISSION

To protect the public health and the environment by:

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



OUR VISION

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

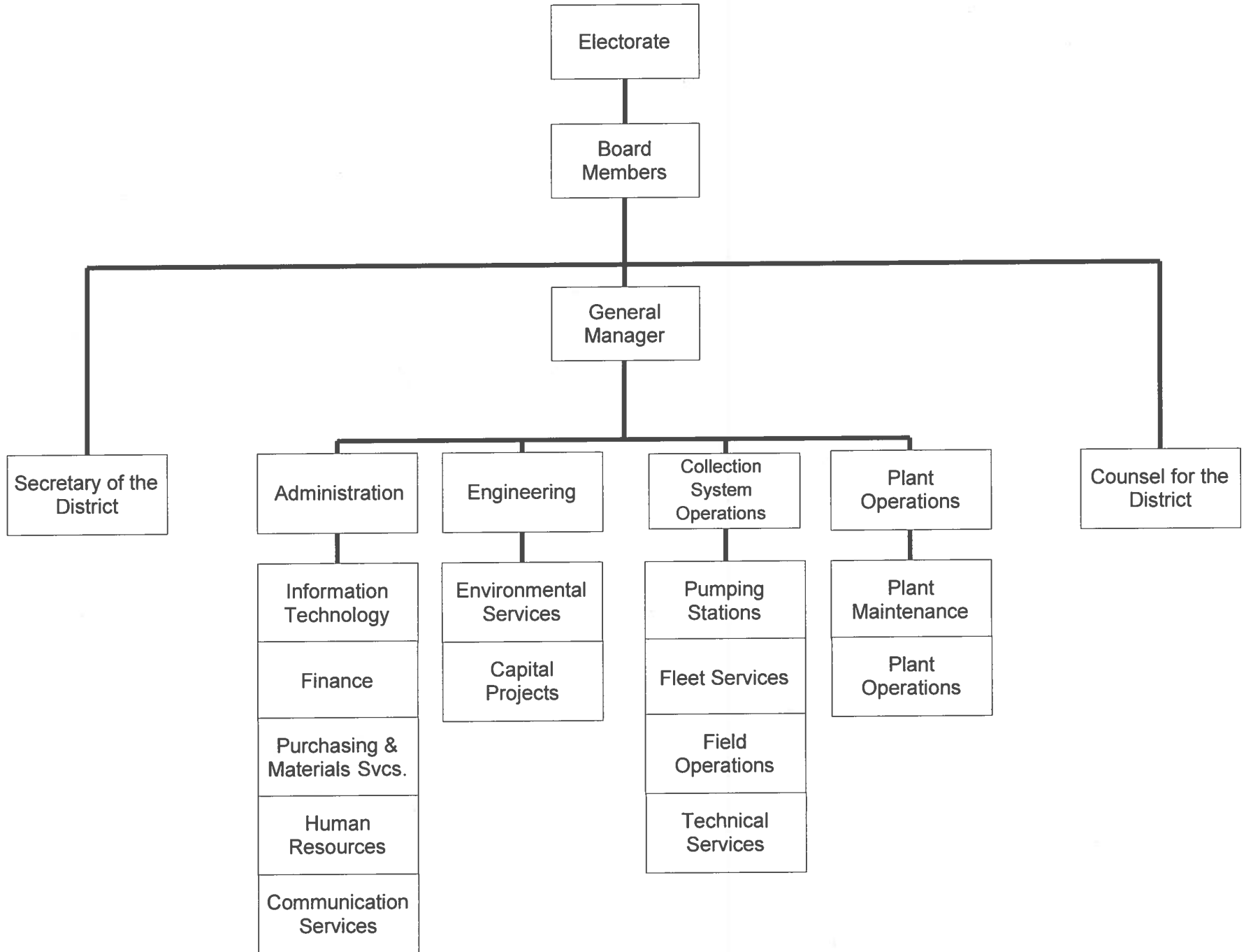


OUR VALUES

We will achieve our goals by valuing:

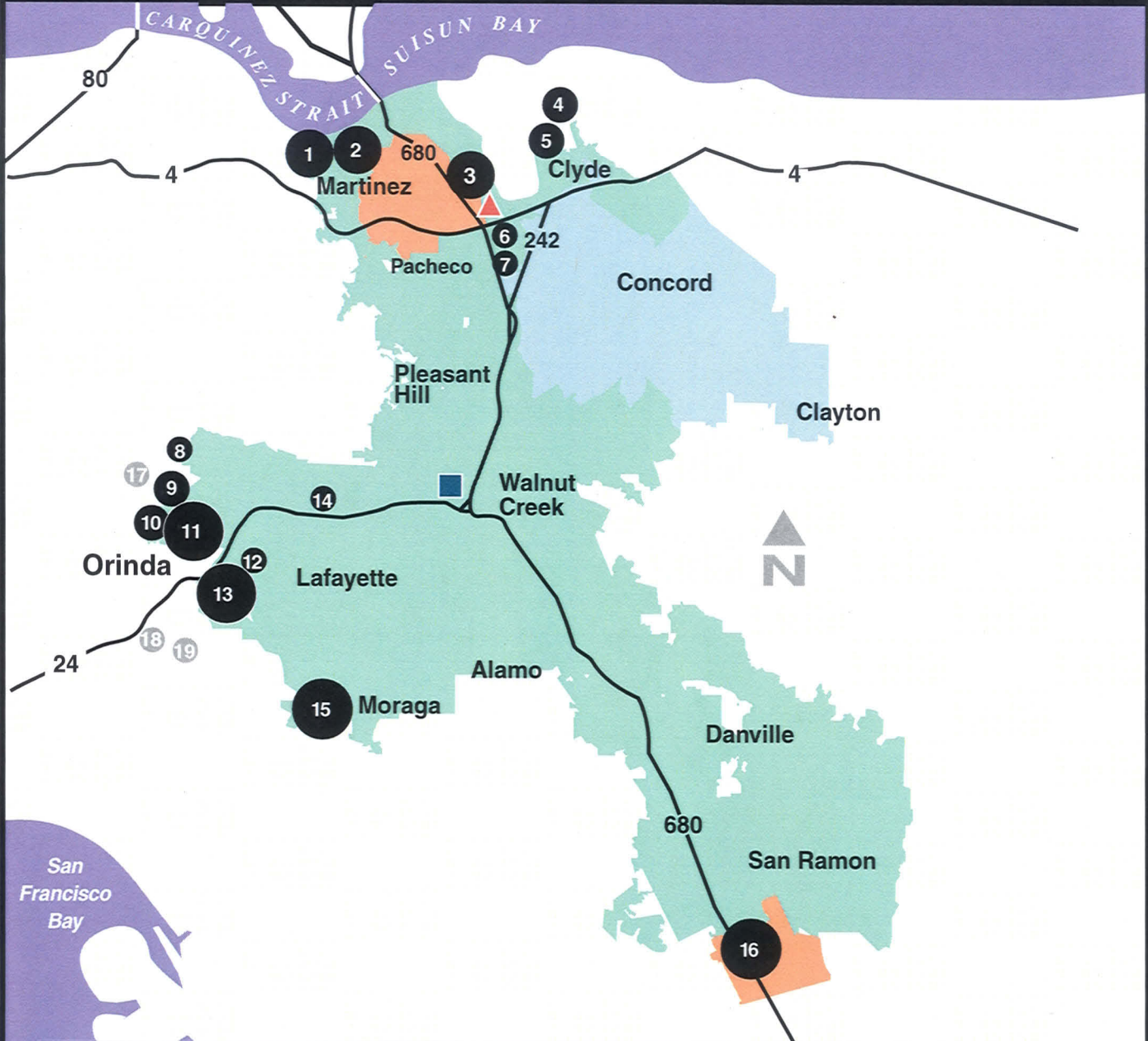
- Each other
- Ethics and integrity
- A healthy and safe environment
- Community relationships
- The meeting of commitments
- All aspects of diversity

CENTRAL CONTRA COSTA SANITARY DISTRICT
Organization Chart - Composite



Central Contra Costa Sanitary District Map of Service Area

June 30, 2013



- Wastewater collection and treatment and HHW collection for 467,500 people
- Wastewater treatment and HHW collection for 134,900 residents in Concord and Clayton by contract
- HHW collection service only
- CCCSD's Headquarters Office Building, treatment plant, HHW Collection Facility, and temporarily located CSO Department (Sewer Maintenance) in Martinez
- CCCSD's Collection System Operations Department (sewer maintenance) located in Walnut Creek. New facility was completed in 2012.

CCCSD Pumping Stations

Pumping Station sizes (Flow Rates):

- Between 0 - 0.1 MGD*
* Million Gallons per Day
- Between 0.1 - 1 MGD
- Between 1 - 10 MGD
- Greater than 10 MGD

- | | |
|-------------------------|-------------------------|
| 1. Martinez | 11. Lower Orinda |
| 2. Fairview | 12. Bates Blvd.-Orinda |
| 3. Maltby | 13. Orinda Cross roads |
| 4. Clyde | 14. Via Robles |
| 5. Concord Industrial | 15. Moraga |
| 6. Buchanan Field North | 16. San Ramon |
| 7. Buchanan Field South | Privately owned: |
| 8. Sleepy Hollow | 17. Wagner Ranch |
| 9. Acacia | 18. Lower Wilder |
| 10. Flush Kleen | 19. Upper Wilder |



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Central Contra Costa
Sanitary District, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Central Contra Costa Sanitary District

Financial Section





INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Central Contra Costa Sanitary District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and each major fund of the District as of June 30, 2013, and the respective changes in the financial positions and cash flows, where applicable, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of Governmental Accounting Standards Board Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective during the year ended June 30, 2013 and required changes to statement titles and other nomenclature within the financial statements.

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

Other Matters

Required Supplementary Information

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

Other Information

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

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



Pleasant Hill, California
September 18, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2013. This information is presented in conjunction with the audited financial statements, which follow this report.

FINANCIAL HIGHLIGHTS

The District's 2012-13 financial highlights are listed below. These results are discussed in more detail later in the report.

- The District's total ending net position increased by \$9.1 million or 1.45% in 2012-13 when compared to fiscal year 2011-12; when comparing 2012-13 to 2010-11, net position have increased by \$12.9 million or 2.07%. This is mainly due to capital project asset additions.
- Total revenues in 2012-13 increased by \$8.8 million or 11.64% when compared to 2011-12; when comparing 2012-13 to 2010-11, total revenue has increased by \$10.9 million or 14.85%. The total Sewer Service Charge (SSC) rate increased by 8.8%; a larger portion of the internal SSC allocation was shifted from Capital Contributions to Operating Revenues.
- Total 2012-13 expenses increased by \$3.1 million or 3.60% compared to 2011-12; when comparing 2012-13 to 2010-11, total expenses increased by \$9.1 million or 11.23%. This is mainly due to higher cost of total labor and technical services.
- Capital Contributions decreased in 2012-13 compared to 2011-12 by -\$0.4 million or -2.42%. Capital Contributions increased by \$6.0 million or 65.78% comparing 2012-13 to 2010-11. The decrease in 2012-13 was due to the SSC rate increase, with more being allocated to Operations and Maintenance, and higher connection fees when comparing 2012-13 to 2011-12. The volatile housing and construction markets caused swings in connection fee revenue. (Connection fee revenue of \$6.1 million in 2012-13, \$5.7 million in 2011-12 and \$3.5 million in 2010-11).

