



# Comprehensive Annual Financial Report

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For the Fiscal Year ended  
**June 30, 2008**



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

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2008**

**Prepared By:  
Finance & Accounting Division**

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Comprehensive Annual Financial Report**  
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Central Contra Costa Sanitary District

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# Introductory Section





November 13, 2008

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, 2008.

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.

Cropper Accountancy Corporation has issued an unqualified ("clean") opinion on the Central Contra Costa Sanitary District's financial statements for the year ended June 30, 2008. 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 317,000 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 135,000 residents of the Cities of Concord and Clayton under a 1974 contract with the City of Concord.

The District is committed to protecting the public health and preserving the environment while minimizing facility and operating costs. The District has approximately 1,500 miles of sewer pipeline, ranging in size from 6 inches to 120 inches in diameter, and 18 sewage-pumping stations in the District's sewage collection system. The District is the sole provider of wastewater service within the District limits (see map of service area). Residents make up the largest segment of the District's customer base representing approximately 80% of the Sewer Service Charge revenue. The District's treatment capacity has grown from 4.5 million gallons per day (mgd) initiated in 1948 to 53.8 mgd currently. Bonds, state grants, federal grants, and pay-as-you-go resources of the District have financed expansions.

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

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

#### Organization, Accounting and Budgetary Controls

A 5-member Board of Directors governs the District. Board members are elected on a non-partisan basis and serve a four-year term. The Board appoints the General Manager, who in accordance with policies established by the Board of Directors, manages District affairs. The District employs 259 regular employees organized in four departments led by Department Directors responsible for their budgets and expenses. The four departments are: Administrative, Engineering, Operations, and Collection Systems.

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

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



- **Debt Service Fund** – accounts for activity associated with the payment of the District’s long term bonds and loans.

Each year, the Board adopts the following six budgets: Staffing Plan, Capital Improvement, Operations and Maintenance, Equipment, Self-Insurance, and Debt-Service. The Board Finance Committee reviews disbursements prior to each 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

The current economic news is bleak and unprecedented. Bank failures abound, both in the U.S. and abroad. The government has responded with a \$700 billion bail-out, but investor confidence still appears to be weak. According to the Wall Street journal, the stock market plunged 21% in the seven day period beginning October 1, 2008, and 39% comparing October 2008 to October 2007. Oil prices and energy costs have risen, with gasoline reaching a high of \$4.50 per gallon in recent months, followed by some cost relief. Home prices have fallen, mainly due to the glut of foreclosed homes due to the sub-prime mortgage crisis. Consumer demand is down and retailers are already predicting a slow holiday season.

According to the Legislative Analyst’s Office (LAO), the current situation and outlook for California are similar to the nation as a whole. California faces a huge budget deficit and the overall economic picture of California shows signs of a softening economy with revenue receipts trailing estimates. Unemployment rates are increasing and problems with the housing market continue. Housing is a key variable in California. The problems created by the sub-prime loans are peaking. Approximately 150,000 variable rate loans will reset by the end of 2008 and only about 70,000 homes will reset in 2009. Per the UCLA forecast, housing prices have yet to hit bottom in many parts of the country and the state, and probably won’t begin appreciating in value until next year or 2010. The California economy is expected to muddle along this year and next, with recovery depending in part on a bottoming out of the slide in housing prices. It is anticipated that California will experience a no growth economy. Growth should resume at somewhere near normal levels in 2010, after a flat 2009. There is a lot of debate going on about the state of the economy and an underlying assumption of the California portion of the UCLA forecast is that the financial system will not freeze up.

On a positive note, the District anticipates growth in Dougherty Valley and reuse of the Concord Naval Weapons Station for housing that the District will serve. There is also an increased need for recycled water within Contra Costa County for urban land uses due to below average rainfall, very low snowmelt runoff, and the largest court ordered

water transfer restrictions in state history. The timing of growth will depend on economic conditions.

Fortunately, the District's primary operating revenues are sewer service charge from District customers and the City of Concord. The District also receives a portion of the one-percent property tax levied by the Contra Costa County. The District is fortunate to participate in the California's alternative method of apportionment called the Teeter Plan. Under the Teeter plan the County advances the full amount of property tax and other levies to the District based on the tax levy rather than the actual tax collections by the County. The County assumes the risk of delinquencies and in turn retains the penalties and accrued interest. Even though homeowners are bailing on their property tax bills, given the current housing melt down, the County still anticipates collecting the taxes. Growth is anticipated to be flat for at least two years.

The District has an excellent reputation in all areas of public service, which include finance, collection, treatment, training, safety, technology, capital projects, construction and customer service. The Central Contra Costa Sanitary District has balanced revenue sources, adequate reserves, and a low debt obligation, which will enable the District to meet the demands of future budgets. 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.

#### 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 usually 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, and housing growth.

#### Major Initiatives

The District's vision it 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 collection system renovation in order to 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 will be enhanced by the planned construction of a new administration/crew/warehouse building which is being designed to be LEED certified and will incorporate many green design features. LEED represents "Leadership in Energy and Environmental Design", which is administered by the U.S. Green Building Council.

Our current capital plan is also addressing treatment plant reliability through design and construction of three necessary projects. The standby power project, will provide new engine generators to ensure that adequate power is available to run the plant in the event of a utility power outage. A second project, the wet weather improvement project, will ensure that extreme wet weather flows that overwhelm the capacity of the plant outfall and holding ponds can be discharged to Walnut Creek. A third project, the solids handling improvements project, will ensure that sludge can be hauled to proper disposal in the event of a failure of our incineration system.

The District has received Platinum and Gold awards from the National Association of Clean Water Agencies (NACWA) for ten straight years in recognition of 100 percent compliance with our National Pollutant Discharge Elimination (NPDES) permit. Recently, the U.S. Environmental Protection Agency selected the District as the second place winner of the 2008 Operations and Maintenance Excellence Awards in the category of Large Secondary Treatment Plant.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Central Contra Costa Sanitary District for its CAFR for the fiscal year ended June 30, 2007. This was the eighth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

- The Finance and Accounting staff who compiled the information contained in this document with a special thanks to Thea Vassallo, Accountant, and Colette Curtis-Brown, 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,

  
Deborah Ratcliff  
Controller

**CENTRAL CONTRA COSTA SANITARY DISTRICT  
BOARD OF DIRECTORS  
June 30, 2008**

Gerald R. Lucey .....President  
Barbara D. Hockett .....President Pro-Tem  
Michael R. McGill.....Member  
Mario M. Menesini .....Member  
James A. Nejedly.....Member





