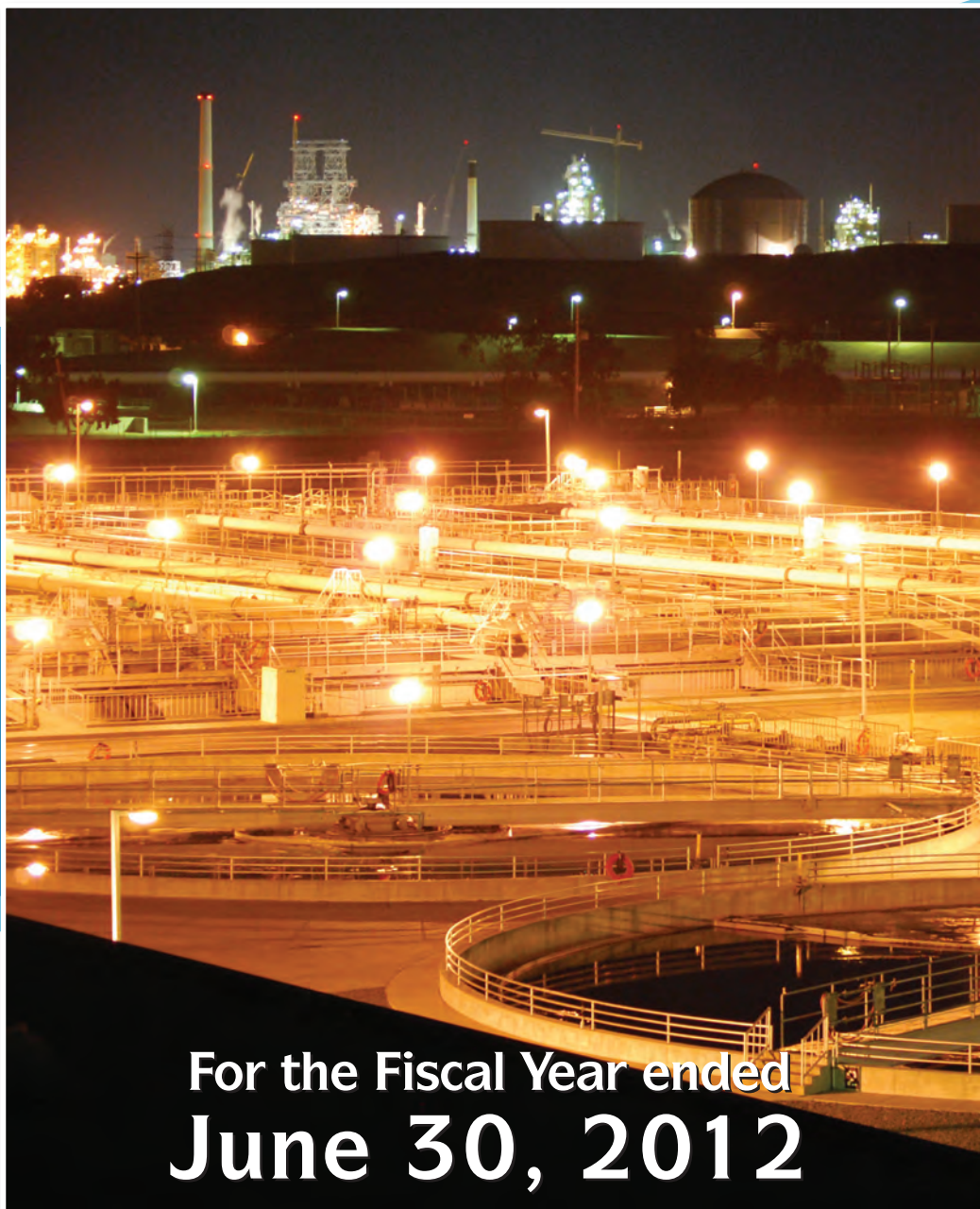




Central Contra Costa Sanitary District
5019 Imhoff Place, Martinez, CA 94553

Comprehensive Annual Financial Report



For the Fiscal Year ended
June 30, 2012

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

**Prepared By:
Finance & Accounting Division**

CENTRAL CONTRA COSTA SANITARY DISTRICT
Comprehensive Annual Financial Report
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For the Year Ended June 30, 2012

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Central Contra Costa Sanitary District

Introductory Section





November 14, 2012

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, 2012.