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

- **Statement of Net Position** – reports the District’s current financial resources (short-term spendable resources) with capital assets and long-term obligations
- **Statement of Revenues, Expenses and Changes in Net 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 years:

Condensed Statement of Net Position	Fiscal Year Ended June 30			% Increase (Decrease)	
	2012-13	2011-12	2010-11	FY 12-13 vs. FY 11-12	FY 12-13 vs. 10-11
Current Assets	\$ 78,006,233	\$ 78,506,812	\$ 80,407,120	-0.64%	-2.99%
Capital Assets	603,985,469	597,689,744	593,461,791	1.05%	1.77%
Other Non-current Assets	9,454,886	9,332,364	12,456,011	1.31%	-24.09%
Total Assets	691,446,588	685,528,920	686,324,922	0.86%	-0.75%
Current Liabilities	11,704,101	11,128,540	10,682,746	5.17%	9.56%
Non-Current Liabilities	44,027,490	47,797,407	52,844,305	-7.89%	-16.68%
Total Liabilities	55,731,591	58,925,947	63,527,051	-5.42%	-12.27%
Invested in Capital Assets, Net of Related Debt	559,523,642	549,462,506	541,613,208	1.83%	3.31%
Restricted - Debt Service	4,730,837	4,663,601	4,612,103	1.44%	2.57%
Unrestricted	71,460,518	72,476,866	76,572,560	-1.40%	-6.68%
Total Net Position	\$ 635,714,997	\$ 626,602,973	\$ 622,797,871	1.45%	2.07%

The total net position of the District increased from \$622.8 million in 2010-11 to \$626.6 million in 2011-12 and to \$635.7 million in 2012-13. The increase in net position over the 3-year period totals \$12.9 million and is the result of the combination of net income and capital contributions; comparing 2012-13 to 2011-12 net position increases by \$9.1 million.

By far the largest portion of the District’s net position (88.01% percent) 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 \$4.7 million restricted for debt service. The remaining balance of \$71.5 million in unrestricted net position may be used to meet the District’s ongoing obligations to its ratepayers and creditors. The unrestricted net position may also be used for payment of long-term unfunded liabilities.

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 Central Contra Costa Sanitary District for the past 3 years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Fiscal Year Ended June 30			% Increase (Decrease)	
	2012-13	2011-12	2010-11	FY 12-13 vs. FY 11-12	FY 12-13 vs. 10-11
Sewer Service Charges (SSC)	\$ 67,254,405	\$ 59,771,237	\$ 58,320,822	12.52%	15.32%
Other Service Charges and Miscellaneous	1,828,281	1,845,402	1,575,738	-0.93%	16.03%
Total Operating Revenue	69,082,686	61,616,639	59,896,560	12.12%	15.34%
Property Tax	13,010,477	12,047,169	12,213,624	8.00%	6.52%
Permit & Inspection Fees	1,169,809	903,810	895,825	29.43%	30.58%
Interest and All Other	1,356,574	1,226,598	673,990	10.60%	101.28%
Total Non-Operating Revenues	15,536,860	14,177,577	13,783,439	9.59%	12.72%
Total Revenues	84,619,546	75,794,216	73,679,999	11.64%	14.85%
Total Labor and Benefits	49,811,218	45,562,430	41,705,131	9.33%	19.44%
Chemicals & Utilities	5,420,789	6,090,408	5,664,360	-10.99%	-4.30%
Repairs and Maintenance	3,151,127	3,068,604	2,972,395	2.69%	6.01%
Professional, Legal and Outside Services	2,836,638	4,099,876	2,425,612	-30.81%	16.95%
Materials & Supplies	1,980,314	2,031,401	1,944,767	-2.51%	1.83%
Hauling and Disposal	1,088,294	1,009,137	944,394	7.84%	15.24%
Self-Insurance Expense	2,380,466	810,849	1,003,115	193.58%	137.31%
All Other	472,630	1,612,482	1,575,905	-70.69%	-70.01%
Depreciation Expense	21,596,266	21,190,059	20,580,061	1.92%	4.94%
Total Operating Expenses	88,737,742	85,475,246	78,815,740	3.82%	12.59%
Non-Operating Expense - Interest Expense	1,802,084	1,919,375	2,585,112	-6.11%	-30.29%
Total Expenses	90,539,826	87,394,621	81,400,852	3.60%	11.23%
Income Before Capital Contributions	(5,920,280)	(11,600,405)	(7,720,853)	-48.96%	-23.32%
Customer Contributions (SSC)	8,001,147	8,888,663	5,018,092	-9.98%	59.45%
Contributed Sewer Lines	939,628	792,011	533,616	18.64%	76.09%
Capital Contributions - Connection Fees	6,091,529	5,724,833	3,515,804	6.41%	73.26%
Total Capital Contributions	15,032,304	15,405,507	9,067,512	-2.42%	65.78%
Change in Net Position	9,112,024	3,805,102	1,346,659	139.47%	576.64%
Beginning Net Position	626,602,973	622,797,871	621,451,212	0.61%	0.83%
Ending Net Position	\$ 635,714,997	\$ 626,602,973	\$ 622,797,871	1.45%	2.07%

In 2012-13, operating revenues increased by \$7.5 million or 12.12% compared to 2011-12 and increased by \$9.2 million or 15.34% comparing 2012-13 to 2010-11. Total non-operating revenue increased in 2012-13 compared to 2011-12 by \$1.4 million or 9.59% and increased by \$1.8 million or 12.72% comparing 2012-13 to 2010-11. The change in total revenue resulted in an increase of \$8.8 million or 11.64% comparing 2012-13 to 2011-12 and increased by \$10.9 million or 14.85% comparing 2012-13 to 2010-11. There was an 8.8% SSC rate increase in 2012-13, 9.65% SSC rate increase in 2011-12 and no

increase in SSC for 2010-11. Property Tax revenue increased in 2012-13 and basically remained flat during 2011-12 and 2010-2011 due to housing values remaining low.

In 2012-13, total expenses increased by \$3.1 million or 3.60% compared to 2011-12. Comparing 2012-13 to 2010-11, total expenses were \$9.1 million or 11.23% higher. Increases are mainly due to higher labor and benefit costs along with technical services for temporary staff. Labor costs increased due to employee benefit costs (primarily pension and healthcare costs), cost-of-living adjustments, merit increases, and filling of vacant positions. Depreciation expense increased due to new capital additions. Non-Operating Expense is mainly driven by debt service interest expense. Total income before capital contributions went from -\$7.7 million in 2010-11 to -\$11.6 million in 2011-12 and -\$5.9 million in 2012-13.

Total capital contributions in 2012-13 were \$15.0 million compared to \$15.4 million in 2011-12 and \$9.1 million in 2010-11. This was mainly due to higher customer contributions (SSC) in 2012-13 due to the 8.8% rate increase, 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 \$7.8 million or 576.64% when comparing 2012-13 to 2010-11.

CAPITAL ASSETS

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, 2013, the District's investment in capital assets totaled \$604.0 million, which is an increase of \$6.3 million or 1.05% over the capital asset balance of \$597.7 million at June 30, 2012. Capital Assets increased by \$10.5 million or 1.77% comparing 2012-13 to 2010-11. A comparison of the District's capital assets over the past 3 fiscal years is presented below:

Capital Assets	Fiscal Year Ended June 30			% Increase (Decrease)	
	2012-13	2011-12	2010-11	FY 12-13 vs. 11-12	FY 12-13 vs. 10-11
Land	\$ 17,262,249	\$ 17,114,720	\$ 17,114,720	0.86%	0.86%
Sewage Collection System	311,633,989	303,693,519	290,317,724	2.61%	7.34%
Contributed Sewer Lines	150,834,930	149,895,302	149,110,351	0.63%	1.16%
Outfall Sewers	11,338,935	8,518,443	8,518,443	33.11%	33.11%
Sewage Treatment Plant	299,830,466	292,432,883	287,537,513	2.53%	4.28%
Recycled Water Infrastructure	13,515,026	13,335,295	12,300,131	1.35%	9.88%
Pumping Stations	54,412,730	54,412,730	54,412,730	-	-
Buildings	36,120,720	34,477,124	31,317,466	4.77%	15.34%
Intangible Assets	4,596,467	2,463,834	2,058,921	86.56%	123.25%
Furniture & Equipment	15,651,212	14,031,564	13,243,330	11.54%	18.18%
Motor Vehicles	6,558,065	6,010,773	6,038,527	9.11%	8.60%
Construction In Progress	24,533,254	22,469,694	22,632,142	9.18%	8.40%
Subtotal	946,288,043	918,855,881	894,601,998	2.99%	5.78%
Less Accumulated Depreciation	342,302,574	321,166,137	301,140,207	6.58%	13.67%
Total Capital Assets (net of depreciation)	\$ 603,985,469	\$ 597,689,744	\$ 593,461,791	1.05%	1.77%

The major reasons for the increase in capital assets, net of depreciation, of \$6.3 million from 2011-12 to 2012-13 and \$10.5 million from 2010-11 to 2012-13, are as follows:

- Sewer pipe ongoing renovations, upgrades, expansion, pumping station improvements, and contributed sewer lines increased by \$8.9 million comparing 2012-13 to 2011-12 and \$23.0 million comparing 2012-13 to 2010-11.
- Treatment plant infrastructure renovations, upgrades, equipment, and improvements increased by \$7.4 million comparing 2012-13 to 2011-12 and \$12.3 million comparing 2012-13 to 2010-11.
- Buildings increased by \$1.6 million comparing 2012-13 to 2011-12 and \$4.8 million comparing 2012-13 to 2010-11.
- All other asset categories, including construction in progress, increased by \$9.5 million comparing 2012-13 to 2011-12 and increased by \$11.5 million comparing 2012-13 to 2010-11.
- Capital Asset increases are offset by an increased subtraction of accumulated depreciation of \$21.1 million comparing 2012-13 to 2011-12 and \$41.2 million comparing 2012-13 to 2010-11 due to our increasing capital asset investment and its associated depreciation expense.

See Note 5 in the audited financial statements.

DEBT ADMINISTRATION

The District has the following outstanding debt as of June 30, 2013:

Revenue Bonds	\$	43,595,000
Water Reclamation Loan		866,827
	\$	<u>44,461,827</u>

See Note 6 in the audited financial statements.

ECONOMIC AND OTHER FACTORS

The Federal and State of California economies continue to slowly recover from the 2008 recession. The Federal economic challenges have resulted in budget sequestration. The State Budget Act reflects California's most stable budget in years. With the State's tough spending cuts enacted and new temporary revenues provided by the passage of Proposition 30, the State's budget is projected to remain balanced for the foreseeable future. However, substantial risks, uncertainties, and liabilities still remain. Changes in the state budget have a significant impact on the District. Federal and State economic challenges will continue into the future and will have a trickle-down effect on local government.

Items impacting the District are:

- Current Employee Memorandum of Understanding contracts end as of December 17, 2017.
- Current and future legislation impacting public employee pensions is in play, also calling for higher employee contributions and lower pensions by eliminating spiking. A significant number of anticipated early retirements may occur depending on the legislated changes to public employee salary and benefits.

- Increased cost of employee benefits, mainly due to pension costs and healthcare.
- Housing market is still recovering and continues to impact 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.
- Continued low interest rates negatively impact interest earnings for District temporary investments as well as OPEB trust and pension plan assets.