## OUR MISSION

**To** protect the public health and the environment by:

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



## OUR VISION

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

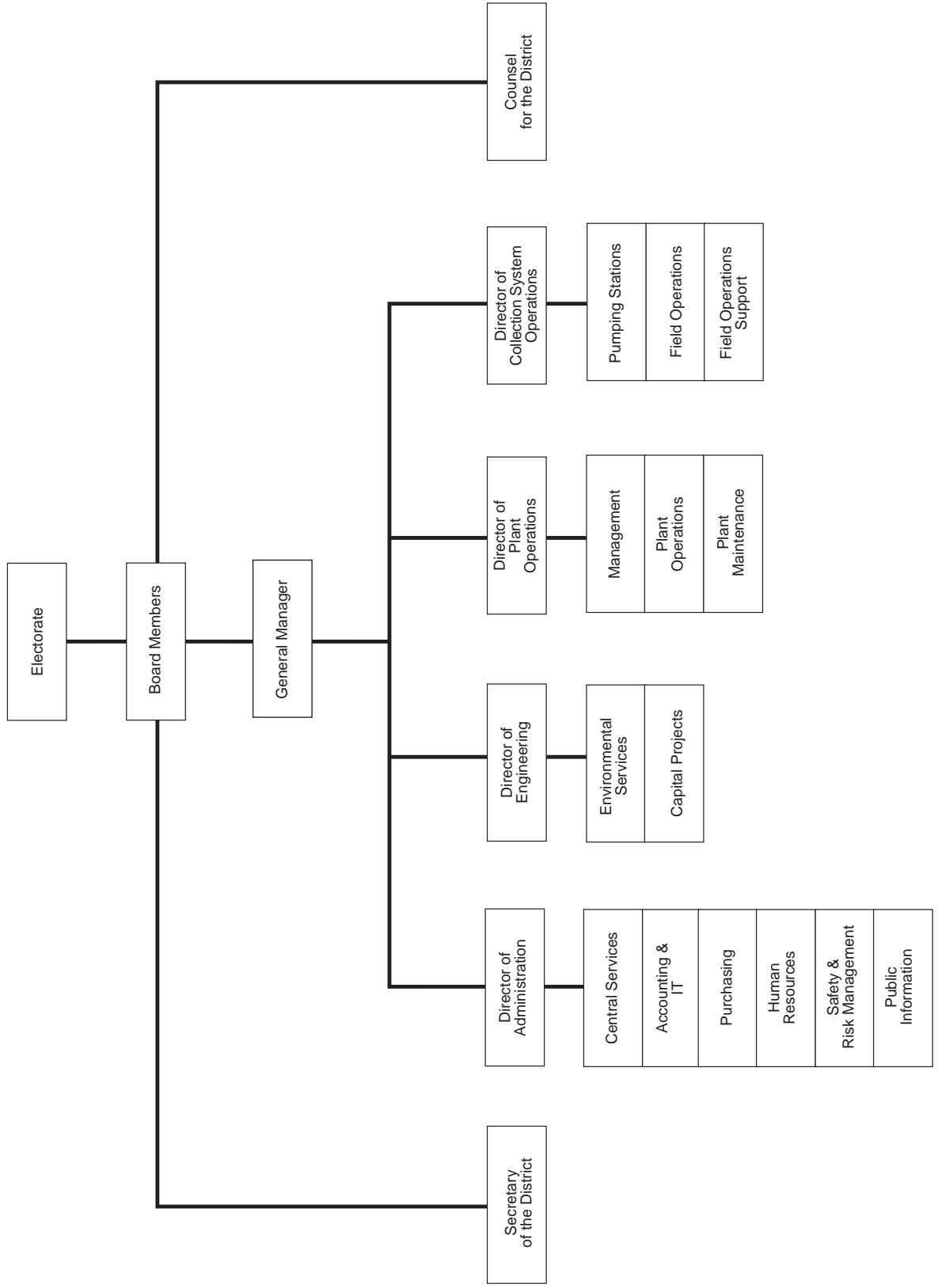


## OUR VALUES

**We** will achieve our goals by valuing:

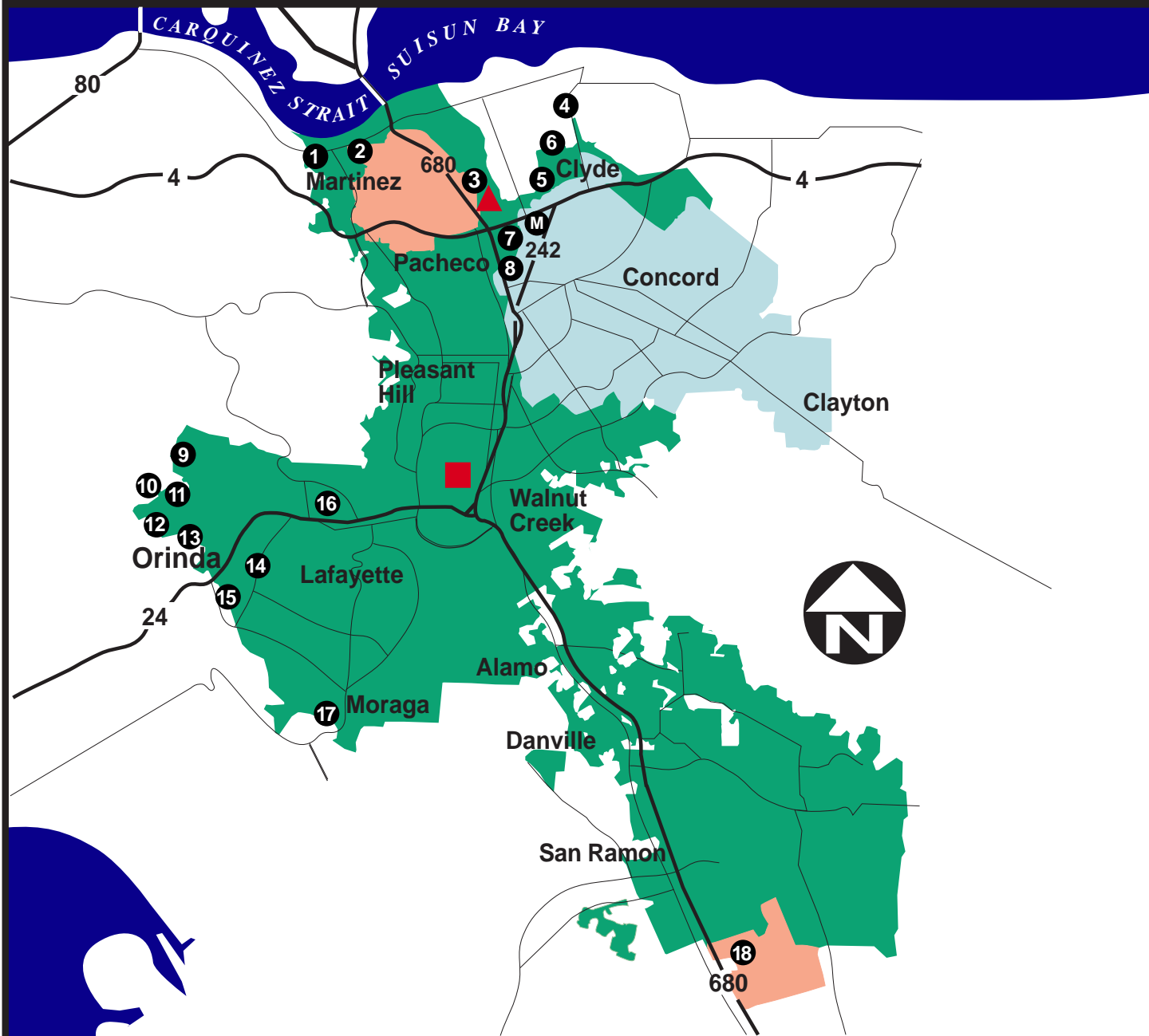
- Each other
- Ethics and integrity
- A healthy and safe environment
- Community relationships
- The meeting of commitments
- All aspects of diversity






CENTRAL CONTRA COSTA SANITARY DISTRICT  
**Organization Chart - Composite**



# Map of Service Area

June 30, 2008



	Wastewater collection and treatment and HHW collection for 317,384 people
	Wastewater treatment and HHW collection for 134,560 residents in Concord and Clayton by contract
	HHW collection service only
	CCCSD's Headquarters Office Building, treatment plant, and HHW Collection Facility located in Martinez
	CCCSD's Collection System Operations Department (sewer maintenance) located in Walnut Creek

CCCSD Pumping Stations	
1. Martinez	10. Wagner Ranch School
2. Fairview	11. Acacia
3. Maltby	12. Flush Kleen
4. Clyde	13. Lower Orinda
5. Bates Avenue	14. Bates Blvd.-Orinda
6. Concord Industrial	15. Orinda Cross roads
7. Buchanan Field L.S.1	16. Via Robles
8. Buchanan Field L.S.2	17. Moraga
9. Sleepy Hollow	18. Larwin
	M Concord North Metering

# 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, 2007

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



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

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Central Contra Costa Sanitary District

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# Financial Section



# Cropper Accountancy Corporation

Certified Public Accountants

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2977 Ygnacio Valley Road, #460

Walnut Creek, California 94598

Tel: (925) 932-3860

Fax: (925) 932-3862

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Central Contra Costa Sanitary District as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Contra Costa Sanitary District as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's office for special districts.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, have not been audited by us and accordingly, we do not express an opinion on them.

*Cropper Accountancy Corporation*  
CROPPER ACCOUNTANCY CORPORATION

September 12, 2008

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## 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, 2008. This information is presented in conjunction with the audited financial statements, which follow this report.

### FINANCIAL HIGHLIGHTS

The District's 2007-08 financial highlights are listed below. These results are discussed in more detail later in the report.

- The District's total ending net assets increased by \$17.9 million or 3.06% in 2007-08 when compared to fiscal year 2006-07
- Total revenues were \$82.2 million in 2007-08 compared to \$79.7 million in 2006-07
- Total 2007-08 expenses were \$75.0 million compared to \$71.1 million in 2006-07
- Capital Contributions decreased from \$12.4 million in 2006-07 to \$10.7 million in 2007-08

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### REQUIRED FINANCIAL STATEMENTS

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

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

## STATEMENT OF NET ASSETS

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

<b>Condensed Statement of Net Assets</b>	<b>Fiscal Year 2007-2008</b>	<b>Fiscal Year 2006-2007</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Current Assets	\$ 86,373,020	\$ 80,148,191	\$ 6,224,829	7.77%
Capital Assets	560,288,889	543,622,261	16,666,628	3.07%
Other Non-current Assets	5,219,183	5,506,090	(286,907)	-5.21%
<b>Total Assets</b>	<b>651,881,092</b>	<b>629,276,542</b>	<b>22,604,550</b>	<b>3.59%</b>
Current Liabilities	19,261,007	12,278,750	6,982,257	56.86%
Non-Current Liabilities	31,009,990	33,261,915	(2,251,925)	-6.77%
<b>Total Liabilities</b>	<b>50,270,997</b>	<b>45,540,665</b>	<b>4,730,332</b>	<b>10.39%</b>
Invested in Capital Assets, Net of Related Debt	532,375,068	513,580,658	18,794,410	3.66%
Restricted - Debt Service	3,185,416	3,216,163	(30,747)	-0.96%
Unrestricted	66,049,611	66,939,056	(889,445)	-1.33%
<b>Total Net Assets</b>	<b>\$ 601,610,095</b>	<b>\$ 583,735,877</b>	<b>\$ 17,874,218</b>	<b>3.06%</b>

The total net assets of the District increased to \$601.6 million in 2007-08, a \$17.9 million increase from 2006-2007. The increase in net assets is the result of net income of \$7.2 million and capital contributions of \$10.7 million (shown in the next table).

By far the largest portion of the District's net assets (88.5% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and sewer line infrastructure), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its ratepayers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There is currently \$3.2 million restricted for debt service. The remaining balance of unrestricted net assets (\$66.0 million) may be used to meet the District's ongoing obligations to its ratepayers and creditors.

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## REVIEW OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

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

	Fiscal Year 2007-2008	Fiscal Year 2006-2007	Dollar Change	Percent Change
Sewer Service Charges (SSC)	\$ 48,414,017	\$ 44,100,883	\$ 4,313,134	9.78%
Other Service Charges and misc.	1,465,569	1,657,238	(191,669)	-11.57%
<b>Total Operating Revenue</b>	<b>49,879,586</b>	<b>45,758,121</b>	<b>4,121,465</b>	<b>9.01%</b>
Customer Contributions (SSC)	14,970,637	15,945,915	(975,278)	-6.12%
Property Tax	12,254,168	11,762,731	491,437	4.18%
Permit & Inspection Fees	1,335,160	1,615,308	(280,148)	-17.34%
All Other	3,771,438	4,574,156	(802,718)	-17.55%
<b>Total Non-Operating Revenues</b>	<b>32,331,403</b>	<b>33,898,110</b>	<b>(1,566,707)</b>	<b>-4.62%</b>
<b>Total Revenues</b>	<b>82,210,989</b>	<b>79,656,231</b>	<b>2,554,758</b>	<b>3.21%</b>
<b>Total Labor and Benefits</b>	<b>37,312,472</b>	<b>34,678,665</b>	<b>2,633,807</b>	<b>7.59%</b>
Chemicals & Utilities	7,223,877	7,024,986	198,891	2.83%
Repairs and Maintenance	2,985,670	3,254,643	(268,973)	-8.26%
Professional, Legal and Outside Services	2,613,658	2,298,712	314,946	13.70%
Materials & Supplies	1,728,963	1,734,504	(5,541)	-0.32%
Hauling and Disposal	877,885	850,439	27,446	3.23%
Self-Insurance Expense	916,639	519,284	397,355	76.52%
All Other	1,247,298	1,444,082	(196,784)	-13.63%
Depreciation Expense	18,615,747	17,714,714	901,033	5.09%
<b>Total Operating Expenses</b>	<b>73,522,209</b>	<b>69,520,029</b>	<b>4,002,180</b>	<b>5.76%</b>
<b>Non-Operating Expense - Interest Expense</b>	<b>1,518,142</b>	<b>1,609,104</b>	<b>(90,962)</b>	<b>-5.65%</b>
<b>Total Expenses</b>	<b>75,040,351</b>	<b>71,129,133</b>	<b>3,911,218</b>	<b>5.50%</b>
<b>Income (Loss) Before Capital Contributions</b>	<b>7,170,638</b>	<b>8,527,098</b>	<b>(1,356,460)</b>	<b>-15.91%</b>
Contributed Sewer Lines	1,444,420	3,521,704	(2,077,284)	-58.99%
Capital Contributions - Connection Fees	9,259,160	8,917,658	341,502	3.83%
<b>Total Capital Contributions</b>	<b>10,703,580</b>	<b>12,439,362</b>	<b>(1,735,782)</b>	<b>-13.95%</b>
<b>Change in Net Assets</b>	<b>17,874,218</b>	<b>20,966,460</b>	<b>(3,092,242)</b>	<b>-14.75%</b>
<b>Beginning Net Assets</b>	<b>583,735,877</b>	<b>562,769,417</b>	<b>20,966,460</b>	<b>3.73%</b>
<b>Ending Net Assets</b>	<b>\$ 601,610,095</b>	<b>\$ 583,735,877</b>	<b>\$ 17,874,218</b>	<b>3.06%</b>

In 2007-08, operating revenues increased by \$4.1 million or 9.0%; non-operating revenue decreased by \$1.6 million or -4.6%. The change in total revenue resulted in an increase of \$2.6 million or 3.2%. The SSC rate increased in 2007-08 by 3.7%, and the Sewer Service allocation between operating and non-operating revenue changed in 2007-08, reflecting a \$4.3 million increase in SSC Operating Revenue and the \$1.0 million decrease in non-operating revenue. Property Tax revenue had a modest \$500,000 increase due to a 4% growth to the tax base, in spite of the sub-prime mortgage crisis. In 2007-08, permit and inspection fees decreased in the struggling economy, and lower interest earnings on District investments resulted in a \$1.1 million revenue decrease compared to 2006-07.

In 2007-08, operating expenses increased by \$4.0 million or 5.8%. This is mainly due to increases in total labor, depreciation expense, increased self-insurance claims, technical services, chemical, and utility costs. The District booked the second annual GASB 45 liability accrual in the amount of \$2.8 million, which is included in employee benefits. Depreciation expense increased by \$900,000, reflecting new capital additions. Non-Operating Expense, which is made up of debt service interest expense decreased slightly as more principal was paid off. Total 2007-08 income before capital contributions decreased from \$8.5 million in 2006-07 to \$7.2 million in 2007-08 for a net decrease of \$1.4 million or -15.9%.

Capital contributions in 2007-08 were \$10.7 million compared to \$12.4 million in 2006-2007, resulting in a decrease of \$1.7 million or -14.0%. This was mainly due to less contributed sewer lines and connection fees increased due to one-time revenues in spite of housing construction slowing in general. The total change in net assets increased from \$583.7 million in 2006-07 to \$601.6 million in 2007-08.