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, 2012. 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 327,000 residents of Danville, Lafayette, Martinez, Moraga, Orinda, Pleasant Hill, San Ramon, Walnut Creek and some of the unincorporated communities within Central Contra Costa County. The District also treats wastewater for 134,000 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 16 sewage-pumping stations in the District's sewage collection system. The District is the sole provider of wastewater service within the District limits (see map of service area). Residents make up the largest segment of the District's customer base representing approximately 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 235 regular employees organized in four departments led by Managers responsible for their budgets and expenses. The four departments are: Administrative, Engineering, Operations, and Collection Systems.

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

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

Each year, the Board adopts the following four budgets: Operations and Maintenance, Capital Improvement and Sewer Construction, Self-Insurance, and Debt-Service. The Board Finance Committee reviews disbursements prior to each regular Board meeting, and disbursements are then approved by the full Board. Monthly financial statements are issued to management and the Board. A detailed mid-year and annual budget analysis are prepared and presented to the Board. District management is accountable for variances and adhering to budget constraints. The District also has several documented financial policies that are reviewed and updated as appropriate.

ASSESSING THE DISTRICT'S ECONOMIC CONDITION

Local Economy and Outlook

Current economic data indicate the economy is improving, but at a sluggish pace. California's economic outlook is in alignment with the national forecast with continued slow growth throughout 2012, but a more robust growth expected for 2013 and 2014. According to the Legislative Analyst's Office (LAO), the foreclosure rate still remains very high in some regions of the state and depressed housing prices are expected to cause a drag on the state economy for some time. Weakness in the housing market continues to affect both the construction industry and the financial services sector negatively. Many households continue to have difficulty acquiring home loans limiting the ability of consumers to refinance at lower rates. Job growth and economic confidence is rising, but California's unemployment remains higher than most of the U.S. and more than one-third of California's unemployed have been unable to find work for over one year. The Federal Reserve continues to rely on the historically low interest rate to boost the economy. Local and state governments face declining employment as a result of declining revenues and an increase in pension and healthcare obligations for current employees and retirees. State and local employment contraction is expected to contribute to the weak labor market in the state and the unemployment rate for California is forecasted to be above the national level throughout the next few years.

A weak California revenue forecast has initiated a state ballot measure in the upcoming election which would increase income and sales taxes temporarily in an effort to restore budgetary balance. The state faces an ongoing, multibillion dollar annual deficit and faces large payments to schools as well as a repayment for Proposition 1A property tax loan that was used to help balance the budget in 2009. Additionally, the state faces a long-term fiscal challenge of billions of dollars in unfunded retirement liabilities which must be addressed. The one-time budget actions which have been used in prior years to help balance the budget are no longer available and the work of eliminating the state's deficit will require more difficult cuts in programs and/or increases in revenues.

The weak housing market has resulted in a decrease in the growth of new sewer service connections for the District. However, Contra Costa County population growth remains positive and is projected to be one of the fastest growing counties in the Bay Area so the growth outlook for the District remains positive. The District has an excellent reputation in all areas of public service, which include finance, collection, treatment, training, safety, technology, capital projects, construction and customer

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

Long Term Financial Planning

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

Relevant Financial Policies

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

Internal Audit Program: In addition to the annual external independent audit, the District contracted with an additional auditing firm to perform an internal audit. The purpose of this audit is to test internal controls and to receive recommendations to improve our operations. This year the permit counter and connection fee collection practices were reviewed. Several recommendations were made by Bartle Wells Associates which included implementing procedures for routine review of permit applications and improved coordination with the County's and City's building departments to require District inspectors to sign-off before final approval.