In addition to making efforts to reduce spending and improve process efficiencies, the District has the ability to raise the SSC to meet our long-term commitments. The District has a Standard and Poors AAA rating, and can obtain bond financing if necessary.

FINANCIAL CONTACT

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

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CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)	\$46,714,788
Short term investments (Note 2)	10,498,624
Accounts receivable, net (Note 3)	16,517,549
Interest receivable	65,321
Parts and supplies	2,005,741
Prepaid expenses	<u>2,204,210</u>
Total current assets	<u>78,006,233</u>

NON-CURRENT ASSETS

Restricted cash and equivalents (Notes 1.E. and 2)	100,000
Restricted investments (Note 2)	5,412,500
Assessment Districts receivable (Note 4)	2,089,461
Net OPEB asset (Note 10)	1,537,638
Revenue bonds issuance costs, net of amortization	<u>315,287</u>
Capital assets:	
Nondepreciable (Note 5)	41,795,503
Depreciable, net of accumulated depreciation (Note 5)	<u>562,189,966</u>
Total capital assets, net	<u>603,985,469</u>
Total non-current assets	<u>613,440,355</u>

TOTAL ASSETS

691,446,588

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	5,376,935
Interest payable	718,147
Refunding Water Revenue Bonds - current portion (Note 6)	3,720,000
Water Reclamation Loan Contract - current portion (Note 6)	164,582
Accrued compensated absences - current portion (Note 1.I.)	383,000
Liability for uninsured claims (Note 7)	1,000,000
Refundable deposits	<u>341,437</u>
Total current liabilities	<u>11,704,101</u>

NON-CURRENT LIABILITIES

Refunding Water Revenue Bonds, noncurrent portion (Note 6)	39,875,000
Water Reclamation Loan Contract, noncurrent portion (Note 6)	702,245
Accrued compensated absences, noncurrent portion (Note 1.I.)	<u>3,450,245</u>
Total non-current liabilities	<u>44,027,490</u>

TOTAL LIABILITIES

55,731,591

NET POSITION (Note 11)

Net investment in capital assets	559,523,642
Restricted for debt service	4,730,837
Unrestricted	<u>71,460,518</u>

TOTAL NET POSITION

\$635,714,997

See accompanying notes to financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Sewer service charges (SSC)	\$56,770,984
Service charges - City of Concord	10,483,421
Other services charges	1,076,401
Miscellaneous charges	<u>751,880</u>
Total operating revenues	<u>69,082,686</u>
OPERATING EXPENSES	
Sewage collection and pumping stations	14,327,933
Sewage treatment	23,035,943
Engineering	8,680,934
Administrative and general	21,096,666
Depreciation	<u>21,596,266</u>
Total operating expenses	<u>88,737,742</u>
OPERATING INCOME (LOSS)	<u>(19,655,056)</u>
NONOPERATING REVENUES (EXPENSES)	
Taxes	13,010,477
Permit and inspection fees	1,169,809
Interest earnings	405,474
Interest expense	(1,802,084)
Other income (expense)	<u>951,100</u>
Total nonoperating revenues (expenses), net	<u>13,734,776</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(5,920,280)</u>
CAPITAL CONTRIBUTIONS	
City of Concord contributions to capital costs	3,616,771
Customer contributions to capital cost (SSC)	4,384,376
Contributed sewer lines	939,628
Capital contributions - connection fees	<u>6,091,529</u>
Total capital contributions	<u>15,032,304</u>
CHANGE IN NET POSITION	9,112,024
NET POSITION, BEGINNING OF YEAR	<u>626,602,973</u>
NET POSITION, END OF YEAR	<u><u>\$635,714,997</u></u>

See accompanying notes to financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$67,716,388
Payments to suppliers	(36,581,237)
Payments to employees and related benefits	<u>(29,929,031)</u>
Net Cash Provided by Operating Activities	<u>1,206,120</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipt of taxes	13,010,477
Inspection/permit fees and other non-operating income	<u>2,120,909</u>
Cash Flows from Noncapital Financing Activities	<u>15,131,386</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	8,940,775
Connection fees	6,091,529
Acquisition and construction of capital assets	(27,891,991)
Interest paid on long-term debt	(1,838,134)
Principal payments on long-term debt	<u>(3,448,341)</u>
Cash Flows (used for) Capital and Related Financing Activities	<u>(18,146,162)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Redemption and acquisition of investments, net	\$5,606,506
Interest received	<u>395,301</u>
Cash Flows from Investing Activities	<u>6,001,807</u>
NET INCREASE (DECREASE) IN CASH	4,193,151
Cash, beginning of year	<u>42,621,637</u>
Cash, end of year	<u><u>\$46,814,788</u></u>

(Continued)

See accompanying notes to financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	(\$19,655,056)
Adjustments to reconcile operating loss to cash flows from operating activities:	
Depreciation	21,596,266
Change in assets and liabilities:	
Receivables, net	(1,366,298)
Parts and supplies	1,704
Prepaid expenses	296,495
Accounts payable and accrued expenses	472,291
Accrued payroll and related expenses	122,665
Refundable deposits	12,149
Net OPEB asset	<u>(274,096)</u>
Net cash provided by operating activities	<u><u>\$1,206,120</u></u>

SCHEDULE OF NON CASH ACTIVITY

Developer pipe contributions	\$713,525
Change in fair value of investments	<u>395,301</u>
Total non cash activity	<u><u>\$1,108,826</u></u>

CASH AND CASH EQUIVALENTS, AS PRESENTED ON STATEMENT OF NET POSITION:

Unrestricted cash and cash equivalents	\$46,714,788
Restricted cash and cash equivalents	<u>100,000</u>
Total cash and cash equivalents at end of year	<u><u>\$46,814,788</u></u>

See accompanying notes to financial statements

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**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 members 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 YEAR ENDED JUNE 30, 2013**

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 YEAR ENDED JUNE 30, 2013**

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

C. *Investments*

Investments held at June 30, 2013 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. *Prepaid Expenses*

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

E. *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.

F. *Parts and Supplies*

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

G. *Property, Plant, and Equipment*

Purchased capital assets are stated at historical cost. Capital assets contributed to the District are stated at estimated fair value at the time of contribution. The capitalization threshold for capital assets is \$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. The term depreciation includes amortization of intangible assets.

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	6 – 15

**CENTRAL CONTRA COSTA SANITARY DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013**

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

H. 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 et 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.

I. 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 year ended June 30, 2013:

Beginning Balance	\$3,710,580
Additions	783,906
Payments	<u>(661,241)</u>
Ending Balance	<u>\$3,833,245</u>
Current Portion	<u><u>\$383,000</u></u>

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.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

J. *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.

K. *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.

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

GASB Statement No. 60 – In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnerships. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement had no impact on the District's financial statements for fiscal year ending June 30, 2013.

GASB Statement No. 61 – In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. This Statement did not have a material impact on the District's financial statements for fiscal year ending June 30, 2013.

GASB Statement No. 62 – In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement did not have a material impact on the District's financial statements for fiscal year ending June 30, 2013.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement changed certain financial statement titles and nomenclature on the District's financial statements for fiscal year ending June 30, 2013.

GASB Statement No. 65 – In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. This Statement will not have a material effect on the financial statements.

GASB Statement No. 66 – In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. This Statement will not have a material effect on the financial statements.

GASB Statement No. 67 – In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. This Statement will not have a material effect on the financial statements.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District will implement this Statement in fiscal year ending June 30, 2015. This Statement will have a material effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

Investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$46,714,788
Short term investments	10,498,624
Restricted cash and cash equivalents	100,000
Restricted investments	<u>5,412,500</u>
Total Cash and Investments	<u><u>\$62,725,912</u></u>

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 YEAR ENDED JUNE 30, 2013**

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	Minimum Legal Quality
U.S. Treasury Obligations	5 years	None	None	100%	N/A
Banker's Acceptances	180	40%	40%	10%	N/A
Commercial Paper (1)	270	25%	10%	10%	Aaa
Collateralized Certificates of Deposit (2)	5 years	30%	None	10%	Aaa
County Pooled Investment Funds	N/A	None	None	100%	N/A
Local Agency Investment Fund (LAIF)	N/A	None	None	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.

D. 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.

The District's investments at year end with the exception of the U.S. Treasuries and Commercial Paper below are held in external investment pools which are liquid investments.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013:

Investment Type	12 Months or less	Maturity
Certificates of Deposit	\$7,000,136	7/26/13
Certificates of Deposit - Debt Reserve	5,412,500	4/30/14
Commercial Paper	3,498,488	7/26/13
California Local Agency Investment Fund	43,011,748	Not applicable
Total Investments	58,922,872	
Cash in bank	3,803,040	
Total Cash and Investments	<u>\$62,725,912</u>	

E. 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 the June 30, 2013 of each investment type:

Investment Type	Aaa	Total
Certificates of Deposit	\$12,412,636	\$12,412,636
Commercial Paper	3,498,488	3,498,488
Totals	<u>\$15,911,124</u>	15,911,124
<i>Not rated:</i>		
California Local Agency Investment Fund		43,011,748
Cash in Bank		3,803,040
Total Cash and Investments		<u>\$62,725,912</u>

F. Concentration of Credit Risk

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, 2013 these investments matured in an average of 278 days.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

G. 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 are comprised of the following at June 30, 2013:

City of Concord (see Note 8)	\$14,100,192
Household Hazardous Waste Partners	837,802
All Other	<u>1,579,555</u>
Total Accounts Receivable	<u><u>\$16,517,549</u></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. At June 30, 2013, the CAD receivable balance was \$434,396.

The District also established the Alhambra Valley Assessment District (AVAD) to provided services to residents in the Alhambra Valley in Martinez. Residents have the choice to pay cash or finance the construction costs and connection fees. At June 30, 2013, the AVAD receivable balance was \$1,655,065.

The total receivable balance at June 30 2013 for CAD and AVAD was \$2,089,461, 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 YEAR ENDED JUNE 30, 2013**

NOTE 5 – CAPITAL ASSETS

Property, plant and equipment, and construction in progress are summarized below for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Retirements	Transfer from CIP	Balance at June 30, 2013
Capital assets not being depreciated:					
Land	\$17,114,720			\$147,529	\$17,262,249
Construction in Progress	22,469,694	\$27,185,118		(25,121,558)	24,533,254
Total nondepreciated assets	39,584,414	27,185,118	-	(24,974,029)	41,795,503
Capital assets being depreciated:					
Sewage collection system	303,693,519			7,940,470	311,633,989
Contributed sewer lines	149,895,302	706,873		232,755	150,834,930
Outfall sewers	8,518,443			2,820,492	11,338,935
Sewage treatment plant	292,432,883		(\$200,000)	7,597,583	299,830,466
Recycled water infrastructure	13,335,295			179,731	13,515,026
Pumping stations	54,412,730				54,412,730
Buildings	34,477,124			1,643,596	36,120,720
Intangibles	2,463,834			2,132,633	4,596,467
Furniture and equipment	14,031,564		(10,001)	1,629,649	15,651,212
Motor vehicles	6,010,773		(249,828)	797,120	6,558,065
Total depreciated assets	879,271,467	706,873	(459,829)	24,974,029	904,492,540
Less accumulated depreciation:					
Sewage collection system	48,955,471	4,148,192			53,103,663
Contributed sewer lines	49,109,345	2,017,935			51,127,280
Outfall sewers	2,880,325	132,156			3,012,481
Sewage treatment plant	170,703,542	10,167,282	(200,000)		180,670,824
Recycled water infrastructure	5,362,386	535,957			5,898,343
Pumping stations	22,167,742	2,175,187			24,342,929
Buildings	7,019,734	1,039,434			8,059,168
Intangibles	88,247	47,069			135,316
Furniture and equipment	10,818,661	1,042,928	(10,001)		11,851,588
Motor vehicles	4,060,684	290,126	(249,828)		4,100,982
Total accumulated depreciation	321,166,137	21,596,266	(459,829)	-	342,302,574
Total capital assets being depreciated, net	558,105,330	(20,889,393)	-	24,974,029	562,189,966
Capital assets, net	\$597,689,744	\$6,295,725	-	-	\$603,985,469

NOTE 6 – LONG-TERM DEBT

A. 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%.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 6 – LONG-TERM DEBT (Continued)

The two bonds total \$54,125,000, and are secured by a pledge of revenue. 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.