### CAPITAL ASSETS

As of June 30, 2008, the District's investment in capital assets totaled \$560.4 million, which is an increase of \$16.8 million or 3.08% over the capital asset balance of \$543.6 million at June 30, 2007. Capital assets include the District's entire major infrastructure including wastewater treatment facilities, sewers, land, buildings, pumping stations, vehicles, and furniture and equipment exceeding our capitalization policy limit of \$5,000, net of depreciation. A comparison of the District's capital assets over the past two fiscal years is presented below:

<b>Capital Assets</b>	<b>Fiscal Year 2007-2008</b>	<b>Fiscal Year 2006-2007</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Land	\$ 17,114,720	\$ 17,114,720	\$ -	0.00%
Sewage Collection System	242,806,977	226,796,748	16,010,229	7.06%
Contributed Sewer Lines	145,596,316	144,151,897	1,444,419	1.00%
Outfall Sewers	8,518,443	8,518,443	-	0.00%
Sewage Treatment Plant	264,327,208	255,008,296	9,318,912	3.65%
Recycled Water Infrastructure	11,936,662	11,726,507	210,155	1.79%
Pumping Stations	51,632,331	50,082,876	1,549,455	3.09%
Buildings	19,987,656	19,537,601	450,055	2.30%
Furniture & Equipment	13,730,782	12,951,529	779,253	6.02%
Motor Vehicles	5,224,941	4,575,910	649,031	14.18%
Construction In Progress	28,515,814	24,536,196	3,979,618	16.22%
<b>Subtotal</b>	<b>809,391,850</b>	<b>775,000,723</b>	<b>34,391,127</b>	<b>4.44%</b>
Less Accumulated Depreciation	249,002,961	231,378,462	17,624,499	7.62%
<b>Total Capital Assets (net of depreciation)</b>	<b>\$ 560,388,889</b>	<b>\$ 543,622,261</b>	<b>\$ 16,766,628</b>	<b>3.08%</b>

The major reasons for the increase of \$16.8 million in capital assets, net of depreciation, are:

- Sewer pipe ongoing renovations, pumping station improvements, and contributed sewer lines (\$19 million)
- Treatment plant infrastructure renovations, upgrades, equipment, and improvements (\$9.3 million)
- Construction In Progress increased by \$4.0 million due to increased project activity
- Buildings, Recycled Water Infrastructure, Furniture & Equipment, and Motor Vehicles (\$2.1 million)

- These increases are offset by an increase in accumulated depreciation due to our increasing capital asset value and its associated depreciation expense (-\$17.6 million)

See Note #4 in the audited financial statements.

**DEBT ADMINISTRATION**

The District has the following outstanding debt as of June 30, 2008:

1998 Revenue Refunding Bonds	\$	12,292,648
2002 Revenue Bonds		14,220,000
Water Reclamation Loan Contract		1,629,250
	\$	<u>28,141,898</u>

See Note #6 in the audited financial statements.

**ECONOMIC AND OTHER FACTORS**

Changes in the state budget have a significant impact on the District. The State currently faces a huge budget deficit. Previous California budget deficits were partially remedied by shifting a portion of local property tax to the state in 2004-05 and 2005-06. The tax shift ended in 2006-07, and the voters passed Proposition 1A that mandates the State repay any future property tax that it borrows. Still, there were several proposals made in the 2008-09 budget process that could either allow for borrowing special district property tax, or eliminating it by shifting it to other government programs. It is probable that our property tax income will be eliminated by some means in the future.

Regulatory requirements are becoming more stringent, causing the District to spend more on compliance, both for operations and maintenance costs and capital projects. Interest rates remain low, and this negatively impacts interest earnings. The future state of the economy, and the impact to the District, is in question at this time due to large drops in the stock market and failing investment companies.

In addition to making efforts to reduce spending and improve process efficiencies, the District has the ability to raise the Sewer Service Charge to meet our long-term commitments.

**FINANCIAL CONTACT**

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

***FINANCIAL STATEMENTS***

CENTRAL CONTRA COSTA SANITARY DISTRICT  
Statement of Net Assets  
June 30, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments available for operations	\$ 66,665,766	\$ 63,865,052
Accounts receivable	17,002,243	13,907,341
Interest receivable	340,273	61,207
Parts and supplies	1,612,059	1,543,018
Prepaid expenses	652,679	771,573
<b>Total Current Assets</b>	<b>86,273,020</b>	<b>80,148,191</b>
<b>Noncurrent Assets</b>		
Restricted cash and investments	3,696,773	3,569,117
Land, property, plant and equipment, net of accumulated depreciation	531,773,075	519,086,064
Construction in progress	28,515,814	24,536,197
Contractual assessment district receivable	1,394,333	1,678,216
Revenue bond issuance costs, net of amortization	228,077	258,757
<b>Total Noncurrent Assets</b>	<b>565,608,072</b>	<b>549,128,351</b>
<b>Total Assets</b>	<b>651,881,092</b>	<b>629,276,542</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	8,673,582	5,143,848
Interest payable	419,656	440,824
Current portion of refunding revenue bonds	2,300,000	2,210,000
Current portion of water reclamation loan contract	144,759	141,090
Current portion of accrued compensated absences	790,000	-
Liability for uninsured claims	629,820	629,820
Other postemployment benefits	5,990,813	3,157,887
Refundable deposits	312,377	555,281
<b>Total Current Liabilities</b>	<b>19,261,007</b>	<b>12,278,750</b>
<b>Noncurrent Liabilities</b>		
Revenue bonds, net of current portion	24,212,648	26,320,020
Accrued compensated absences, net of current portion	5,312,851	5,312,645
Water reclamation loan contract, net of current portion	1,484,491	1,629,250
<b>Total Noncurrent Liabilities</b>	<b>31,009,990</b>	<b>33,261,915</b>
<b>Total Liabilities</b>	<b>50,270,997</b>	<b>45,540,665</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	532,375,068	513,580,658
Restricted for debt service	3,185,416	3,216,163
Unrestricted	66,049,611	66,939,056
<b>Total Net Assets</b>	<b>\$ 601,610,095</b>	<b>\$ 583,735,877</b>

The accompanying notes are an integral part of the financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Assets  
Years Ended June 30, 2008 and 2007

	2008	2007
<b>OPERATING REVENUE</b>		
Sewer service charges (SSC)	\$ 40,207,157	\$ 35,057,668
Service charges - City of Concord	8,206,860	9,043,215
Other service charges	869,589	793,395
Miscellaneous charges	595,980	863,843
Total operating revenue	49,879,586	45,758,121
<b>OPERATING EXPENSES</b>		
Sewage collection and pumping stations	10,905,468	10,332,732
Sewage treatment	22,054,203	21,438,368
Engineering	6,332,830	5,472,707
Administrative and general	15,613,961	14,561,508
Depreciation	18,615,747	17,714,714
Total operating expenses	73,522,209	69,520,029
<b>OPERATING LOSS</b>	(23,642,623)	(23,761,908)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Taxes	12,254,168	11,762,731
City of Concord cash contributions to capital costs	5,336,273	3,435,512
Customer cash contributions to capital cost (SSC)	9,634,364	12,510,403
Permit and inspection fees	1,335,160	1,615,308
Interest earnings	2,527,621	3,257,773
Interest expense	(1,518,142)	(1,609,104)
Other income (expense)	1,243,817	1,316,383
Total non-operating revenues (expenses)	30,813,261	32,289,006
Income before contributions and transfers	7,170,638	8,527,098
Contributed sewer lines	1,444,420	3,521,704
Capital contributions - connection fees	9,259,160	8,917,658
<b>CHANGE IN NET ASSETS</b>	17,874,218	20,966,460
Total Net Assets - Beginning	583,735,877	562,769,417
Total Net Assets - Ending	\$ 601,610,095	\$ 583,735,877

The accompanying notes are an integral part of the financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT  
Statement of Cash Flows  
Years Ended June 30, 2008 and 2007

	2008	2007
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 46,825,663	\$ 41,606,988
Payments to suppliers	(7,360,135)	(11,878,232)
Payments to employees and related benefits	(40,326,309)	(34,004,606)
Net cash provided by (used in) operating activities	(860,781)	(4,275,850)
<b>Cash Flows From Noncapital Financing Activities:</b>		
Receipt of taxes	12,254,168	11,762,731
Inspection/permit fees and other non-operating income	2,578,977	2,931,692
Net cash provided by (used in) non capital and related financing activities	14,833,145	14,694,423
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Capital contributions	14,970,637	15,945,915
Connection fees	9,259,160	8,917,658
Acquisition and construction of capital assets	(33,855,254)	(39,768,810)
Principal paid on bonds	(2,158,462)	(2,079,887)
Interest paid on bonds	(1,508,630)	(1,793,559)
Net cash provided by (used in) capital and related financing activities	(13,292,549)	(18,778,683)
<b>Cash Flows From Investing Activities</b>		
Interest received	2,248,555	3,961,292
Net decrease in cash and cash equivalents	2,928,370	(4,398,818)
Cash and cash equivalents, July 1	67,434,169	71,832,987
Cash and Cash equivalents, June 30	\$ 70,362,539	\$ 67,434,169
<b>Reconciliation of operating loss to net cash provided (used) by operating activities</b>		
Operating gain (loss)	(23,642,623)	(23,761,908)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	18,615,747	17,714,714
Net book value on capital assets retired	17,299	142,652
(Increase) decrease in:		
Accounts receivable	(2,811,019)	(2,493,895)
Parts and supplies	(69,041)	19,001
Prepaid expenses	118,895	443,538
Increase (decrease) in:		
Accounts payable and accrued expenses	3,529,733	428,269
Refundable deposits	(242,904)	(38,935)
Other postemployment benefits	2,832,926	3,157,887
Accrued compensated absences	790,206	112,827
Net cash provided by (used in) operating activities	\$ (860,781)	\$ (4,275,850)
<b>Noncash investing, capital, and financing activities</b>		
Contributions of capital assets	\$ 1,444,420	\$ 3,521,704
<b>End of Period:</b>		
Unrestricted cash and equivalents	\$ 66,665,766	63,865,052
Restricted cash and equivalents	3,696,773	3,569,117
	\$ 70,362,539	\$ 67,434,169

The accompanying notes are an integral part of the financial statements



***NOTES TO THE FINANCIAL STATEMENTS***

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

As required by accounting principles generally accepted in the United States of America, these basic financial statements present 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 or 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 essentially 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* was organized solely for the purpose of providing financial assistance to the District by acquiring, constructing, improving and financing various facilities, land and equipment purchases, and by leasing or selling certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District. The Corporation has no members and the Board of Directors of the Corporation 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 Corporation.

**Basis of Accounting**

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

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

Investments held at June 30, 2008, 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.

**Prepays**

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

**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 bond. The current Right of Way Permit is 10 years, but is renewable and must remain in effect so long as there is sewerage running through the area; therefore it is unlikely that the escrow funds will ever be released to the District. These funds are restricted cash in the financial statements. See note 2.

**Parts and Supplies**

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

**Property, Plant, and Equipment**

Purchased capital assets are stated at historical cost. Capital assets contributed to the District are stated at estimated fair value at the time of contribution. The capitalization threshold for capital assets is \$5,000. Expenditures, which materially increase the value or life of a capital assets are capitalized and depreciated over the remaining useful life of the asset.

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

	<u>Years</u>
Sewage Collection Facilities	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 Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Defined Contribution Retirement Plans**

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

On August 20, 1997, the provisions of the Internal Revenue Code covering section 457 were amended to require existing plans to establish trusts for assets of plans so that they would not be subject to the right of general creditors. The District amended its plan during the fiscal year ended June 30, 1999 to meet this requirement. Consequently, at June 30, 2008, the plans assets are held in trust for the exclusive benefit of the participants and are not included in the District's financial statements.

The District also contributes to a money purchase plan created in accordance with Internal Revenue Code section 401(a). Contributions to the plan are made in accordance with a memorandum of understanding stating that in 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 \$1,391,089 to the plan during the year ended June 30, 2008.

**Property Taxes**

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

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

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 accrued compensated absences increased to \$6,102,851 from \$5,312,645 in fiscal 2008. The current portion of the non-current liability to be used within the next year is estimated by management to be approximately \$790,000.

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.

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.