Major Initiatives

The District's vision is to be a high-performance organization that provides exceptional customer service and full regulatory compliance at responsible rates. Full regulatory compliance is provided through exceptional operation of our collection system and treatment facilities, as well as through continued investment in our infrastructure. Our current capital plan has an emphasis on renovation, particularly in the collection system, in order to improve service, and fix deteriorating pipes and pumping stations before they can contribute to a sewer system overflow. Both at the state and federal level, regulations addressing sewer system overflows and public notification have become increasingly stringent over the last several years. Collection system operations was enhanced by the newly constructed administration/crew/warehouse building, which was designed to be LEED certified and incorporates many green design features. LEED represents "Leadership in Energy and Environmental Design," which is administered by the U.S. Green Building Council. The former facilities had reached an age and condition where significant rehabilitation, upgrading, and replacements were needed. Furthermore, the collection systems operations staff had increased to meet District growth and increasing regulatory demands and additional space was needed. It was determined that replacing several antiquated buildings on the existing site with a new state-of-the art facility was the best long-term solution. The new facility was completed in late 2011.

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

The District has received Platinum and Gold awards from the National Association of Clean Water Agencies (NACWA) for fourteen straight years in recognition of 100 percent compliance with our National Pollutant Discharge Elimination System (NPDES) permit. It has also reduced the number of sanitary sewer overflows by more than 72% in the past 9 years by improved sewer cleaning and a robust sewer rehabilitation program.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Central Contra Costa Sanitary District for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the twelfth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

Thea Vassallo
Finance Manager

**CENTRAL CONTRA COSTA SANITARY DISTRICT
BOARD OF DIRECTORS
June 30, 2012**

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



OUR MISSION

To protect the public health and the environment by:

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



OUR VISION

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

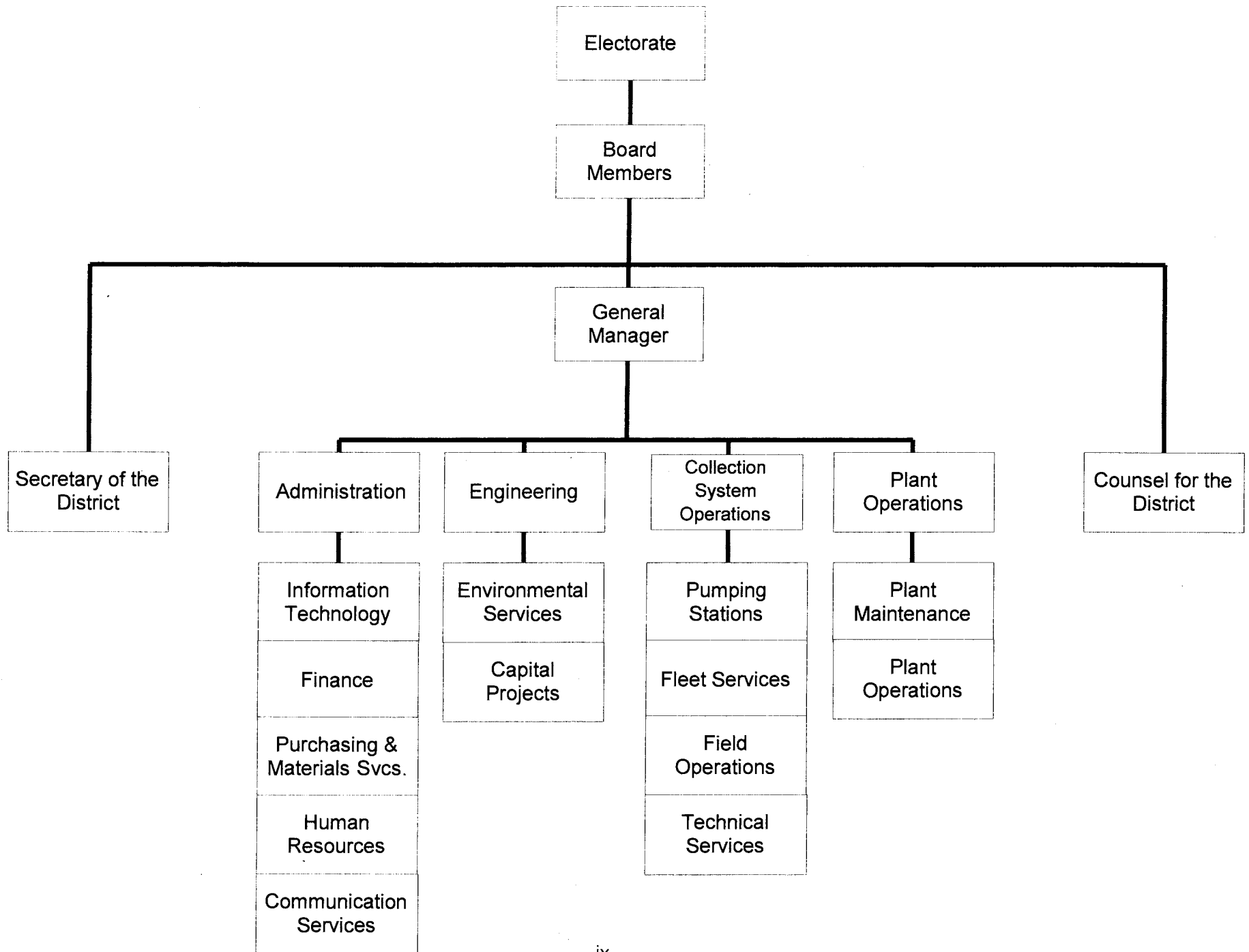


OUR VALUES

We will achieve our goals by valuing:

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

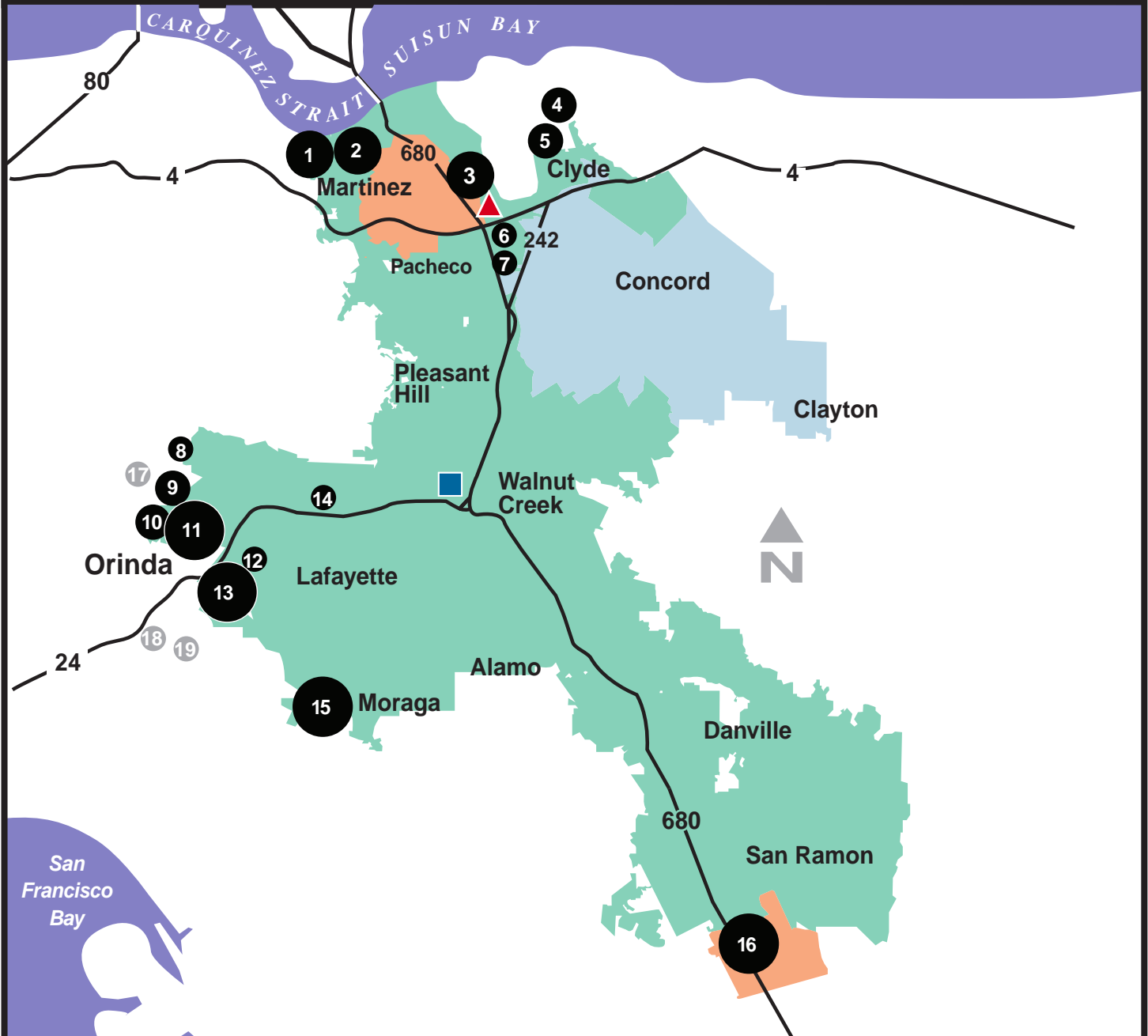
CENTRAL CONTRA COSTA SANITARY DISTRICT Organization Chart - Composite