B. Summary of Activity

The changes in the District's long-term obligations during the year consisted of the following:

	Original Issue Amount	Balance June 30, 2012	Retirements	Balance June 30, 2013	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	27,565,000	\$3,605,000	23,960,000	\$3,720,000
1999 State Water Resources Control Board Water Reclamation Loan 2.60%, due 3/31/2018	2,916,872	1,027,238	160,411	866,827	164,582
Total Long-Term Debt		48,227,238	\$3,765,411	44,461,827	\$3,884,582
Less current portion		(3,765,411)		(3,884,582)	
		<u>\$44,461,827</u>		<u>\$40,577,245</u>	

C. 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
2014		\$1,190,840	\$3,720,000	\$851,683	\$3,720,000	\$2,042,523	(\$416,794)	\$5,345,729
2015		1,190,840	3,865,000	700,467	3,865,000	1,891,307	(416,794)	5,339,513
2016		1,190,840	2,210,000	601,033	2,210,000	1,791,873	(416,794)	3,585,079
2017		1,190,840	2,300,000	501,300	2,300,000	1,692,140	(416,794)	3,575,346
2018		1,190,840	2,405,000	424,175	2,405,000	1,615,015	(416,794)	3,603,221
2019 - 2023	\$5,150,000	5,460,060	8,280,000	924,558	13,430,000	6,384,618	(1,911,021)	17,903,597
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>\$14,548,526</u>	<u>\$23,960,000</u>	<u>\$4,013,049</u>	<u>\$43,595,000</u>	<u>\$18,561,575</u>	<u>(\$5,091,984)</u>	<u>\$57,064,591</u>

As part of the Federal budget sequestration, the Internal Revenue Service (IRS) has announced that, as of March 1, 2013, credit payments claimed by issuers of certain tax credit bonds, including Build America Bonds, may be subject to a reduction of 8.7%.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 6 – LONG-TERM DEBT (Continued)

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%. Debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$164,582	\$22,537	\$187,119
2015	168,861	18,258	187,119
2016	173,251	13,868	187,119
2017	177,756	9,363	187,119
2018	182,377	4,742	187,119
Total	<u>\$866,827</u>	<u>\$68,768</u>	<u>\$935,595</u>

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.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7 – RISK MANAGEMENT (Continued)

A. Insurance Coverage

The District's insurance coverage is as follows:

Type of Coverage	Insurer	Limits	Self Insured Deductible Per Occurrence
All-Risk Property:			
Fire	Public Entity Property Insurance Program (PEPIP)	\$556,015,744	\$250,000
Boiler and Machinery (Shared Limits per Occurrence)	PEPIP	100,000,000	250,000
Crime	Travelers	1,000,000	25,000
Liability:			
Errors and Omissions	Insurance Company of the State of Pennsylvania	15,000,000	1,000,000
Employment Practices Liability	Chartis	15,000,000	1,000,000
Employment Practices Liability	Hiscox Insurance Company	1,000,000	35,000
General Liability	Chartis	15,000,000	1,000,000
Auto Liability	Chartis	15,000,000	1,000,000
Pollution (General Aggregate) General Liability (Occurrence)	Chartis Specialty Insurance Co.	5,000,000	5,000
Pollution (Legal Liability Aggregate)	Chartis Specialty Insurance Co.	10,000,000	50,000
Fiduciary Liability	RLI Insurance Company	1,000,000	0
Workers' Compensation:	CSRMA	750,000	0
Excess Workers' Compensation	Safety National Casualty Corporation	Statutory	750,000

B. Liability 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 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.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7 – RISK MANAGEMENT (Continued)

For fiscal years ended June 30, 2013, 2012, and 2011, settlements have not exceeded insurance coverage. Changes in the District's estimated liability for uninsured claims are summarized as follows as of June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Beginning balance	\$1,000,000	\$1,000,000	\$1,000,000
Provisions for claims incurred in the current year and changes in the liability for uninsured - claims incurred in prior years	(1,659,291)	72,606	240,844
Claims paid and/or adjustments	<u>1,659,291</u>	<u>(72,606)</u>	<u>(240,844)</u>
Ending balance	<u><u>\$1,000,000</u></u>	<u><u>\$1,000,000</u></u>	<u><u>\$1,000,000</u></u>

In March 2012, the District had an explosion in its Plant Operations Department Cogeneration (Cogen) Unit. Expenses for the investigation, recovery, repair, extra energy, and staff time were tracked by Risk Management and totaled \$1,793,221. Of that \$250,000 was charged to the District's self-insurance and the balance was submitted to insurance as claims. After disallowing \$179,024 in claims, the District received \$1,364,197 in recovery payments. All expenses and reimbursements were completed in FY 2012-13.

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 \$10,483,421 and \$3,616,771, respectively, for the year ended June 30, 2013, for a total of \$14,100,192.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 9 – PENSION PLANS

A. Contra Costa County Employee's Retirement Association Plan

Plan Description

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. The latest available actuarial and financial information for the Plan is for the year ended December 31, 2012. The Contra Costa Employees' Retirement Association issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA 94520-5728 or by calling (925) 521-3960.

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.

Plan Contribution Requirement

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 the majority of the employees' basic contributions in accordance with the Memorandum of Understanding (MOU). Employees must pay the COL portion of the employee rate. The contribution requirement and payment from the District for the plan years ended June 30, 2013, 2012 and 2011 was as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Covered Payroll for fiscal years ended June 30	<u>\$24,752,463</u>	<u>\$24,305,548</u>	<u>\$24,709,477</u>
Employer required contributions to pension	14,029,374	10,961,853	8,950,938
Employee (COL) required contributions to pension	<u>1,289,095</u>	<u>922,520</u>	<u>930,648</u>
Total required contributions	<u>\$15,318,469</u>	<u>\$11,884,373</u>	<u>\$9,881,586</u>
Percentage of payroll	<u>62%</u>	<u>49%</u>	<u>40%</u>

The District pension plan covered 251 participants as of June 30, 2013.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 9 – PENSION PLAN (Continued)

CCCERA determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The District uses the actuarially determined percentages of payroll to calculate and pay contributions to CCCERA. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all actuarially required contributions required by CCCERA, for the last three years were as follows:

<u>Fiscal Year*</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>
12/31/2011	\$9,881,586	\$9,881,586	100%
12/31/2012	11,884,373	11,884,373	100%
12/31/2013	15,318,469	15,318,469	100%

*Please note that CCCERA's fiscal year ends December 31.

The following is a summary of the actuarial assumptions and methods:

Valuation date	December 31, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll for total unfunded liability (4.00% payroll growth assumed)
Remaining amortization period	Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 10 years remaining as of December 31, 2012. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation.
Assets valuation method	Market value of assets less unrecognized returns in each of the last of the last nine semi-annual accounting periods. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.
Actuarial assumptions:	
Investment rate of return	7.75%
Inflation rate	3.25%
Cost-of-living adjustments	3.00%

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 9 – PENSION PLANS (Continued)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CCCERA's latest actuarial value and funding progress for the pool are shown below:

Actuarial Valuation Date	Actuarial Asset Value (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A), (C)	Funded Ratio (A/B)	Covered Payroll (D)	Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (C/D)
12/31/2010	\$5,341,821,711	\$6,654,036,801	\$1,312,215,090	80.28%	\$687,443,206	190.88%
12/31/2011	5,426,719,066	6,915,311,649	1,488,592,583	78.47%	666,394,146	223.38%
12/31/2012	5,482,257,062	7,761,315,535	2,279,058,473	70.64%	652,312,180	349.38%

The CCCERA Board took a depooling action in October, 2009 which yielded 12 separate cost groups by employer, with the exception of smaller employers (those with less than 50 active members) who continue to be pooled with the applicable county tier. The depooling action affected employer rates effective July 1, 2011.

Public Employees' Pension Reform Act (PEPRA)

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for most new employees with a membership date on or after January 1, 2013, who meet the definition of new member under PEPRA.

The table below provides the details of the new provisions.

Benefit Formula	2.5% at Age 67
Final Compensation Period	Average of last 3 years
Employer Contribution Rate as a percentage payroll	10.19% of Reportable Compensation
Member Contribution Rate as a percentage of payroll	10.25% of Reportable Compensation

The employer contribution rate listed above is in effect until June 30, 2014. In accordance with the provisions of AB 340, the member contribution rate shown above was set at 50 percent of expected total normal cost rate, rounded to the nearest ¼ percent, for the benefits that will apply to new members on January 1, 2013.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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. 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 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). 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 assets are held in trust and are not recorded on the books of the District. The District contributed \$1,546,318 to the Plan during the year ended June 30, 2013.

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS

A. 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 administered by PARS, which acts as a common investment and administrative agent for participating public employees within the State of California. 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.

B. Funding Policy

GASB Statement No. 45 set rules for computing the employer's expense for retiree benefits other than pension, called OPEB. The expense, called the annual OPEB Cost (AOC), is determined similarly to pensions. The *annual required contribution (ARC)* of the employer, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

When an agency contributes more than the ARC, there is a net OPEB asset (NOA); when the contribution is less than the ARC, a net OPEB obligation (NOO) results. The District had a net OPEB asset of \$1,537,638 as of June 30, 2013.

Because of the volatility of the investment market, the District Board voted to make monthly installments into the OPEB Trust to take advantage of dollar-cost-averaging.