New Accounting Pronouncements

In April 2004, GASB issued GASB No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement provides guidance on how to report OPEB plans that qualify as a trust or agency funds or as fiduciary component units of either a participating employer, a plan sponsor, a public employee retirement system (CalPERS, or other administering entity). The requirements for this statement are effective for fiscal periods beginning after December 15, 2006 provided GASB 45 is also implemented. The District will implement this standard in conjunction with GASB 45.

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**1. Description of District and Summary of Significant Accounting Policies (continued)**

New Accounting Pronouncements (continued)

note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

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

The District is required to implement the provisions of this Statement for the fiscal year ended June 30, 2009 (effective for fiscal years beginning after December 31, 2007). See note 10 for additional information.

In November of 2006, GASB issued GASBS No. 49, Accounting and Financial Reporting Pollution Remediation Obligations. The District is required to implement the provisions of this Statement for the fiscal year ended June 30, 2009 (effective for periods beginning after December 15, 2007). This standard addresses current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution *prevention* or *control* obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as a landfill closure. This statement may have a material effect on the financial statements of the District.

In May of 2007, GASB issued GASBS No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27. The District is required to implement the provisions of this Statement for the fiscal year ended June 30, 2008 (effective for periods beginning after June 15, 2007). This Statement aligns more closely the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

The reporting changes required by the Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. We do not expect this statement to have a material effect on the financial statements of the District.

In June of 2007, GASB issued GASBS No. 51, Accounting and Financial Reporting for Intangible Assets. The District is required to implement the provisions of this Statement for the fiscal year ended June 30, 2010 (effective for periods beginning after June 15, 2009; for governments classified as phase



**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**1. Description of District and Summary of Significant Accounting Policies (continued)**

New Accounting Pronouncements (continued)

2 under GASBS No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ended after June 30, 1980). This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, patents, trademarks, and computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. The implementation of the provisions of this standard may have a material effect on the financial statements of the District.

In November of 2007, GASB issued GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The District is required to implement the provisions of this Statement for the fiscal year ending June 30, 2009 (effective for periods beginning after June 15, 2008). This Statement requires endowments to report their land and other real estate investments at fair value and governments to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Endowments exist to invest resources for the purpose of generating income. Other entities that exist for similar purposes—pension and other postemployment benefit plans, external investment pools, and Internal Revenue Code Section 457 deferred compensation plans—however, report land and other real estate held as investments at their fair value. We do not expect this statement to have a material effect on the financial statements of the District.

In June of 2008, GASB issued GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement requires governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, can also expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), forward contracts, and future contracts. The District is required to implement the provisions of the Statement for the fiscal year ending June 30, 2010 (effective for periods beginning after June 15, 2009), which should allow users of the financial statements to more fully understand the District’s resources available to provide services. The District does not currently hold such instruments which would be classified as derivatives other than a minor amount held through the State Investment Pool and Cal Trust.

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**2. CASH AND CASH EQUIVALENTS**

Summary of Investments

Investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Cash and investments available for operations	\$ 66,665,766
Cash in escrow-in lieu of surety bond	100,000 *
Restricted cash and investments	3,596,773
Total Deposits and Investments	\$ 70,362,539

\* See note 1 – Bank Escrow Deposit

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	1 year	None	None
Banker's Acceptance	180	40%	15%
Commercial Paper (1)	270	25%	15%
Collateralized Certificates of Deposit	1 year (2)	30%	15%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

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

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

**2. CASH AND CASH EQUIVALENTS (continued)**

**Authorized Under Debt Agreements**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages 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.

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Treasury Bills and obligations	\$3,596,773	12/26/08
Total	<u>\$ 3,596,773</u>	

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

**2. CASH AND CASH EQUIVALENTS (continued)**

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating by the California Government Code, the Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>Rating as of Year End</u>	
				<u>AAA</u>	<u>Unrated</u>
Cash	\$ 1,265,766	A	\$1,265,766	-	-
Treasuries	3,596,773	A		\$3,596,773	-
CalTrust	29,000,000	N/A			\$29,000,000
State Investment Pool	36,500,000	N/A			36,500,000
<b>Total</b>	<b>\$70,362,539</b>		<b>\$1,265,766</b>	<b>\$3,596,773</b>	<b>\$65,500,000</b>

Concentration of Credit Risk

During the current fiscal year the District invested exclusively in U.S. Treasuries, CalTrust (a County Joint Powers Agency Authority) and State Investment Pool, which are not limited by the California Government Code or District Investment Policy.

*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 accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

*Investment in the State Investment Pool* – The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized costs basis.

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**2. CASH AND CASH EQUIVALENTS (continued)**

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 brokers, dealers, and financial institutions as are approved by the County Treasurer, and through the State Treasurer's Office for investment in the Local Agency Investment Fund.

**3. ACCOUNTS RECEIVABLE**

At June 30, 2008, accounts receivable are comprised of the following:

City of Concord (see Note 8)	\$ 15,899,114
Household Hazardous Waste Partners	623,761
All other	<u>479,368</u>
Total accounts receivable	<u>\$ 17,002,243</u>

*This space intentionally left blank.*

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

**4. LAND, PROPERTY, PLANT AND EQUIPMENT, AND CONSTRUCTION IN PROGRESS**

Property, plant and equipment, and construction in progress are summarized below for the year ended June 30, 2008:

	Balance Beginning of Year	Additions	Retirements	Transfer from CIP	Balance End of Year
<b>At Cost</b>					
<b>Capital assets not being depreciated</b>					
Land	\$ 17,114,720	\$ -	\$ -	\$ -	\$ 17,114,720
Construction in progress	24,536,196	33,172,179	(925)	(29,191,636)	28,515,814
Total nondepreciated assets	<u>41,650,916</u>	<u>33,172,179</u>	<u>(925)</u>	<u>(29,191,636)</u>	<u>45,630,534</u>
<b>Capital assets being depreciated</b>					
Sewage collection system	226,796,748	-	(767,540)	16,677,769	242,706,977
Contributed sewer lines	144,151,897	1,444,419	-	-	145,596,316
Outfall sewers	8,518,443	-	-	-	8,518,443
Sewage treatment plant	255,008,296	-	(31,000)	9,349,912	264,327,208
Recycled water infrastructure	11,726,507	-	-	210,155	11,936,662
Pumping stations	50,082,876	-	(5,000)	1,554,455	51,632,331
Buildings	19,537,603	-	-	450,053	19,987,656
Furniture and equipment	12,951,529	-	(170,039)	949,292	13,730,782
Motor vehicles	4,575,910	783,074	(134,043)	-	5,224,941
Total depreciated assets	<u>733,349,809</u>	<u>2,227,493</u>	<u>(1,107,622)</u>	<u>29,191,636</u>	<u>763,661,316</u>
<b>Less accumulated depreciation</b>					
Sewage system and lines	31,481,641	3,170,171	(667,540)	-	33,984,272
Contributed assets	39,318,069	1,943,403	-	-	41,261,472
Outfall sewers	2,313,560	113,353	-	-	2,426,913
Sewage treatment plant	127,616,765	8,916,235	(31,000)	-	136,502,000
Recycled water infrastructure	3,087,909	465,579	-	-	3,553,488
Pumping stations	12,018,883	2,119,559	(5,000)	-	14,133,442
Buildings	4,697,854	620,465	-	-	5,318,319
Furniture and equipment	7,737,364	915,538	(153,666)	-	8,499,236
Motor vehicles	3,106,418	351,444	(134,043)	-	3,323,819
Total accumulated depreciation	<u>231,378,463</u>	<u>18,615,747</u>	<u>(991,249)</u>	<u>-</u>	<u>249,002,961</u>
Total capital assets being depreciated, net	<u>501,971,346</u>	<u>(16,388,254)</u>	<u>(116,373)</u>	<u>29,191,636</u>	<u>514,658,355</u>
Capital assets, net	<u>\$ 543,622,262</u>	<u>\$ 16,783,925</u>	<u>\$ (117,298)</u>	<u>\$ -</u>	<u>\$ 560,288,889</u>



**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**5. CONTRACTUAL ASSESSMENT DISTRICTS**

The District established the Contractual Assessment District (CAD) program to help homeowners finance the cost of connecting to the District. The construction costs associated with the project within the program are capitalized and depreciated. Individual homeowners are assessed an amount equal to their share of the construction costs and connection fee. The assessments plus interest are generally payable over 10 years. At year-end, the receivable balance was \$1,394,333.

**6. LONG-TERM DEBT**

**Revenue Bonds – 2002**

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

**Refunding Revenue Bonds – 1998 & 1994 Defeased Debt**

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

The District issued the 1998 Refunding Revenue Bonds to advance refund the 1994 Revenue Installment Certificates, which had interest rates of 5.25 to 6.25%. The net proceeds were deposited in an escrow fund to service and redeem the 1994 debt. As a result, the advance refunding met the requirements of an in-substance debt defeasance, and the outstanding balance of the 1994 debt was removed from the District's accounts. The 1994 issue no longer has an outstanding balance.

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

**Summary**

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

	<u>Balance</u> <u>July 1, 2007</u>	<u>Deferred</u> <u>Cost</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due in</u> <u>One Year</u>
General obligation bonds	\$28,530,020	\$ 192,628	\$ 2,210,000	\$26,512,648	\$ 2,300,000
Water Reclamation Loan	1,770,340	-	141,090	1,629,250	144,759
	<u>\$30,300,360</u>	<u>\$ 192,628</u>	<u>\$ 2,351,090</u>	<u>\$ 28,141,898</u>	<u>\$ 2,444,759</u>

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

**6. LONG-TERM DEBT (continued)**

Debt Service Requirements

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

Fiscal Year Ending June 30, 2007	2002 Debt Service Requirement	1998 Debt Service Requirement	Total
2009	\$ 1,271,061	\$ 2,216,178	\$ 3,487,239
2010	1,265,261	2,216,478	3,481,739
2011	1,263,561	2,222,341	3,485,902
2012	1,265,762	2,217,429	3,483,191
2013	1,266,391	2,216,648	3,483,039
2014 – 2018	6,332,714	4,440,595	10,773,309
2019 – 2024	7,617,525	-	7,617,525
<b>Total</b>	<b>20,282,275</b>	<b>15,529,669</b>	<b>35,811,944</b>
Amount representing interest	<u>(6,062,275)</u>	<u>(2,209,669)</u>	<u>(8,271,944)</u>
Principal outstanding	14,220,000	13,320,000	27,540,000
Less: Unamortized deferred loss on refunding year end	-	<u>(1,027,352)</u>	<u>(1,027,352)</u>
	14,220,000	12,292,648	26,512,648
Short-term portion of revenue bonds	<u>(635,000)</u>	<u>(1,665,000)</u>	<u>(2,300,000)</u>
Long-term portion of revenue bonds	<u>\$ 13,585,000</u>	<u>\$ 10,627,648</u>	<u>\$ 24,212,648</u>

Water Reclamation Loan Contract

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

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**6. LONG-TERM DEBT (continued)**

Water Reclamation Loan Contract (continued)

The District must repay advances from the Board over a 20-year period beginning March 31, 1999, with an interest rate of 2.60%. Debt service requirements are as follows:

Years	Debt Service Requirements
2009	\$ 187,119
2010	187,119
2011	187,119
2012	187,119
2013	187,119
2014 - 2018	935,598
Total	1,871,193
Amount representing interest	(241,943)
	1,629,250
Less: Current portion of Water Reclamation Loan Contract	(144,759)
	\$ 1,484,491

Local Improvement District Bonds

Within the District's boundaries, there exist several Improvement Districts, which were formed for the sole purpose of financing sewer system improvements. **The District has no oversight responsibility for these Districts and is not liable for repayment of any bonds issued to finance these local improvement districts.** Contra Costa County acts as the agent for the property owners in these districts in collecting assessments, forwarding collections to bondholders, and initiating foreclosure procedures, if appropriate. The outstanding balance on these bonds was \$100,000 at June 30, 2008.

**7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District joined 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 Financial Statements**  
**Years Ended June 30, 2008 and 2007**

**7. RISK MANAGEMENT (continued)**

**Insurance Coverage**

The District's insurance coverage is as follows:

<u>Type of Insurance Coverage</u>	<u>Insurer</u>	<u>Limits</u>	<u>Self Insured Deductible Per Occurrence</u>
<b>All-Risk Property</b>			
Fire	Public Entity Property Insurance Program (PEPIP)	\$505,541,991	\$ 250,000
Boiler & Machinery (Shared Limits per Occurrence)	PEPIP	\$100,000,000	\$ 250,000
<b>Liability</b>			
Errors and Omissions	Insurance Company of the State of Pennsylvania (AIG)	\$ 15,000,000	\$ 500,000
Employment Practices Liability	AIG	\$ 15,000,000	\$ 1,000,000
Employment Practices Liability	Admiral Insurance Company	\$ 1,000,000	\$ 15,000
General Liability	AIG	\$ 15,000,000	\$ 500,000
Auto Liability	AIG	\$ 15,000,000	\$ 500,000
Pollution (General Aggregate) General Liability (Occurrence)	American International Specialty Lines Insurance Co.	\$ 5,000,000	\$ 5,000
Pollution (Legal Liability Aggregate) (Claims Made)	American International Specialty Lines Insurance Co	\$ 10,000,000	\$ 50,000
<b>Workers' Compensation</b>	CSRMA	\$ 750,000	-
Excess Workers' Compensation	National Union Fire Insurance Company (statutory)	\$ 50,000,000	\$ 750,000
Fiduciary Liability	Nation Union Fire Ins. Com	\$ 1,000,000	\$ 5,000

**Liability for Uninsured Claims**

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

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 Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**7. RISK MANAGEMENT (continued)**

**Liability for Uninsured Claims (continued)**

For the fiscal year ended June 30, 2008, 2007, and 2006, settlements have not exceeded insurance coverage. Changes in the District's estimated liability for uninsured claims for fiscal years 2008, 2007, and 2006 are summarized as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Beginning balance	\$ 629,820	\$ 881,500	\$ 881,500
Provisions for claims incurred in the current year and changes in the liability for uninsured – claims incurred in prior years	387,095	(208,667)	198,292
Claims and claim adjustment expenses paid	<u>(387,095)</u>	<u>(43,013)</u>	<u>(198,292)</u>
Ending balance	<u>\$ 629,820</u>	<u>\$ 629,820</u>	<u>\$ 881,500</u>

**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 capital costs expended. Service charges and contributions to capital costs from the City totaled \$8,206,860 and \$5,336,273 respectively, for the year ended June 30, 2008.

**9. PENSION PLAN**

**Plan Description**

Substantially, all District full-time employees are required to participate in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple-employer public employee deferred benefit retirement plan (Plan), governed by the County Employee's Retirement Law of 1937, as amended. The latest available actuarial and financial information for the Plan is for the year ended December 31, 2007. The Contra Costa Employees' Retirement Association issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA 94520-5728 or calling (925) 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. Service retirements are based on age, length of service and final average salary. Subject to vested status, employees can withdraw contributions plus interest credited, or leave them as a deferred retirement when they terminate, or transfer to a reciprocal retirement system.

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**9. PENSION PLAN (continued)**

Plan Contribution Requirement

The Plan requires employees to pay one-half of the basic retirement benefit and one-half future COL costs. However, the District has paid the employee's basic contributions in accordance with the Memorandum of Understanding (MOU). The contribution requirement and payment from the District for the plan year ended June 30, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Covered payroll for fiscal years ended June 30	\$ 22,503,704	\$ 21,504,951	\$ 20,687,905
Employer contributions to pension	8,757,705	8,045,860	7,202,912
Employee contributions to pension	892,488	861,387	812,220
Total Contributions	<u>\$ 9,650,193</u>	<u>\$ 8,907,247</u>	<u>\$ 8,014,132</u>

These contributions represented approximately 43%, 41% and 39% of covered payroll for the fiscal years ended June 30, 2008, 2007 and 2006, respectively, and were equal to the District's required contributions and the employee's basic contributions for each year.

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**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Notes to Financial Statements**  
**Years Ended June 30, 2008 and 2007**

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**10. POST EMPLOYMENT HEALTH CARE BENEFITS**

The District provides certain health care and life insurance benefits for retired employees. These benefits are provided for in negotiated employment agreements, commonly referred to as Memorandums of Understanding, which cover substantially all employees who reach normal retirement age while working for the District. These benefits, and similar benefits for active employees, are provided through a health maintenance organization and an insurance company whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were \$2,167,074 for the 178 eligible retirees for the year ended June 30, 2008.

The Government Accounting Standards Board (GASB) published Statement 45 in 2004 with an effective date of fiscal year ending June 30, 2009 for the District. Statement 45 requires a minimum expense called the Annual Required Contribution (ARC) equal to the actuarial normal cost plus amortization of the Unfunded Actuarial Accrued Liability (UAAL) over 30 years (or less) as a level percentage of increasing payroll.

An actuarial study was performed by the District as of June 30, 2007. The 2007 study estimated the District's Actuarial Accrued Liability (AAL) to be \$68,447,956 based on an expected 5% discount rate. The Annual Required Contribution (ARC) is estimated to be \$6,224,478 over a 30 year period.

The District set aside \$2,832,926 and \$3,157,887 or \$5,990,813 in 2008 and 2007, respectively, to comply with GASBS No. 45. The District is required to implement GASBS No. 45 by June 30, 2009.

**11. COMMITMENTS AND CONTINGENCIES**

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse 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 purchase commitments relating to construction projects at June 30, 2008 of \$38,363,997.

***SUPPLEMENTARY INFORMATION***

**CENTRAL CONTRA COSTA SANITARY DISTRICT**

**COMBINING SCHEDULE OF STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2008**

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and investments available for operations	756,074	62,172,167	3,737,525	-	-	66,665,766
Accounts receivable	9,186,003	7,816,240	-	-	-	17,002,243
Interest receivable	-	340,273	-	-	-	340,273
Due from other sub-funds	78,624,202	59,087,782	796,553	32,912,108	(171,420,645)	-
Parts and supplies	1,612,059	-	-	-	-	1,612,059
Prepaid expenses	652,679	-	-	-	-	652,679
<b>Total Current Assets</b>	<b>90,831,017</b>	<b>129,416,462</b>	<b>4,534,078</b>	<b>32,912,108</b>	<b>(171,420,645)</b>	<b>86,273,020</b>
<b>Noncurrent Assets</b>						
Restricted cash and investments	100,000	-	-	3,596,773	-	3,696,773
Land, property, plant and equipment, net of accumulative depreciation	531,773,075	-	-	-	-	531,773,075
Construction in progress	28,515,814	-	-	-	-	28,515,814
Contractual assessment district receivable	-	1,394,333	-	-	-	1,394,333
Revenue bond issuance costs net of amortization	-	-	-	228,077	-	228,077
	<b>651,219,906</b>	<b>130,810,795</b>	<b>4,534,078</b>	<b>36,736,958</b>	<b>(171,420,645)</b>	<b>651,881,092</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued expenses	2,630,198	6,013,439	29,945	-	-	8,673,582
Due to other sub-funds	83,303,286	79,181,826	751,830	8,183,703	(171,420,645)	-
Interest payable	8,299	-	-	411,357	-	419,656
Current portion of refunding water revenue bonds	-	-	-	2,300,000	-	2,300,000
Current portion of water reclamation loan contract	-	-	-	144,759	-	144,759
Liability for uninsured claims	-	-	629,820	-	-	629,820
OPEB employee benefits	5,990,813	-	-	-	-	5,990,813
Accrued compensation absences	790,000	-	-	-	-	790,000
Refundable deposits	138,700	173,677	-	-	-	312,377
<b>Total Current Liabilities</b>	<b>92,861,296</b>	<b>85,368,942</b>	<b>1,411,595</b>	<b>11,039,819</b>	<b>(171,420,645)</b>	<b>19,261,007</b>
<b>NONCURRENT LIABILITIES</b>						
Revenue bonds, net of current portion	-	-	-	24,212,648	-	24,212,648
Accrued compensated absences	5,312,851	-	-	-	-	5,312,851
Water reclamation loan contract net of current portion	-	-	-	1,484,491	-	1,484,491
<b>Total Liabilities</b>	<b>98,174,147</b>	<b>85,368,942</b>	<b>1,411,595</b>	<b>36,736,958</b>	<b>(171,420,645)</b>	<b>50,270,997</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	560,288,889	-	-	(27,913,821)	-	532,375,068
Restricted for debt service	-	-	-	3,185,416	-	3,185,416
Unrestricted	(7,243,130)	45,441,853	3,122,483	24,728,405	-	66,049,611
<b>Total Net Assets</b>	<b>\$ 553,045,759</b>	<b>\$ 45,441,853</b>	<b>\$ 3,122,483</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 601,610,095</b>

The accompanying notes are an integral part of the financial statements

**CENTRAL CONTRA COSTA SANITARY DISTRICT**

**COMBINING SCHEDULE OF STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
<b>Operating Revenues</b>						
Sewer Service Charges (SSC)	\$ 40,207,157	\$ -	\$ -	\$ -	\$ -	\$ 40,207,157
Service charges - City of Concord	8,206,860	-	-	-	-	8,206,860
Other service charges	869,589	-	-	-	-	869,589
Miscellaneous charges	595,980	-	-	-	-	595,980
<b>Total operating revenues</b>	<b>49,879,586</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,879,586</b>
<b>Operating Expenses</b>						
Sewage collection and pumping stations	10,905,468	-	-	-	-	10,905,468
Sewage treatment	22,054,203	-	-	-	-	22,054,203
Engineering	6,332,830	-	-	-	-	6,332,830
Administrative and general	15,828,965	-	916,639	-	(1,131,643)	15,613,961
Depreciation	18,615,747	-	-	-	-	18,615,747
<b>Total operating expenses</b>	<b>73,737,213</b>	<b>-</b>	<b>916,639</b>	<b>-</b>	<b>(1,131,643)</b>	<b>73,522,209</b>
<b>Operating Loss</b>	<b>(23,857,627)</b>	<b>-</b>	<b>(916,639)</b>	<b>-</b>	<b>1,131,643</b>	<b>(23,642,623)</b>
<b>Non-Operating Revenues (Expenses):</b>						
Taxes	-	8,502,204	-	3,751,964	-	12,254,168
City of Concord cash contributions to capital costs	-	5,336,273	-	-	-	5,336,273
Customer cash contributions to capital cost (SSC)	-	9,634,364	-	-	-	9,634,364
Permit and inspection fees	981,557	353,603	-	-	-	1,335,160
Interest earnings	741,038	1,509,802	159,503	117,278	-	2,527,621
Interest expense	-	-	-	(1,518,142)	-	(1,518,142)
Other income (expense)	534,643	709,174	1,131,643	-	(1,131,643)	1,243,817
<b>Total non-operating revenues (expenses)</b>	<b>2,257,238</b>	<b>26,045,420</b>	<b>1,291,146</b>	<b>2,351,100</b>	<b>(1,131,643)</b>	<b>30,813,261</b>
<b>Income (loss) before contributions and transfers</b>	<b>(21,600,389)</b>	<b>26,045,420</b>	<b>374,507</b>	<b>2,351,100</b>	<b>-</b>	<b>7,170,638</b>
Contributed sewer lines	1,444,420	-	-	-	-	1,444,420
Capital contributions - connection fees	-	9,259,160	-	-	-	9,259,160
Transfers	34,201,858	(31,850,758)	-	(2,351,100)	-	-
<b>Change in Net Assets</b>	<b>14,045,889</b>	<b>3,453,822</b>	<b>374,507</b>	<b>-</b>	<b>-</b>	<b>17,874,218</b>
Total Net Assets - Beginning	538,999,870	41,988,031	2,747,976	-	-	583,735,877
<b>Total Net Assets - Ending</b>	<b>\$ 553,045,759</b>	<b>\$ 45,441,853</b>	<b>\$ 3,122,483</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 601,610,095</b>