C. Annual OPEB Cost and Net OPEB Asset

For 2013, the District's annual OPEB cost (expense) was equal to the ARC of \$8,300,000. The District contributed \$4,823,096 for retiree health care premiums and \$3,767,000 to the PARS trust for a total of \$8,590,096. The following table summarizes the changes in the District's net OPEB (Asset) at June 30, 2013:

Annual Required Contribution (ARC)	\$8,300,000
Interest on NOA	(82,000)
Adjustment to ARC	98,000
Annual OPEB Cost (AOC)	<u>8,316,000</u>
Contributions Made:	
Health care premiums paid	(4,823,096)
Contributions to PARS trust	<u>(3,767,000)</u>
Increase (decrease) in net OPEB obligation	(274,096)
Net OPEB Obligation (Asset) - Beginning of Year	<u>(1,263,542)</u>
Net OPEB Obligation (Asset) - End of Year	<u><u>(\$1,537,638)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB asset for the past three years are presented below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Current Year AOC Obligation (Asset)</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2011	\$6,976,364	\$7,146,169	102%	(\$169,805)	(\$916,736)
June 30, 2012	8,300,000	8,646,806	104%	(346,806)	(1,263,542)
June 30, 2013	8,316,000	8,590,096	103%	(274,096)	(1,537,638)

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

D. Funded Status and Funding Progress

Per PARS, actuarial assets as of June 30, 2013 and 2012, including trust contributions and interest, total \$29,352,833 and \$22,718,524, respectively. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. The funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Cost Method Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A – B) UAAL	Funded Ratio (A/B)	Covered Payroll (Active Plan Members) (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
June 30, 2009	\$2,341,251	\$68,769,305	(\$66,428,054)	3.40%	\$25,080,233	265%
June 30, 2010	9,404,000	90,337,000	(80,933,000)	10.41%	25,080,233	323%
July 1, 2012	22,481,000	100,498,000	(78,017,000)	22.37%	24,305,548	321%

E. Actuarial Methods and Assumptions

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's most recent actuarial valuation was prepared as of July 1, 2012 and was finalized on May 31, 2013. The June 30, 2012 actuarial valuation results will be budgeted in fiscal years 2013-14 and 2014-15. The ARC decreased from \$8,300,000 to \$8,103,000.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation Date	July 1, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Dollar/Closed
Average Remaining Period	26 Years fixed
<i>Actuarial Assumptions:</i>	
Investment Rate of Return	6.25%
Inflation Rate	3.00%
	Medical - 9.4% grading to 5% in 2021 - 22
	Medicare Part B - same as medical trend
	Dental - 4%

NOTE 11 – NET POSITION

Net Position is the excess of all the District's assets over all its liabilities, 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.

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, 2013:

Fiscal Year Ending	Office Equipment	Facilities	Total
2014	\$249,924	\$58,416	\$308,340
2015	249,924	60,096	310,020
2016	249,924	61,827	311,751
2017	-	63,610	63,610
Thereafter	-	33,922	33,922
Total	<u>\$749,772</u>	<u>\$277,871</u>	<u>\$1,027,643</u>

Total rental expense for the fiscal year ended June 30, 2013 was \$306,708.

**CENTRAL CONTRA COSTA SANITARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 \$11,808,184 as of June 30, 2013.

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SUPPLEMENTARY INFORMATION

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CENTRAL CONTRA COSTA SANITARY DISTRICT
 COMBINING SCHEDULE OF NET POSITION
 ENTERPRISE SUB-FUNDS
 JUNE 30, 2013

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$2,970,387	\$39,891,572	\$3,872,274	(\$19,445)		\$46,714,788
Short term investments		10,498,624				10,498,624
Accounts receivable	11,789,066	3,760,182	968,301			16,517,549
Interest receivable		26,488	2,349	36,484		65,321
Due from other sub-funds	118,416,830	89,775,752	1,700,940	55,110,409	(\$265,003,931)	-
Parts and supplies	2,005,741					2,005,741
Prepaid expenses	2,204,210					2,204,210
Total current assets	137,386,234	143,952,618	6,543,864	55,127,448	(265,003,931)	78,006,233
NON-CURRENT ASSETS:						
Restricted cash and equivalents	100,000					100,000
Restricted investments				5,412,500		5,412,500
Assessment Districts receivable		2,089,461				2,089,461
Net OPEB asset	1,537,638					1,537,638
Revenue bonds issuance costs, net of amortization				315,287		315,287
CAPITAL ASSETS						
Nondepreciable	41,795,503					41,795,503
Depreciable, net of accumulated depreciation	562,189,966					562,189,966
Total capital assets, net	603,985,469	-	-	-	-	603,985,469
Total non-current assets	605,623,107	2,089,461	-	5,727,787	-	613,440,355
TOTAL ASSETS	743,009,341	146,042,079	6,543,864	60,855,235	(265,003,931)	691,446,588
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	2,782,414	2,540,088	54,433			5,376,935
Due to other sub-funds	130,277,654	117,244,226	1,806,790	15,675,261	(265,003,931)	-
Interest payable				718,147		718,147
Refunding Water Revenue Bonds - current portion				3,720,000		3,720,000
Water Reclamation Loan Contract - current portion				164,582		164,582
Accrued compensated absences - current portion	383,000					383,000
Liability for uninsured claims			1,000,000			1,000,000
Refundable deposits	183,018	158,419				341,437
Total current liabilities	133,626,086	119,942,733	2,861,223	20,277,990	(265,003,931)	11,704,101
NON-CURRENT LIABILITIES:						
Refunding Water Revenue Bonds, noncurrent portion				39,875,000		39,875,000
Water Reclamation Loan Contract, noncurrent portion				702,245		702,245
Accrued compensated absences, noncurrent portion	3,450,245					3,450,245
Total noncurrent liabilities	3,450,245	-	-	40,577,245	-	44,027,490
TOTAL LIABILITIES	137,076,331	119,942,733	2,861,223	60,855,235	(265,003,931)	55,731,591
NET POSITION						
Net investment in capital assets	603,985,469			(44,461,827)		559,523,642
Restricted for debt service				4,730,837		4,730,837
Unrestricted	1,947,541	26,099,346	3,682,641	39,730,990		71,460,518
TOTAL NET POSITION	\$605,933,010	\$26,099,346	\$3,682,641	-	-	\$635,714,997

CENTRAL CONTRA COSTA SANITARY DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 ENTERPRISE SUB-FUNDS
 FOR THE YEAR ENDING JUNE 30, 2013

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
OPERATING REVENUES						
Sewer service charges (SSC)	\$56,770,984					\$56,770,984
Service charges - City of Concord	10,483,421					10,483,421
Other services charges	1,076,401					1,076,401
Miscellaneous charges	751,880					751,880
Total operating revenues	69,082,686	-	-	-	-	69,082,686
OPERATING EXPENSES						
Sewage collection and pumping stations	14,327,933					14,327,933
Sewage treatment	23,035,943					23,035,943
Engineering	8,680,934					8,680,934
Administrative and general	20,936,705		\$2,380,466		(\$2,220,505)	21,096,666
Depreciation	21,596,266					21,596,266
Total operating expenses	88,577,781	-	2,380,466	-	(2,220,505)	88,737,742
OPERATING INCOME (LOSS)	(19,495,095)	-	(2,380,466)	-	2,220,505	(19,655,056)
NONOPERATING REVENUES (EXPENSES)						
Taxes		\$7,471,518		\$5,538,959		13,010,477
Permit and inspection fees	967,576	202,233				1,169,809
Interest earnings	131,614	230,054	15,269	28,537		405,474
Interest expense				(1,802,084)		(1,802,084)
Other income (expense)	665,939	285,161	2,220,505		(2,220,505)	951,100
Total nonoperating revenues	1,765,129	8,188,966	2,235,774	3,765,412	(2,220,505)	13,734,776
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(17,729,966)	8,188,966	(144,692)	3,765,412	-	(5,920,280)
CAPITAL CONTRIBUTIONS AND TRANSFERS						
City of Concord contributions to capital costs		3,616,771				3,616,771
Customer contributions to capital cost (SSC)		4,384,376				4,384,376
Contributed sewer lines	939,628					939,628
Capital contributions - connection fees		6,091,529				6,091,529
Transfers In (Out)	27,185,118	(23,419,706)		(3,765,412)		-
Total capital contributions and transfers	28,124,746	(9,327,030)	-	(3,765,412)	-	15,032,304
CHANGE IN NET POSITION	10,394,780	(1,138,064)	(144,692)	-	-	9,112,024
NET POSITION, BEGINNING OF YEAR	595,538,230	27,237,410	3,827,333	-	-	626,602,973
NET POSITION, END OF YEAR	\$605,933,010	\$26,099,346	\$3,682,641	-	-	\$635,714,997

CENTRAL CONTRA COSTA SANITARY DISTRICT
Schedule of Running Expenses
Comparison of Budget and Actual Expenses by Department
June 30, 2013

	<u>Administration</u>	<u>Engineering</u>	<u>Sewage Collection</u>	<u>Sewage Treatment Plant</u>	<u>Pumping Stations</u>	<u>Total</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Salaries and Wages	\$4,412,199	\$5,594,312	\$5,074,422	\$8,357,973	\$894,930	\$24,333,836	\$23,891,546	(\$442,290)
Employee Benefits	12,493,141	4,596,838	4,365,835	6,781,830	686,147	28,923,791	28,879,748	(44,043)
Less Capitalized Overhead and Benefits	<u>(21,699)</u>	<u>(3,255,448)</u>	<u>(49,878)</u>	<u>(119,384)</u>	<u>-</u>	<u>(3,446,409)</u>	<u>(3,756,000)</u>	<u>(309,591)</u>
Total Salaries and Benefits	16,883,641	6,935,702	9,390,379	15,020,419	1,581,077	49,811,218	49,015,294	(795,924)
Directors' Fees and Expense	115,880	-	-	-	-	115,880	161,960	46,080
Chemicals	-	-	-	1,144,675	430,279	1,574,954	1,581,000	6,046
Utilities	149,283	67,422	136,388	3,013,348	479,394	3,845,835	3,906,150	60,315
Repairs and Maintenance	429,567	81,522	623,001	1,614,895	402,142	3,151,127	3,644,811	493,684
Hauling and Disposal	-	570,665	109,788	388,707	19,134	1,088,294	1,039,800	(48,494)
Professional and Legal Services	549,980	122,722	2,036	3,307	-	678,045	590,900	(87,145)
Outside Services	1,094,797	534,715	58,230	417,899	52,952	2,158,593	3,248,970	1,090,377
Self Insurance	850,000	-	-	-	-	850,000	850,000	-
Materials and Supplies	149,507	203,936	784,056	790,840	51,975	1,980,314	1,970,805	(9,509)
Other	714,050	164,250	174,781	641,853	32,321	1,727,255	2,296,774	569,519
	<u>\$20,936,705</u>	<u>\$8,680,934</u>	<u>\$11,278,659</u>	<u>\$23,035,943</u>	<u>\$3,049,274</u>	<u>\$66,981,515</u>	<u>\$68,306,464</u>	<u>\$1,324,949</u>

CENTRAL CONTRA COSTA SANITARY DISTRICT
RUNNING EXPENSE
SCHEDULE OF SUPPLEMENTAL NET POSITION ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prior Year Balance		\$8,706,410
2012 - 2013 Revenue	\$70,847,815	
2012 - 2013 Expense	(88,577,781)	
Add Back Depreciation Expense	<u>21,596,266</u>	<u>3,866,300</u>
Net Position Attributed to General Operations		12,572,710
Net Position Attributed to All Other		<u>593,360,300</u>
Running Expense Net Position		<u><u>\$605,933,010</u></u>



Central Contra Costa Sanitary District

Statistical Section



**Central Contra Costa Sanitary District
Statistical Section
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Financial Trends

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

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Revenue Capacity

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

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Assessed and Estimated Actual Valuation of Taxable Property - Last Ten Fiscal Years.....	S-6
Property Tax and Sewer Service Charge Fees Levied and Collected - Last Ten Fiscal Years.....	S-6

Debt Capacity

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

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

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

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

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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. The District implemented GASB Statement 34 in the 2002-2003 fiscal year; schedules presented include information beginning in that year.