The accompanying notes are an integral part of the financial statements

**CENTRAL CONTRA COSTA SANITARY DISTRICT**  
**Schedule of Running Expenses**  
**Comparison of Budget and Actual Expenses by Department**  
**June 30, 2008**

	Sewage Collection	Pumping Stations	Sewage Treatment Plant	Engineering	Administrative and General	Total	Budget	Variance Favorable (Unfavorable)
Salaries and Wages	\$ 3,885,189	\$ 936,940	\$ 7,399,532	\$ 4,665,034	4,090,622	\$ 20,977,317	\$ 21,108,578	\$ 131,261
Employee Benefits	2,605,926	598,292	4,881,108	2,876,191	8,350,264	19,311,781	18,550,711	(761,070)
Directors' Fees and Expense	-	-	-	-	75,314	75,314	76,790	1,476
Chemicals	-	339,039	1,096,695	-	-	1,435,734	1,390,000	(45,734)
Professional and Legal Services	2,190	-	2,633	126,128	393,197	524,148	516,420	(7,728)
Outside Services	101,118	29,932	405,013	526,638	1,026,809	2,089,510	2,290,550	201,040
Hauling and Disposal	48,932	7,377	350,015	471,561	-	877,885	1,022,310	144,425
Repairs and Maintenance	599,749	246,406	1,777,534	86,379	275,602	2,985,670	3,365,371	379,701
Materials and Supplies	727,428	64,942	621,175	177,271	138,147	1,728,963	1,796,530	67,567
Utilities	97,077	448,763	5,061,779	51,523	129,001	5,788,143	5,951,860	163,717
Other	175,157	28,154	545,653	167,339	1,387,324	2,303,627	2,364,766	61,139
Less Capitalized Overhead and Benefits	(23,003)	(14,140)	(86,934)	(2,815,234)	(37,315)	(2,976,626)	(3,206,851)	(230,225)
	<u>8,219,763</u>	<u>2,685,705</u>	<u>22,054,203</u>	<u>6,332,830</u>	<u>15,828,965</u>	<u>55,121,466</u>	<u>55,227,035</u>	<u>105,569</u>

The accompanying notes are an integral part of the financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT  
Running Expense  
Schedule of Supplemental Net Assets Analysis  
June 30, 2008

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<b>Prior Year Balance</b>		\$ 9,767,747
2007 - 2008 Revenue	\$ 52,136,824	
2007 - 2008 Expense	(73,737,213)	
Add Back Depreciation Expense	<u>18,615,747</u>	<u>(2,984,642)</u>
Net Assets Attributed to General Operations		6,783,105
All Other Net Assets		<u>546,262,654</u>
Running Expense Net Assets		<u><u>\$ 553,045,759</u></u>

The accompanying notes are an integral part of the financial statements

Central Contra Costa Sanitary District

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# 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.

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

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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.

Demographic and Economic Data - Population Served - Last Ten Calendar Years .....	S-8
List of Ten Largest Employers in Contra Costa County - Last Year and Nine Years Ago .....	S-8
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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.



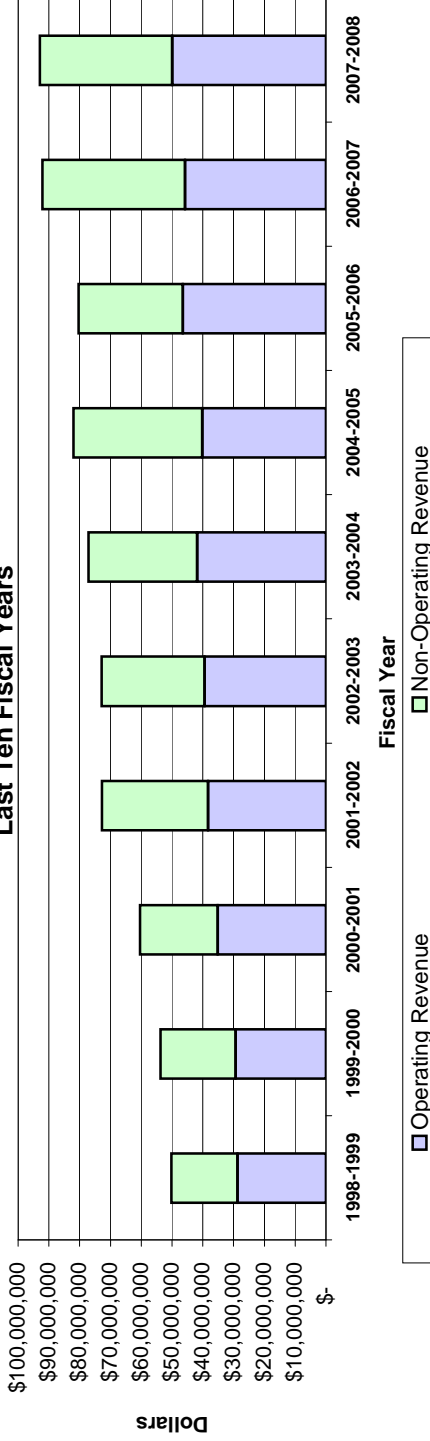
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**Central Contra Costa Sanitary District  
Changes in Net Assets and Statement of Net Assets  
Last Six Fiscal Years**

	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
<b>Changes in Net Assets</b>						
Operating Revenues:						
Sewer Service Charges (SSC)	\$ 40,207,157	\$ 35,057,668	\$ 37,781,774	\$ 32,282,806	\$ 33,935,899	\$ 31,967,101
City of Concord	8,206,860	9,043,215	7,383,011	6,603,000	6,609,602	6,321,452
Other Service Charges	869,589	793,395	755,827	672,887	648,617	633,037
Miscellaneous Charges	595,980	863,843	517,741	612,851	560,454	506,812
Total Operating Revenue	49,879,586	45,758,121	46,438,353	40,171,544	41,754,572	39,428,402
Operating Expenses:						
Salaries & Benefits	37,312,472	34,678,665	29,875,340	27,989,401	28,095,636	24,919,820
Chemicals, Utilities & Supplies	8,952,840	8,759,490	7,646,866	6,801,750	5,808,070	5,735,379
Professional & Outside Services	2,613,658	2,298,712	2,850,825	2,350,387	2,282,408	2,084,830
Hauling, Disposal, Repairs & Maintenance	3,863,555	4,105,082	3,826,165	3,716,176	3,871,749	3,557,171
Self-insurance (net of transfers)	(215,004)	(180,716)	629,513	1,189,693	464,702	407,007
Depreciation	18,615,747	17,714,714	16,354,488	16,041,555	15,186,594	14,527,871
All Other	2,378,941	2,144,082	1,330,946	1,437,272	1,267,809	1,243,345
Total Operating Expenses	73,522,209	69,520,029	62,514,143	59,526,234	56,976,968	52,475,423
Operating Loss	(23,642,623)	(23,761,908)	(16,075,790)	(19,354,690)	(15,222,396)	(13,047,021)
Non-Operating Revenues (Expenses):						
Property Taxes	12,254,168	11,762,731	4,836,301	4,010,380	8,919,327	8,801,230
Customer Contributions	14,970,637	15,945,915	9,862,620	14,716,585	10,187,725	7,833,641
Connection & Other Fees	1,335,160	1,615,308	2,062,216	4,265,620	2,936,298	1,479,870
Interest Income	2,527,621	3,257,773	2,465,985	1,519,192	831,215	925,509
Interest Expense	(1,518,142)	(1,609,104)	(1,694,304)	(1,775,857)	(1,101,115)	(1,153,349)
All Other	1,243,817	1,316,383	1,096,401	1,109,716	1,467,877	1,076,654
Total Non-Operating	30,813,261	32,289,006	18,629,219	23,845,636	23,241,327	18,963,555
Income Before Contributions and Transfers	7,170,638	8,527,098	2,553,429	4,490,946	8,018,931	5,916,534
Contributed Sewer Lines	1,444,420	3,521,704	3,044,945	5,530,848	4,410,808	7,818,537
Capital Contributions - Connection Fees	9,259,160	8,917,658	10,496,898	10,728,717	6,585,984	5,530,064
CHANGE IN NET ASSETS	17,874,218	20,966,460	16,095,272	20,750,511	19,015,723	19,265,135
Total Net Assets - Beginning	583,735,877	562,769,417	546,674,145	525,923,634	506,907,911	487,642,776
Total Net Assets - Ending	601,610,095	583,735,877	562,769,417	546,674,145	525,923,634	506,907,911
<b>Statement of Net Assets</b>						
Investments in Capital Assets, Net of Related Debt	\$ 532,375,068	\$ 513,580,658	\$ 486,098,303	\$ 469,375,715	\$ 453,251,761	\$ 443,350,151
Restricted for Debt Service	3,185,416	3,216,163	3,647,257	3,118,704	3,035,944	4,484,542
Unrestricted	66,049,611	66,939,056	73,023,857	74,179,726	69,635,929	59,073,218
Total Net Assets	601,610,095	583,735,877	562,769,417	546,674,145	525,923,634	506,907,911

The District implemented GASB 34 in the 2002-2003 fiscal year, one year earlier than required.  
Source: Central Contra Costa Sanitary District Audited Financial Statements

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



Fiscal Year	Operating Revenue					Total Operating
	Sewer Service Charges*	City of Concord	Other Service Charges	Miscellaneous Charges		
1998-1999	\$ 23,063,532	\$ 4,786,407	\$ 661,168	\$ 229,851		\$ 28,740,958
1999-2000	23,165,616	5,342,002	446,168	309,535		29,263,321
2000-2001	27,613,157	6,610,774	601,270	345,295		35,170,496
2001-2002	31,228,855	5,897,008	617,768	508,916		38,252,547
2002-2003	31,967,101	6,321,452	633,037	506,812		39,428,402
2003-2004	33,935,899	6,609,602	648,617	560,454		41,754,572
2004-2005	32,282,806	6,603,000	672,887	612,851		40,171,544
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

Fiscal Year	Non-Operating Revenue						Total Non-Operating
	Property Taxes	Customer Contributions *1	Connection & Other Fees	Interest	All Other		
1998-1999	\$ 6,169,390	\$ 6,556,005	\$ 5,415,272	\$ 3,127,827	\$ 158,844		\$ 21,427,338
1999-2000	6,684,949	8,733,886	5,786,188	2,921,648	330,623		24,457,294
2000-2001	7,238,662	9,636,912	5,004,261	2,979,749	408,120		25,267,704
2001-2002	7,551,581	19,006,658	5,385,527	1,498,751	1,032,527		34,475,044
2002-2003	8,801,230	15,652,178	7,009,934	925,509	1,076,654		33,465,505
2003-2004	8,919,327	14,598,533	9,522,282	831,215	1,467,877		35,339,234
2004-2005	4,010,380	20,247,433	14,994,337	1,519,192	1,109,716		41,881,058
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

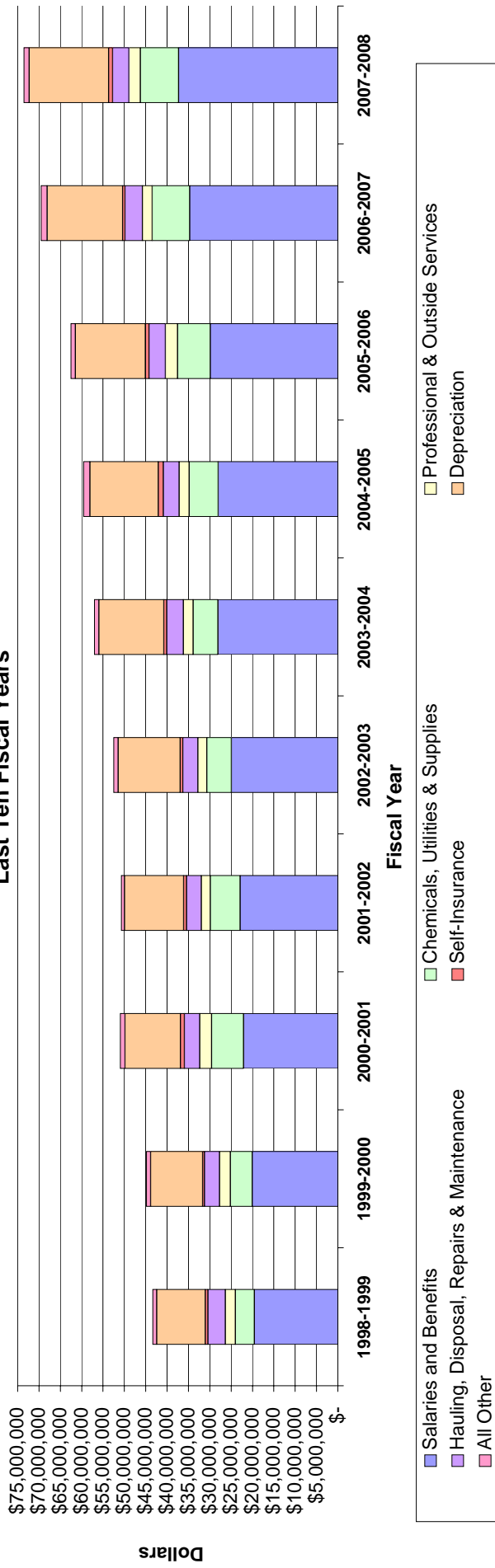
\* Sewer Service Charge (SSC) represents the Running Expense Fund portion of SSC County collections along with District direct billings and counter collections.

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

Beginning in 2000-2001, due to changes in GASB 33 reporting requirements developer contributed sewer lines are also included.

Source: Central Contra Costa Sanitary District Audited Financial Statements

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



### OPERATING EXPENSES

Fiscal Year	Salaries and Benefits	Chemicals, Utilities & Supplies	Professional & Outside Services	Hauling, Disposal, Repairs & Maintenance	Self-Insurance	Depreciation	All		Total Operating Expenses
							Self-Insurance	Other	
1998-1999	\$ 19,564,429	\$ 4,399,152	\$ 2,345,887	\$ 4,115,527	\$ 644,371	\$ 11,345,155	\$ 920,080	\$ 43,334,601	
1999-2000	20,034,810	5,130,743	2,560,175	3,513,754	419,312	12,157,975	1,034,683	44,851,452	
2000-2001	22,051,911	7,496,028	2,762,603	3,621,826	924,242	13,004,018	1,085,888	50,946,516	
2001-2002	22,848,114	7,009,868	2,110,886	3,476,325	677,159	13,833,124	745,605	50,701,081	
2002-2003	24,919,820	5,735,379	2,084,830	3,557,171	632,007	14,527,871	1,018,345	52,475,423	
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	
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	
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	
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	
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	

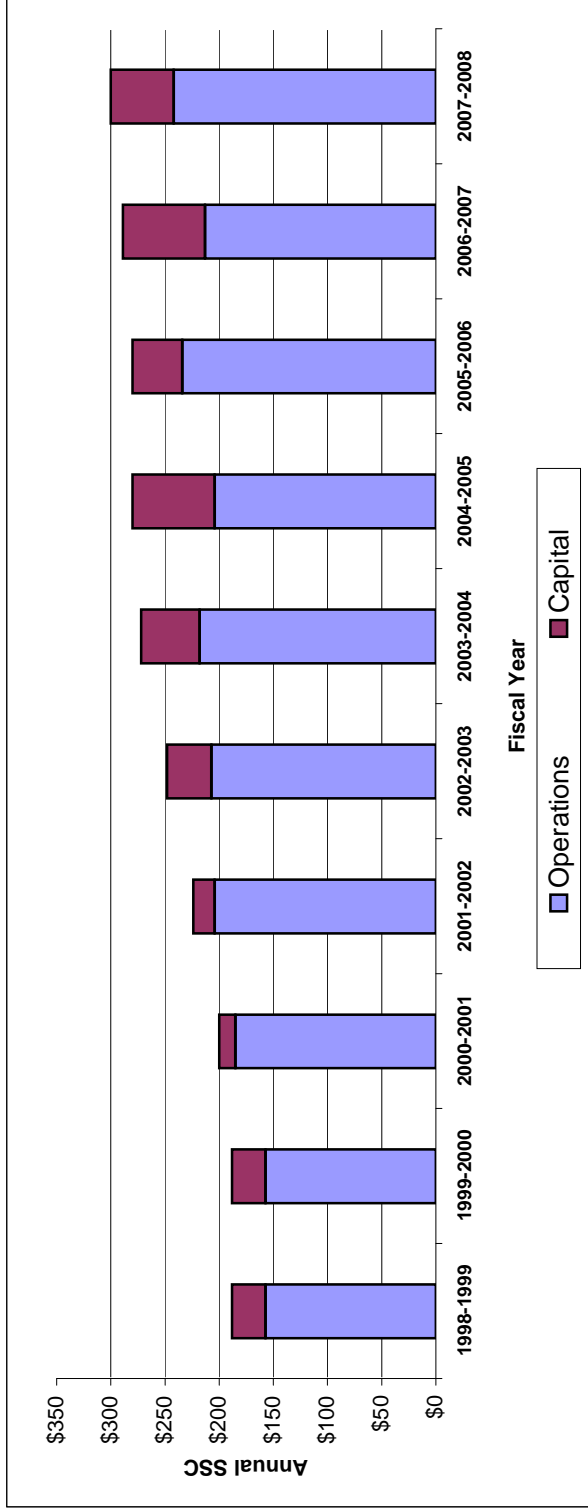
Source: Central Contra Costa Sanitary District Audited Financial Statements

Non-Operating Expenses

\$	1,301,200
	1,304,980
	1,250,588
	1,202,782
	1,153,349
	1,101,115
	1,775,857
	1,694,304
	1,609,104
	1,518,142

*Informational - not graphed*

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



Fiscal Year	Annual Sewer Service Charge *1		Facility Capacity Fee *2	Pump Zone Fee *3
	Operations	Capital		
1998-1999	\$157	\$31	\$2,572	\$348
1999-2000	157	31	2,572	348
2000-2001	185	15	2,572	348
2001-2002	204	20	3,360	710
2002-2003	207	41	3,360	710
2003-2004	218	54	3,983	988
2004-2005	204	76	3,983	988
2005-2006	234	46	4,150	1,331
2006-2007	213	76	4,263	1,404
2007-2008	242	58	4,524	1,466

\*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  
Last Six Fiscal Years**

Ratepayer	2007-2008			2006-2007			2005 - 2006			2004 - 2005			2003 - 2004			2002 - 2003		
	Operating Revenue	Rank	Percentage of Operating Revenue	Operating Revenue	Rank	Percentage of Operating Revenue	Operating Revenue	Rank	Percentage of Operating Revenue	Operating Revenue	Rank	Percentage of Operating Revenue	Operating Revenue	Rank	Percentage of Operating Revenue	Operating Revenue	Rank	Percentage of Operating Revenue
City of Concord*	\$ 8,206,860	1	16.45%	\$ 9,043,215	1	19.76%	\$ 7,383,011	1	15.90%	\$ 6,603,000	1	16.44%	\$ 6,609,602	1	15.83%	\$ 6,321,452	1	16.03%
Contra Costa County General Services	316,854	2	0.64%	322,351	2	0.70%	295,173	2	0.64%	294,670	2	0.73%	250,442	3	0.60%	222,619	2	0.56%
First Walnut Creek Mutual	316,200	3	0.63%	304,606	3	0.67%	295,120	3	0.64%	266,000	3	0.66%	258,400	2	0.62%	206,246	3	0.52%
Park Regency	267,600	4	0.54%	257,788	4	0.56%	249,760	4	0.54%	249,760	4	0.62%	242,624	4	0.58%	197,408	4	0.50%
Second Walnut Creek Mutual	225,000	5	0.45%	216,750	5	0.47%	210,000	5	0.45%	210,000	5	0.52%	204,000	5	0.49%	158,224	5	0.40%
John Muir Health	223,775	6	0.45%	121,613	10	-	-	-	-	-	-	-	-	-	-	-	-	-
Sun Valley Mall	183,380	7	0.37%	176,293	6	0.39%	169,916	6	0.37%	158,077	6	0.39%	145,169	6	0.35%	138,993	6	0.35%
Archstone/Treat Commons Apartments	153,000	8	0.31%	147,390	7	0.32%	142,800	7	0.31%	142,800	7	0.36%	138,720	7	0.33%	126,480	7	0.32%
St. Mary's College Contract	136,016	9	0.27%	127,355	9	0.28%	117,119	10	0.25%	-	-	-	97,670	10	0.23%	106,497	8	0.27%
Kaiser Foundation Hospital	118,809	10	0.24%	-	-	-	126,904	9	0.27%	100,976	10	0.25%	-	-	-	-	-	-
Willows Shopping Center	-	-	-	128,303	8	0.28%	-	-	-	120,459	9	0.30%	111,822	9	0.27%	103,321	9	0.26%
Reflections San Ramon Apartments**	-	-	-	-	-	-	139,062	8	0.30%	139,062	8	0.35%	134,912	8	0.32%	-	-	-
Canyon Point Condominiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	86,304	10	0.22%
<b>Total</b>	<b>\$ 10,147,494</b>		<b>20.34%</b>	<b>\$ 10,845,664</b>		<b>23.44%</b>	<b>\$ 9,128,865</b>		<b>19.66%</b>	<b>\$ 8,284,804</b>		<b>20.62%</b>	<b>\$ 8,193,361</b>		<b>19.62%</b>	<b>\$ 7,667,544</b>		<b>19.45%</b>

The District implemented GASB 34 in the 2002-2003 fiscal year, one year earlier than required.  
\* Contract with the City of Concord to treat and dispose of wastewater for Concord and Clayton.  
\*\* Converted to condominiums during 2006-2007 fiscal year.

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

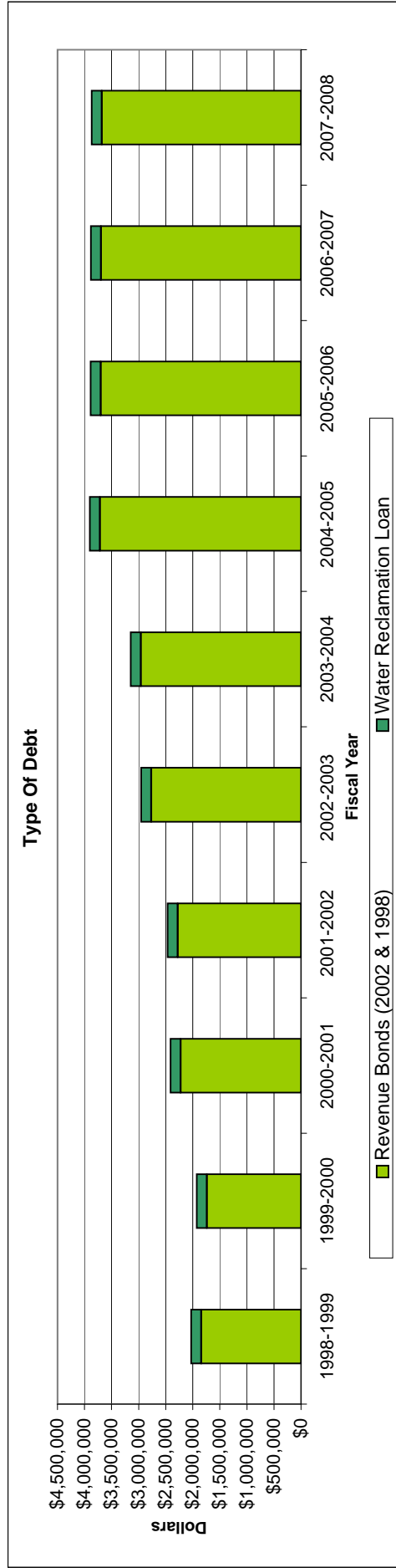
Fiscal Year	Local Secured	Unsecured	Total	% Change
1998-1999	\$ 32,514,783,517	\$ 1,119,407,570	\$ 33,634,191,087	6.1%
1999-2000	34,973,946,879	1,140,492,514	36,114,439,393	7.4%
2000-2001	38,029,210,584	1,225,608,154	39,254,818,738	8.7%
2001-2002	40,166,666,299	1,375,049,056	41,541,715,355	5.8%
2002-2003	43,172,880,129	1,434,598,034	44,607,478,163	7.4%
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%

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

Fiscal Year	Property Tax* Levied & Collected	% Change	Sewer Service Charges* Levied & Collected	% Change
1998-1999	\$ 6,254,229	6.7%	\$ 26,984,372	2.1%
1999-2000	6,723,957	7.5%	27,078,595	0.3%
2000-2001	7,228,881	7.5%	29,253,537	8.0%
2001-2002	7,901,161	9.3%	33,650,005	15.0%
2002-2003	8,460,674	7.1%	37,479,440	11.4%
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%

\* 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.