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

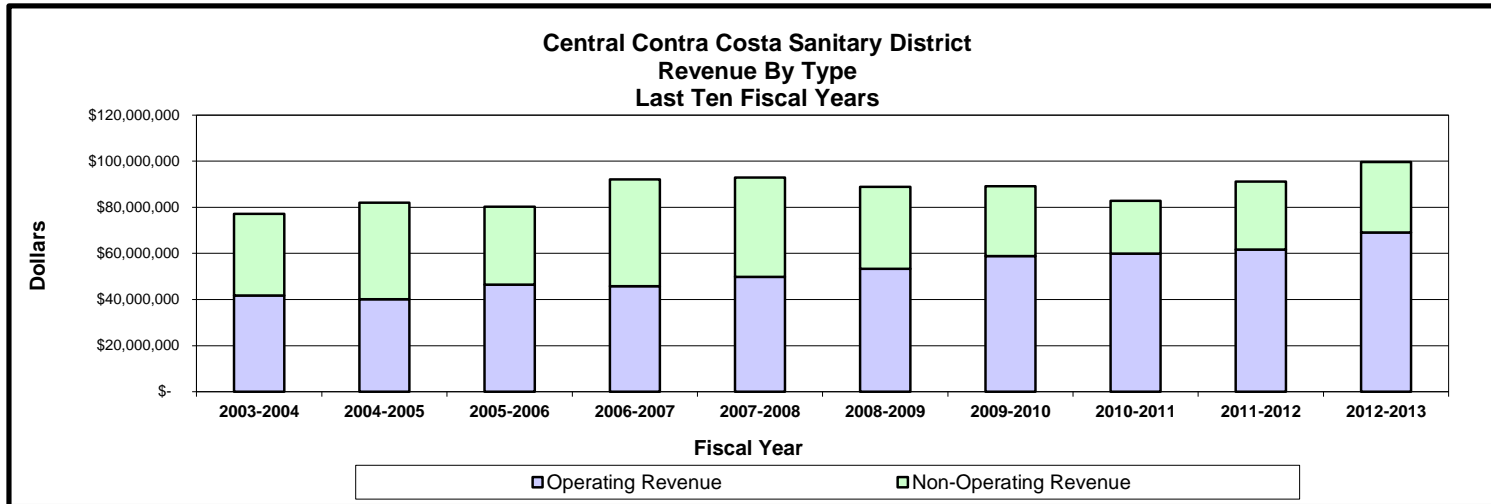
Changes in Net Position	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Operating Revenues:										
Sewer Service Charges (SSC)	33,935,899	32,282,806	37,781,774	35,057,668	40,207,157	43,087,454	48,692,520	49,095,870	49,123,848	56,770,984
City of Concord	6,609,602	6,603,000	7,383,011	9,043,215	8,206,860	8,755,857	8,664,668	9,224,952	10,647,389	10,483,421
Other Service Charges	648,617	672,887	755,827	793,395	869,589	872,978	824,022	913,017	915,485	1,076,401
Miscellaneous Charges	560,454	612,851	517,741	863,843	595,980	667,855	650,876	662,721	929,917	751,880
Total Operating Revenue	41,754,572	40,171,544	46,438,353	45,758,121	49,879,586	53,384,144	58,832,086	59,896,560	61,616,639	69,082,686
Operating Expenses:										
Salaries & Benefits	28,095,636	27,989,401	29,875,340	34,678,665	37,312,472	39,440,034	39,986,763	41,705,131	45,562,430	49,811,218
Chemicals, Utilities & Supplies	5,808,070	6,801,750	7,646,866	8,759,490	8,952,840	9,368,755	7,973,992	7,609,127	8,121,809	7,401,103
Professional & Outside Services	2,282,408	2,350,387	2,850,825	2,298,712	2,613,658	2,832,001	2,129,552	2,425,615	4,099,876	2,836,638
Hauling, Disposal, Repairs & Maintenance	3,871,749	3,716,176	3,826,165	4,105,082	3,863,555	3,938,129	3,808,635	3,916,789	4,077,741	4,239,421
Self-Insurance (net of transfers)	464,702	1,189,693	629,513	(180,716)	(215,004)	90,876	(688,859)	119,051	(65,688)	159,961
Depreciation	15,186,594	16,041,555	16,354,488	17,714,714	18,615,747	19,417,941	20,969,429	20,580,061	21,190,059	21,596,266
All Other	1,267,809	1,437,272	1,330,946	2,144,082	2,378,941	2,305,459	2,658,662	2,459,966	2,489,019	2,693,135
Total Operating Expenses	56,976,968	59,526,234	62,514,143	69,520,029	73,522,209	77,393,195	76,838,174	78,815,740	85,475,246	88,737,742
Operating Loss	(15,222,396)	(19,354,690)	(16,075,790)	(23,761,908)	(23,642,623)	(24,009,051)	(18,006,088)	(18,919,180)	(23,858,607)	(19,655,056)
Non-Operating Revenues (Expenses):										
Property Taxes *	8,919,327	4,010,380	4,836,301	11,762,731	12,254,168	12,539,375	12,260,123	12,213,624	12,047,169	13,010,477
Connection & Other Fees	2,936,298	4,265,620	2,062,216	1,615,308	1,335,160	1,093,756	776,348	895,825	903,810	1,169,809
Interest Income	831,215	1,519,192	2,465,985	3,257,773	2,527,621	1,033,095	570,024	673,990	294,938	405,474
Interest Expense	(1,101,115)	(1,775,857)	(1,694,304)	(1,609,104)	(1,518,142)	(1,421,686)	(1,553,467)	(2,061,903)	(1,919,375)	(1,802,084)
All Other *	1,467,877	1,109,716	1,096,401	1,316,383	1,243,817	639,523	12,295	(523,209)	931,660	951,100
Total Non-Operating	13,053,602	9,129,051	8,766,599	16,343,091	15,842,624	13,884,063	12,065,323	11,198,327	12,258,202	13,734,776
Income Before Contributions and Transfers	(2,168,794)	(10,225,639)	(7,309,191)	(7,418,817)	(7,799,999)	(10,124,988)	(5,940,765)	(7,720,853)	(11,600,405)	(5,920,280)
Customer Contributions**	10,187,725	14,716,585	9,862,620	15,945,915	14,970,637	13,938,421	6,793,040	5,018,092	8,888,663	8,001,147
Contributed Sewer Lines	4,410,808	5,530,848	3,044,945	3,521,704	1,444,420	1,231,022	1,840,259	533,616	792,011	939,628
Capital Contributions - Connection Fees	6,585,984	10,728,717	10,496,898	8,917,658	9,259,160	5,025,493	7,078,635	3,515,804	5,724,833	6,091,529
CHANGE IN NET POSITION	19,015,723	20,750,511	16,095,272	20,966,460	17,874,218	10,069,948	9,771,169	1,346,659	3,805,102	9,112,024
Total Net Assets - Beginning	506,907,911	525,923,634	546,674,145	562,769,417	583,735,877	601,610,095	611,680,043	621,451,212	622,797,871	626,602,973
Total Net Assets - Ending	525,923,634	546,674,145	562,769,417	583,735,877	601,610,095	611,680,043	621,451,212	622,797,871	626,602,973	635,714,997
Statement of Net Position	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Investments in Capital Assets, Net of Related Debt	453,251,761	469,375,715	486,098,303	513,580,658	531,119,639	552,165,498	531,324,187	541,613,208	549,462,506	559,523,642
Restricted for Debt Service	3,035,944	3,118,704	3,647,257	3,216,163	3,185,416	3,163,956	4,565,970	4,612,103	4,663,601	4,730,837
Unrestricted	69,635,929	74,179,726	73,023,857	66,939,056	67,305,040	56,350,589	85,561,055	76,572,560	72,476,866	71,460,518
Total Net Position	525,923,634	546,674,145	562,769,417	583,735,877	601,610,095	611,680,043	621,451,212	622,797,871	626,602,973	635,714,997

* 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).

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

Source: Central Contra Costa Sanitary District Audited Financial Statements



Operating Revenue

Fiscal Year	Sewer Service Charges*	City of Concord	Other Service Charges	Miscellaneous Charges	Total Operating
2003-2004	\$33,935,899	\$6,609,602	\$648,617	\$560,454	\$41,754,572
2004-2005	32,282,806	6,603,000	672,887	612,851	40,171,544
2005-2006	37,781,774	7,383,011	755,827	517,741	46,438,353
2006-2007	35,057,668	9,043,215	793,395	863,843	45,758,121
2007-2008	40,207,157	8,206,860	869,589	595,980	49,879,586
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

Non-Operating Revenue

Fiscal Year	Property Taxes *1	Customer Contributions *2	Connections & Other Fees *3	Interest	All Other	Total Non-Operating & Contributions
2003-2004	\$8,919,327	\$14,598,533	\$9,522,282	\$831,215	\$1,467,877	\$35,339,234
2004-2005	4,010,380	20,247,433	14,994,337	1,519,192	1,109,716	41,881,058
2005-2006	4,836,301	12,907,565	12,559,114	2,465,985	1,096,401	33,865,366
2006-2007	11,762,731	19,467,619	10,532,966	3,257,773	1,316,383	46,337,472
2007-2008	12,254,168	16,415,057	10,594,320	2,527,621	1,243,817	43,034,983
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

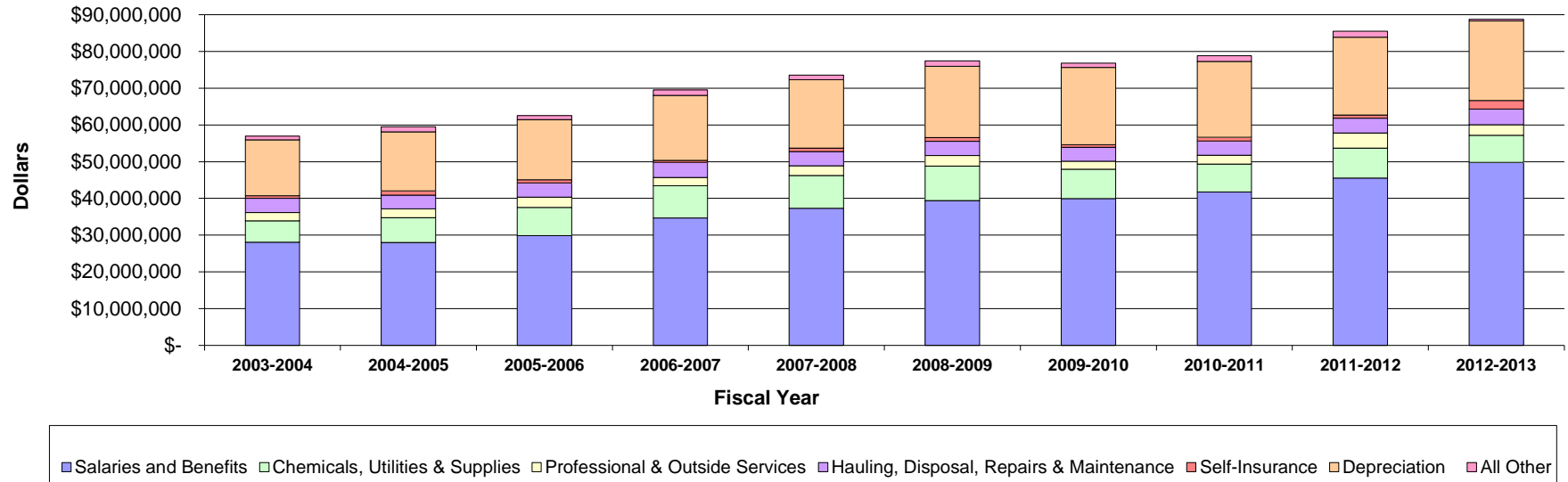
* Sewer Service Charge (SSC) represents the Running Expense Fund portion of SSC County collections along with District direct billings and counter collections.