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



Fiscal Year	Revenue Bonds (2002 & 1998)				Water Reclamation Loan				Total Debt Service			
	Principal	Interest	Debt Service	Total	Principal	Interest	Debt Service	Total	Principal	Interest	Debt Service	Total
1998-1999	\$835,000	\$1,005,749	\$1,840,749	\$1,840,749	\$139,194	\$47,925	\$187,119	\$187,119	\$974,194	\$1,053,674	\$2,027,868	\$2,027,868
1999-2000	\$725,000	\$1,013,715	\$1,738,715	\$1,738,715	\$114,900	\$72,219	\$187,119	\$187,119	\$839,900	\$1,085,934	\$1,925,834	\$1,925,834
2000-2001	\$1,245,000	\$979,240	\$2,224,240	\$2,224,240	\$117,887	\$69,232	\$187,119	\$187,119	\$1,362,887	\$1,048,472	\$2,411,359	\$2,411,359
2001-2002	\$1,285,000	\$993,407	\$2,278,407	\$2,278,407	\$120,952	\$66,167	\$187,119	\$187,119	\$1,405,952	\$1,059,574	\$2,465,526	\$2,465,526
2002-2003	\$1,330,000	\$1,435,811	\$2,765,811	\$2,765,811	\$124,097	\$63,022	\$187,119	\$187,119	\$1,454,097	\$1,498,833	\$2,952,930	\$2,952,930
2003-2004	\$1,375,000	\$1,583,739	\$2,958,739	\$2,958,739	\$127,323	\$59,796	\$187,119	\$187,119	\$1,502,323	\$1,643,535	\$3,145,858	\$3,145,858
2004-2005	\$1,995,000	\$1,719,372	\$3,714,372	\$3,714,372	\$130,634	\$56,485	\$187,119	\$187,119	\$2,125,634	\$1,775,857	\$3,901,491	\$3,901,491
2005-2006	\$2,060,000	\$1,641,215	\$3,701,215	\$3,701,215	\$134,030	\$53,089	\$187,119	\$187,119	\$2,194,030	\$1,694,304	\$3,888,334	\$3,888,334
2006-2007	\$2,135,000	\$1,559,500	\$3,694,500	\$3,694,500	\$137,515	\$49,604	\$187,119	\$187,119	\$2,272,515	\$1,609,104	\$3,881,619	\$3,881,619
2007-2008	\$2,210,000	\$1,472,113	\$3,682,113	\$3,682,113	\$141,090	\$46,029	\$187,119	\$187,119	\$2,351,090	\$1,518,142	\$3,869,232	\$3,869,232

**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 below.

Fiscal Year	Debt Service Coverage Summary					Debt Ratio Summary				
	Total Debt Service	Non-Operating Revenue & Contributions	Net Revenue <sup>1</sup>	Debt Service Coverage (Net Revenue) <sup>2</sup>	Capital Improvement Fees/Concord	Adjusted Net Revenue <sup>3</sup>	Debt Service Coverage (Adj. Net Revenue) <sup>4</sup>	Debt to Expense Ratio	Sewer Service Equivalent Units <sup>5</sup>	Cost of Debt Per Equivalent Unit
1998-1999	\$2,027,868	\$21,427,338	\$18,178,850	8.96	\$6,457,432	\$11,721,418	5.78	6.34%	146,891	\$13.81
1999-2000	\$1,925,834	\$24,457,294	\$21,027,138	10.92	\$8,867,213	\$12,159,925	6.31	5.89%	147,552	\$13.05
2000-2001	\$2,411,359	\$25,267,704	\$22,495,702	9.33	\$7,927,822	\$14,567,880	6.04	6.36%	149,245	\$16.16
2001-2002	\$2,465,526	\$34,475,044	\$35,859,634	14.54	\$5,753,738	\$30,105,896	12.21	6.69%	153,073	\$16.11
2002-2003	\$2,952,930	\$37,947,552	\$34,946,355	11.83	\$7,023,589	\$27,922,766	9.46	7.78%	154,420	\$19.12
2003-2004	\$3,145,858	\$35,339,234	\$35,303,432	11.22	\$8,370,344	\$26,933,088	8.56	7.53%	155,669	\$20.21
2004-2005	\$3,901,491	\$41,881,058	\$38,567,923	9.89	\$13,351,448	\$25,216,475	6.46	8.97%	158,249	\$24.65
2005-2006	\$3,888,334	\$46,159,655	\$34,144,064	8.78	\$12,931,577	\$21,212,487	5.46	8.42%	161,461	\$24.08
2006-2007	\$3,881,619	\$45,758,121	\$40,290,278	10.38	\$12,353,170	\$27,937,108	7.20	7.49%	164,582	\$23.58
2007-2008	\$3,869,232	\$43,034,983	\$38,008,107	9.82	\$14,595,433	\$23,412,674	6.05	7.05%	166,145	\$23.29

\*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).

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



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

<u>As Of January 1</u>	Inside District Boundaries	Concord/ Clayton	Total Served	% Change
1999	290,780	125,610	416,390	1.2%
2000	294,170	126,300	420,470	1.0%
2001	291,230	135,150	426,380	1.4%
2002	293,080	134,920	428,000	0.4%
2003	302,675	135,900	438,575	2.5%
2004	303,980	135,845	439,825	0.3%
2005	308,428	135,780	444,208	1.0%
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%

Source: Central Contra Costa Sanitary District Environmental Services Division

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

Employers	2007			1998		
	Estimated Employees	Rank	% of Total County Employment	Estimated Employees	Rank	% of Total County Employment
Chevron Texaco Corporation	7,100	1	1.3%	2,900	3	0.7%
Kaiser Permanente	5,000	2	1.0%	4,500	2	1.0%
AT&T	3,150	3	0.6%	-	-	-
Kaiser Foundation Hospital	2,300	4	0.5%	2,000	4	0.4%
John Muir Medical Center	1,900	5	0.4%	1,900	5	0.4%
John Muir Mt. Diablo Medical Center	1,500	6	0.3%	1,500	6	0.3%
24 Hour Fitness	1,200	7	0.2%	-	-	-
Bio-Rad Laboratories	1,100	8	0.2%	1,050	8	0.2%
Doctors Medical Center	1,000	9	0.2%	1,000	9	0.2%
USS Posco Industries	975	10	0.2%	1,000	10	0.2%
Bank of America - Systems Engineering	-	-	-	5,000	1	1.1%
Tosco Refining	-	-	-	1,200	7	0.3%
All Others	489,925		95.1%	427,000		95.2%
	<u>515,150</u>		<u>100.0%</u>	<u>449,050</u>		<u>100.0%</u>

Source: County of Contra Costa, California, Comprehensive Annual Financial Report for 6/30/07, Statistical Section, excludes government employers.

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

Fiscal Year Ended June 30	Population*	Personal Income*	Per Capita Personal Income*	Average Unemployment Rate**
1999	936,983	37,126,251	39,623	3.1%
2000	953,407	42,417,859	44,491	3.5%
2001	972,630	43,472,330	44,696	4.1%
2002	982,813	43,304,580	44,062	5.7%
2003	991,153	44,177,166	44,571	6.1%
2004	997,456	47,550,512	47,672	5.4%
2005	1,005,106	50,471,711	50,215	4.9%
2006	1,009,371	53,224,116	52,730	4.3%
2007	N/A	N/A	N/A	4.7%
2008	N/A	N/A	N/A	N/A

N/A - Information not available at this time.

\* U.S. Department of Commerce, Bureau of Economic Analysis, updated estimates as of April 2008.

\*\* 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**

	<b>Full-time Equivalent Employees as of June 30</b>									
<u>Department</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Administration</b>	39	43	42	42	43	42	43	42	42	45
<b>Engineering</b>	62	64	67	67	70	71	76	73	75	76
<b>Operations</b>										
Collection Systems	40	43	41	42	44	45	46	49	50	50
Plant	79	77	79	81	82	82	81	88	83	77
Pumping Station	7	7	7	7	8	9	9	9	10	11
<b>Operations Total</b>	<u>126</u>	<u>127</u>	<u>127</u>	<u>130</u>	<u>134</u>	<u>136</u>	<u>136</u>	<u>146</u>	<u>143</u>	<u>138</u>
<b>District Total</b>	<u><u>227</u></u>	<u><u>234</u></u>	<u><u>236</u></u>	<u><u>239</u></u>	<u><u>247</u></u>	<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>

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

<b>District Total</b>	<u><u>131</u></u>	<u><u>144</u></u>	<u><u>150</u></u>	<u><u>156</u></u>	<u><u>159</u></u>	<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>
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**Central Contra Costa Sanitary District  
Capital Asset and Operating Statistics  
Last Ten Calendar or Fiscal Years**

Treatment Plant	Millions of Gallons per Day (mgd)									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Treatment Plant Permitted Capacity	53.8	53.8	53.8	53.8	53.8	53.8	45.0	45.0	45.0	45.0
Average Dry Weather Flow (ADWF)	38.6	41.6	41.4	40.6	40.0	39.4	38.4	40.8	39.6	42.0
Wastewater Treated per day	41.2	50.4	48.0	44.7	42.9	43.1	42.1	45.5	44.4	51.0
<b>Tons per Year</b>										
Sludge to Furnace (Dry) <sup>*1</sup>	15,340	15,341	15,841	16,727	16,053	16,318	16,881	16,076	15,847	15,041
Ash to Reuse Site (Wet) <sup>*2</sup>	4,418	4,418	5,074	5,397	5,384	5,235	5,226	4,781	5,353	4,184

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

**Collection Systems/Pumping Stations/Outfall Sewers**

	Other Data									
Pipeline Miles	1,500	1,500	1,500	1,400	1,400	1,400	1,400	1,391	1,376	1,361
Number of pumping stations	18	18	18	22	21	23	22	22	21	21

**Recycled Water**

Recycled Water Produced per day	1.6 mgd	1.6 mgd	1.5 mgd	1.5 mgd	1.4 mgd	1.5 mgd	1.5 mgd	1.4 mgd	1.3 mgd	1.1 mgd
Number of Recycled Water Customers	30	30	24	23	21	20	20	19	13	11

**Household Hazardous Waste (HHW) - Inception 1997/1998**

Residential Participation (Number of cars)	26,447	23,992	22,872	23,061	22,359	19,219	17,308	15,649	14,019	9,536
Percentage of Households in Service Area	13.6%	12.3%	12.1%	12.3%	12.1%	10.5%	9.3%	8.6%	7.7%	5.2%
Operating Cost per Car	\$ 61	\$ 64	\$ 60	\$ 58	\$ 62	\$ 66	\$ 67	\$ 71	\$ 75	\$ 93
Pounds of HHW per Car	71	80	65	64	71	72	77	77	64	78

**Miscellaneous Statistics**

- Governing Body: Elected 5-Member Board of Directors
- Governmental Structure: Established in 1946 under the Sanitary District Act of 1923
- Staff: 259 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: 142 square miles
- Total Population Served: 451,900
- Sewer Service Charge: \$300 annually per residential equivalent unit

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