*1 2009-2010 property taxes includes 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.

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



OPERATING EXPENSES

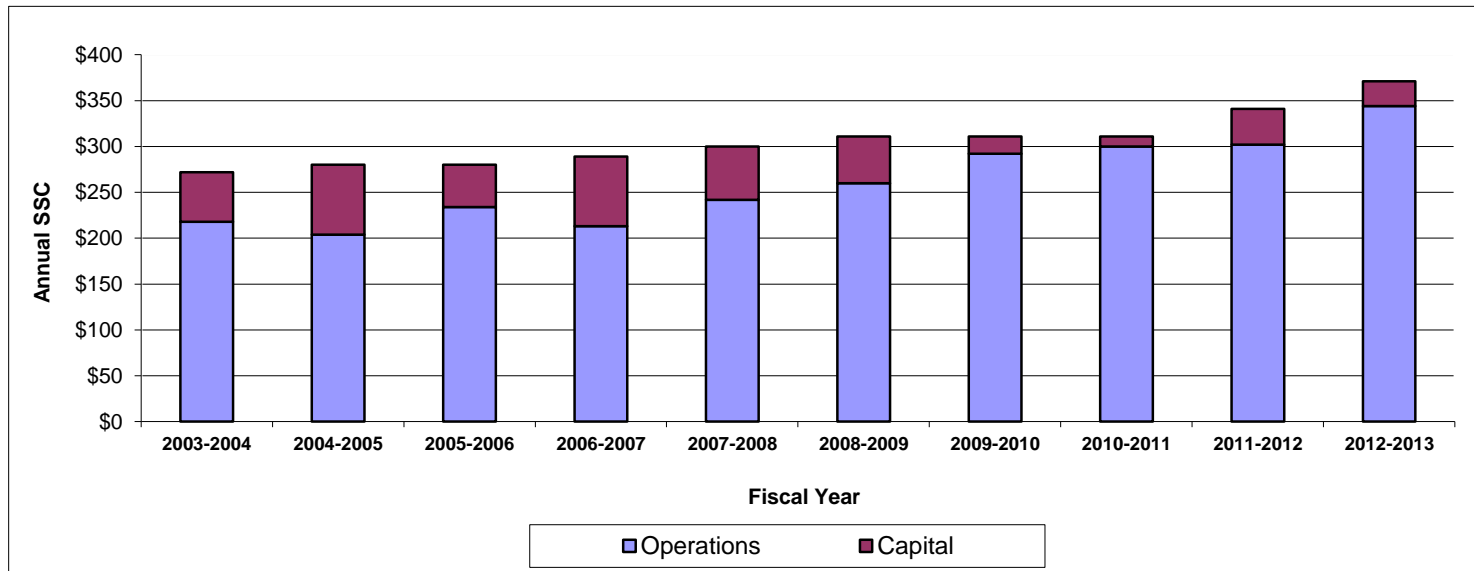
Fiscal Year	Salaries and Benefits	Chemicals, Utilities & Supplies	Professional & Outside Services	Hauling, Disposal, Repairs & Maintenance	Self-Insurance	Depreciation	All Other	Total Operating Expenses	Non-Operating Expenses *
2003-2004	\$28,095,636	\$5,808,070	\$2,282,408	\$3,871,749	\$689,702	\$15,186,594	\$1,042,809	\$56,976,968	\$1,101,115
2004-2005	27,989,401	6,801,750	2,350,387	3,716,176	1,189,693	16,041,555	1,437,272	59,526,234	1,775,857
2005-2006	29,875,340	7,646,866	2,850,825	3,826,165	879,513	16,354,488	1,080,946	62,514,143	1,694,304
2006-2007	34,678,665	8,759,490	2,298,712	4,105,082	519,284	17,714,714	1,444,082	69,520,029	1,609,104
2007-2008	37,312,472	8,952,840	2,613,658	3,863,555	916,639	18,615,747	1,247,298	73,522,209	1,518,142
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

Informational - not graphed

* 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	Annual Sewer Service Charge (SSC) *1			Facility Capacity Fee *2	Pump Zone Fee *3
	Operations	Capital	Total		
2003-2004	\$218	\$54	\$272	\$3,983	\$988
2004-2005	204	76	280	3,983	988
2005-2006	234	46	280	4,150	1,331
2006-2007	213	76	289	4,263	1,404
2007-2008	242	58	300	4,524	1,466
2008-2009	260	51	311	4,923	1,586
2009-2010	292	19	311	5,298	1,651
2010-2011	300	11	311	5,451	1,641
2011-2012	302	39	341	5,465	1,606
2012-2013	344	27	371	5,797	1,625

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

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

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

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

Customer	2003-2004			2004-2005			2005-2006			2006-2007			2007-2008		
	Operating	Percentage of		Operating	Percentage of		Operating	Percentage of		Operating	Percentage of		Operating	Percentage of	
	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Revenue	Rank	Revenue
City of Concord*	\$ 6,609,602	1	15.83%	\$ 6,603,000	1	16.44%	\$ 7,383,011	1	15.90%	\$ 9,043,215	1	19.76%	\$ 8,206,860	1	16.45%
Chevron Offices & Office Park	-	-	-	-	-	-	-	-	-	-	-	-	\$ 340,389	2	0.68%
Contra Costa County General Services	250,442	3	0.60%	294,670	2	0.73%	295,173	2	0.64%	322,351	2	0.70%	316,854	3	0.64%
First Walnut Creek Mutual	258,400	2	0.62%	266,000	3	0.66%	295,120	3	0.64%	-	-	-	-	-	-
Park Regency Apartments	242,624	4	0.58%	249,760	4	0.62%	249,760	4	0.54%	257,788	3	0.56%	267,600	4	0.54%
Second Walnut Creek Mutual Apts	204,000	5	0.49%	210,000	5	0.52%	210,000	5	0.45%	-	-	-	120,000	8	0.24%
Sun Valley Mall	145,169	6	0.35%	158,077	6	0.39%	169,916	6	0.37%	176,293	4	0.39%	183,380	6	0.37%
Archstone/Treat Commons Apartments	138,720	7	0.33%	142,800	7	0.36%	142,800	7	0.31%	101,150	9-10	0.22%	-	-	-
St. Mary's College Contract	97,670	10	0.23%	-	-	-	117,119	10	0.25%	127,355	6	0.28%	136,016	7	0.27%
Willows Shopping Center	111,822	9	0.27%	120,459	9	0.30%	-	-	-	128,303	5	0.28%	-	-	-
Bay Landing Apartments	-	-	-	-	-	-	-	-	-	104,040	8	0.23%	108,000	10	0.22%
Muirland @ Windemere Apartments	-	-	-	-	-	-	-	-	-	101,150	9-10	0.22%	-	-	-
Reflections San Ramon Apartments	134,912	8	0.32%	139,062	8	0.35%	139,062	8	0.30%	-	-	-	-	-	-
Kaiser Foundation Hospital	-	-	-	100,976	10	0.25%	126,904	9	0.27%	-	-	-	118,809	9	0.24%
John Muir Health	-	-	-	-	-	-	-	-	-	121,613	7	0.27%	223,775	5	0.45%
Total	\$ 8,193,361		19.62%	\$ 8,284,804		20.62%	\$ 9,128,865		19.66%	\$ 10,483,258		22.91%	\$ 10,021,683		20.09%

Customer	2008-2009			2009-2010			2010-2011			2011-2012			2012-2013		
	Operating	Percentage of		Operating	Percentage of		Operating	Percentage of		Operating	Percentage of		Operating	Percentage of	
	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Revenue	Rank	Revenue
City of Concord*	\$ 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%
Park Regency Apartments	277,412	4	0.52%	277,412	3	0.47%	277,412	3	0.46%	304,172	2	0.49%	330,932	2	0.48%
Contra Costa County General Services	320,866	3	0.60%	305,880	2	0.52%	301,430	2	0.50%	292,384	3	0.47%	321,803	3	0.47%
Willows Shopping Center	-	-	-	-	-	-	-	-	-	-	-	-	197,567	4	0.29%
John Muir Health	125,292	7	0.23%	-	-	-	-	-	-	-	-	-	176,381	5	0.26%
Sun Valley Mall	190,734	5	0.36%	197,566	4	0.34%	193,957	4	0.32%	203,037	4	0.33%	174,038	6	0.25%
St. Mary's College Contract	126,222	6	0.24%	-	-	-	98,521	10	0.16%	119,407	7	0.19%	158,480	7	0.23%
Branch Creek Vista Apartments	124,400	8	0.23%	124,400	7	0.21%	124,400	5	0.21%	136,400	5	0.22%	148,400	8	0.21%
Bay Landing Apartments	111,960	10	0.21%	111,960	8	0.19%	111,960	6	0.19%	122,760	6	0.20%	133,560	9	0.19%
Archstone Apartments	-	-	-	108,850	9-10	0.19%	108,850	7-8	0.18%	119,350	8-9	0.19%	129,850	10	0.19%
Muirland @ Windemere Apartments	-	-	-	108,850	9-10	0.19%	108,850	7-8	0.18%	119,350	8-9	0.19%	129,850	10	0.19%
Creekside Oaks Apartments	-	-	-	-	-	-	-	-	-	107,756	10	0.17%	-	-	-
Chevron Offices & Office Park	363,739	2	0.68%	165,561	5	0.28%	-	-	-	-	-	-	-	-	-
Kaiser Foundation Hospital	112,727	9	0.21%	136,753	6	0.23%	102,893	9	0.17%	-	-	-	-	-	-
Total	\$ 10,509,209		19.69%	\$ 10,201,900		17.34%	\$ 10,653,225		17.79%	\$ 12,172,005		19.75%	\$ 12,384,282		17.93%

* Contract with the City of Concord to treat and dispose of wastewater for Concord and Clayton.
The District implemented GASB 34 in the 2002-2003 fiscal year, one year earlier than required.
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>
2003-2004	\$46,821,339,668	\$1,446,650,234	\$48,267,989,902	8.2%
2004-2005	50,577,841,843	1,416,240,351	51,994,082,194	7.7%
2005-2006	55,586,311,888	1,463,536,750	57,049,848,638	9.7%
2006-2007	61,409,513,246	1,533,076,135	62,942,589,381	10.3%
2007-2008	66,416,736,187	1,583,187,663	67,999,923,850	8.0%
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%

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

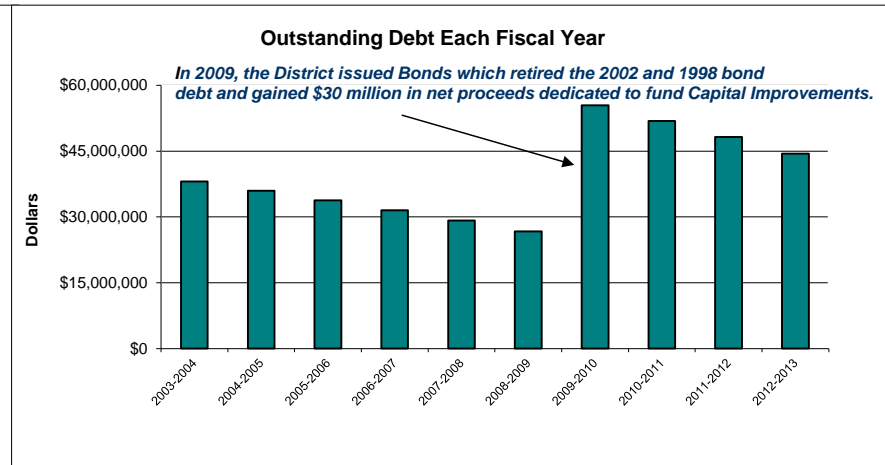
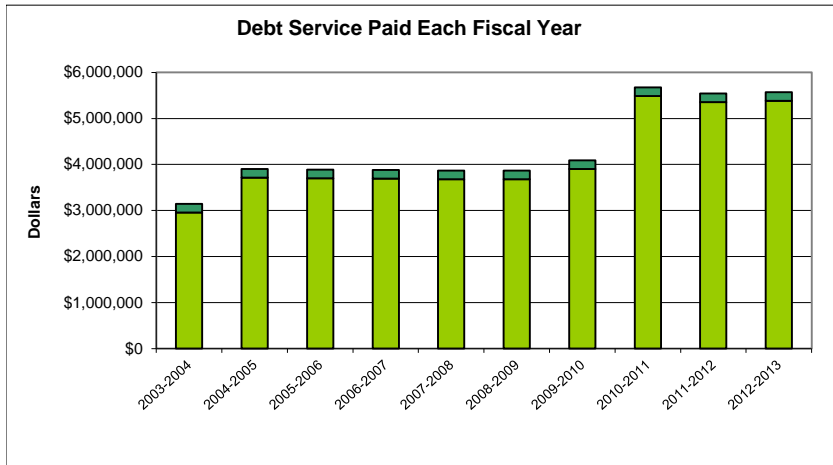
<u>Fiscal Year</u>	<u>Property Tax* Levied & Collected</u>	<u>% Change</u>	<u>Sewer Service Charges* Levied & Collected</u>	<u>% Change</u>
2003-2004	\$9,013,484	6.5%	\$41,499,031	10.7%
2004-2005	4,027,427	-55.3%	43,327,756	4.4%
2005-2006	4,856,758	20.6%	44,261,318	2.2%
2006-2007	11,860,961	144.2%	46,694,671	5.5%
2007-2008	12,092,637	2.0%	48,883,932	4.7%
2008-2009	12,492,502	3.3%	50,743,258	3.8%
2009-2010	11,253,233 **	-9.9%	50,896,210	0.3%
2010-2011	12,171,725	8.2%	50,196,629	-1.4%
2011-2012	12,032,525	-1.1%	54,586,208	8.7%
2012-2013	13,185,988	9.6%	60,068,807	10.0%

* 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.

Source: Contra Costa County Auditor-Controller's Office

**Central Contra Costa Sanitary District
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	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Revenue Bonds	Water Rec. Loan	Total Debt Outstanding
2003-2004	1,375,000	1,583,739	2,958,739	127,323	59,796	187,119	1,502,323	1,643,535	3,145,858	35,940,000	2,172,519	38,112,519
2004-2005	1,995,000	1,719,372	3,714,372	130,634	56,485	187,119	2,125,634	1,775,857	3,901,491	33,945,000	2,041,885	35,986,885
2005-2006	2,060,000	1,641,215	3,701,215	134,030	53,089	187,119	2,194,030	1,694,304	3,888,334	31,885,000	1,907,855	33,792,855
2006-2007	2,135,000	1,559,500	3,694,500	137,515	49,604	187,119	2,272,515	1,609,104	3,881,619	29,750,000	1,770,340	31,520,340
2007-2008	2,210,000	1,472,113	3,682,113	141,090	46,029	187,119	2,351,090	1,518,142	3,869,232	27,540,000	1,629,250	29,169,250
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	866,827	44,461,827

Fiscal Year	Debt Service Coverage Summary									Debt Ratios		
	Total Debt Service	Operating Revenue	Total Operating Expenses less Depreciation	Non-Operating Revenue & Contributions	Net Revenue *1	Debt Service Coverage (Net Revenue) *2	Capital Improvement Fees/Concord	Adjusted Net Revenue*3	Debt Service Coverage (Adj. Net Revenue)*4	Annual Debt Service to Operating Exp.	Annual Debt Service per Customer	Total Debt Outstanding Per Customer
2003-2004	3,145,858	41,754,572	41,790,374	35,339,234	35,303,432	11.22	8,370,344	26,933,088	8.56	7.53%	20.21	244.83
2004-2005	3,901,491	40,171,544	43,484,679	41,881,058	38,567,923	9.89	13,351,448	25,216,475	6.46	8.97%	24.65	227.41
2005-2006	3,888,334	46,438,353	46,159,655	33,865,366	34,144,064	8.78	12,931,577	21,212,487	5.46	8.42%	24.08	209.29
2006-2007	3,881,619	45,758,121	51,805,315	46,337,472	40,290,278	10.38	12,353,170	27,937,108	7.20	7.49%	23.58	191.51
2007-2008	3,869,232	49,879,586	54,906,462	43,034,983	38,008,107	9.82	14,595,433	23,412,674	6.05	7.05%	23.29	175.56
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

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

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

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

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

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

**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>
2004	303,980	135,845	439,825	0.3%
2005	308,428	135,780	444,208	1.0%
2006	309,600	135,400	445,000	0.2%
2007	314,400	134,300	448,700	0.8%
2008	317,340	134,560	451,900	0.7%
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%

Source: Central Contra Costa Sanitary District Environmental Services Division

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

<u>Employers</u>	<u>2005*</u>			<u>2012*</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>
John Muir Physician Network	-		-	2,200	1	0.5%
Kaiser Foundation Hospitals	2,300	3	0.5%	2,000	2	0.4%
Chevron Corporation	5,000	1	1.0%	1,329	3	0.3%
Target Corporation	3,400	2	0.7%	1,262	4	0.3%
Walmart Stores, Inc	-		-	1,150	5	0.2%
Contra Costa Newspapers, Inc.	-		-	1,140	6	0.2%
Doctors Medical Center	900	8	0.2%	937	7	0.2%
Shell/Martinez Refinery	1,000	6	0.2%	900	8	0.2%
Bio-Rad Laboratories	-		-	900	9	0.2%
Texaco Inc	-		-	800	10	0.2%
USS Posco Industries	975	7	0.2%	-		-
John Muir Medical Center	1,900	4	0.4%	-		-
John Muir/Mt. Diablo Medical Center	1,500	5	0.3%	-		-
Bank of the West	800	9	0.2%	-		-
Aetna Health Services	600	10	0.1%	-		-
All Others	<u>465,825</u>		<u>96.2%</u>	<u>465,281</u>		<u>97.3%</u>
	<u>484,200</u>		<u>100.0%</u>	<u>477,899</u>		<u>100.0%</u>

Source: * County of Contra Costa, California, Comprehensive Annual Financial Report for 6/30/12, Statistical Section, excludes government employers.
Data for 2002, 2003, and 2004 are unavailable.

**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**
2003	987,531	45,775,727,000	46,354	6.1%
2004	992,424	48,923,798,000	49,297	5.4%
2005	999,013	51,534,263,000	51,585	5.1%
2006	1,000,834	55,318,933,000	55,273	4.5%
2007	1,009,152	58,043,926,000	57,518	4.7%
2008	1,023,344	59,914,142,000	58,547	6.3%
2009	1,037,890	55,781,843,000	53,745	10.8%
2010	1,052,605	57,700,398,000	54,817	11.3%
2011	1,066,096	60,778,675,000	57,011	11.0%
2012	N/A	N/A	N/A	9.0%

N/A - Information not available at this time.

* U.S. Department of Commerce, Bureau of Economic Analysis, 2009 & 2010 Per Capita Personal Income updated. Estimates as of April 2012.

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

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

Full-time Equivalent Employees as of June 30

Department	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Administration	42	43	42	42	45	45	45	44	39	39
Engineering	71	76	73	75	76	80	76	75	71	75
Operations										
Collection Systems	45	46	49	50	50	52	47	44	47	56
Plant	82	81	88	83	77	82	78	74	71	76
Pumping Station	9	9	9	10	11	10	10	8	7	8
Operations Total	<u>136</u>	<u>136</u>	<u>146</u>	<u>143</u>	<u>138</u>	<u>144</u>	<u>135</u>	<u>126</u>	<u>125</u>	<u>140</u>
District Total	<u><u>249</u></u>	<u><u>255</u></u>	<u><u>261</u></u>	<u><u>260</u></u>	<u><u>259</u></u>	<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>

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

District Total	<u><u>163</u></u>	<u><u>167</u></u>	<u><u>167</u></u>	<u><u>177</u></u>	<u><u>178</u></u>	<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>
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**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)									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	40.0	40.6	41.4	41.6	38.6	36.6	32.5	38.9	37.2	33.2
Wastewater Treated per day	Calendar	42.9	44.7	48.0	50.4	41.2	41.0	37.0	40.6	41.9	39.8

	Year	Tons per Year									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sludge to Furnace (Dry)*1	Fiscal	16,053	16,727	15,841	15,341	15,340	15,212	15,299	15,056	15,790	15,097
Ash to Reuse Site (Wet)*2	Fiscal	5,384	5,397	5,074	4,418	4,418	4,177	4,082	3,814	3,850	3,667

*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 23 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 77 to 81 percent water in the wet sludge.

Collection Systems/Pumping Stations/Outfall Sewers	Year	Other Data									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Pipeline Miles	Calendar	1,400	1,400	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,526
Number of pumping stations	Calendar	20	21	17	17	17	17	17	16	16	16

Recycled Water	Year	Other Data									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Recycled Water Produced per day	Calendar	1.4 mgd	1.5 mgd	1.5 mgd	1.6 mgd	1.6 mgd	1.5 mgd	1.6 mgd	1.5 mgd	1.6 mgd	1.6 mgd
Number of Recycled Water Customers	Calendar	21	23	24	30	30	31	30	33	35	35

Household Hazardous Waste (HHW) - Inception 1997/1998	Year	Other Data									
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Participation (Number of cars)	Fiscal	23,061	22,872	23,897	26,392	27,940	28,210	29,347	29,441	29,112	29,119
Percentage of Households in Service Area	Fiscal	12.3%	12.1%	12.3%	13.6%	14.5%	14.4%	15.0%	15.6%	15.4%	15.4%
Operating Cost per Car	Fiscal	\$ 62	\$ 58	\$ 60	\$ 64	\$ 61	\$ 76	\$ 76	\$ 82	\$ 87	\$ 93
Pounds of HHW per Car	Fiscal	71	64	65	80	71	67	65	68	67	68

Miscellaneous Statistics

Governing Body:	Elected 5-Member Board of Directors
Governmental Structure:	Established in 1946 under the Sanitary District Act of 1923
Staff:	254 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
Type Of Treatment:	Discharge - Secondary; Reclamation - Tertiary
Service Area:	144 square miles
Total Population Served:	467,500
Sewer Service Charge:	\$371 annually per residential equivalent unit

Source: Central Contra Costa Sanitary District records.