Central Contra Costa Sanitary District

Map of Service Area

June 30, 2012



- Wastewater collection and treatment and HHW collection for 461,100 people
- Wastewater treatment and HHW collection for 134,200 residents in Concord and Clayton by contract
- HHW collection service only
- CCCSD's Headquarters Office Building, treatment plant, HHW Collection Facility, and temporarily located CSO Department (Sewer Maintenance) in Martinez
- CCCSD's Collection System Operations Department (sewer maintenance) located in Walnut Creek. New facility was completed in 2012.

CCCSD Pumping Stations

Pumping Station sizes (Flow Rates):

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

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

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, 2011

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

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Central Contra Costa Sanitary District

Financial Section





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INDEPENDENT AUDITORS' REPORT

Board of Directors
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 year ended June 30, 2012, as listed in the table of contents. These 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 audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, 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, 2012, and the changes in financial position and cash flows thereof 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 California State Controller's office for Special Districts.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Based on the audit of the financial statements, the Combining Schedule of Net Position, Combining Schedule of Revenues, Expenses, and Changes in Net Position, Schedule of Running Expense – Comparison of Budget and Actual Expenses by Department, and Running Expense – Schedule of Supplemental Net Position Analysis are fairly presented in relation to the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Contra Costa Sanitary District's financial statements as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Cropper Accountancy Corporation
CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, CA
October 4, 2012



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, 2012. This information is presented in conjunction with the audited financial statements, which follow this report.

FINANCIAL HIGHLIGHTS

The District's 2011-12 financial highlights are listed below. These results are discussed in more detail later in the report.

- The District's total ending net position increased by \$3.8 million or 0.61% in 2011-12 when compared to fiscal year 2010-11; when comparing 2011-12 to 2009-10, net position has increased by \$5.2 million or 0.83%. This is mainly due to capital project asset additions.
- Total revenues in 2011-12 increased by \$2.1 million or 2.87% when compared to 2010-11; when comparing 2011-12 to 2009-10, total revenue has increased by \$2.4 million or 3.21%. The total SSC rate increased by 9.6%; a larger portion of the internal SSC allocation was shifted from Operating Revenue to Capital Contributions.
- Total 2011-12 expenses increased by \$6.0 million or 7.36% compared to 2010-11; when comparing 2011-12 to 2009-10, total expenses increased by \$8.0 million or 10.10%. This is mainly due to higher cost of total labor and technical services for temporary staff.
- Capital Contributions increased in 2011-12 compared to 2010-11 by \$6.4 million or 69.90%. Capital Contributions decreased by \$-0.3 million or -1.95% comparing 2011-12 to 2009-10. The increases in 2011-12 were due to the SSC rate increase (capital allocation) and higher connection fees when comparing 2011-12 to 2010-11. The volatile housing and construction markets caused swings in connection fee revenue (Connection fee revenue of \$5.7 million in 2011-12, \$3.5 million in 2010-11 and \$7.1 million in 2009-10).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes 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 Position** – reports the District’s current financial resources (short-term spendable resources) with capital assets and long-term obligations
- **Statement of Revenues, Expenses and Changes in Net Position** – reports the District’s operating and non-operating revenues by major source along with operating and non-operating expenses and capital contributions
- **Statement of Cash Flows** – reports the District’s cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities

STATEMENT OF NET POSITION

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

Condensed Statement of Net Position	Fiscal Year 2011-2012	Fiscal Year 2010-2011	Fiscal Year 2009-2010
Current Assets	\$ 78,506,812	\$ 80,407,120	\$ 77,968,736
Capital Assets	597,689,744	593,461,791	586,785,155
Other Non-current Assets	9,332,364	12,456,011	27,196,507
Total Assets	685,528,920	686,324,922	691,950,398
Current Liabilities	11,128,540	10,682,746	11,255,377
Non-Current Liabilities	47,797,407	52,844,305	59,243,809
Total Liabilities	58,925,947	63,527,051	70,499,186
Invested in Capital Assets, Net of Related Debt	549,462,506	541,613,208	531,324,187
Restricted - Debt Service	4,663,601	4,612,103	4,565,970
Unrestricted	72,476,866	76,572,560	85,561,055
Total Net Position	\$ 626,602,973	\$ 622,797,871	\$ 621,451,212

The total net position of the District increased from \$621.5 million in 2009-10 to \$622.8 million in 2010-11 and to \$626.6 million in 2011-12. The increase in net position over the 3-year period totals \$5.2 million and is the result of the combination of net income and capital contributions; comparing 2011-12 to 2010-11 net position increases by \$3.8 million.

By far the largest portion of the District’s net position (87.7% percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, intangible assets, and sewer line infrastructure), less any related debt used to acquire those assets that 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 funds needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. There is currently \$4.7 million restricted for debt service. The remaining balance of \$72.4 million in unrestricted net position may be used to meet the District’s ongoing obligations to its ratepayers and creditors. The unrestricted net position may also be used for payment of long-term unfunded liabilities.

REVIEW OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The table below shows the condensed statement of revenues, expenses, and changes in net position for the Central Contra Costa Sanitary District for the past 3 years:

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

	Fiscal Year 2011-2012	Fiscal Year 2010-2011	Fiscal Year 2009-2010
Sewer Service Charges (SSC)	\$ 59,771,237	\$ 58,320,822	\$ 57,357,188
Other Service Charges and misc.	1,845,402	1,575,738	1,474,898
Total Operating Revenue	61,616,639	59,896,560	58,832,086
Property Tax	12,047,169	12,213,624	12,260,123
Permit & Inspection Fees	903,810	895,825	776,348
Interest and All Other	1,226,598	673,990	1,568,235
Total Non-Operating Revenues	14,177,577	13,783,439	14,604,706
Total Revenues	75,794,216	73,679,999	73,436,792
Total Labor and Benefits	45,562,430	41,705,131	39,986,763
Chemicals & Utilities	6,090,408	5,664,360	6,268,343
Repairs and Maintenance	3,068,604	2,972,395	2,868,675
Professional, Legal and Outside Services	4,099,876	2,425,612	2,129,552
Materials & Supplies	2,031,401	1,944,767	1,705,649
Hauling and Disposal	1,009,137	944,394	939,960
Self-Insurance Expense	810,849	1,003,115	746,612
All Other	1,612,482	1,575,905	1,223,191
Depreciation Expense	21,190,059	20,580,061	20,969,429
Total Operating Expenses	85,475,246	78,815,740	76,838,174
Non-Operating Expense - Interest Expense	1,919,375	2,585,112	2,539,383
Total Expenses	87,394,621	81,400,852	79,377,557
Income Before Capital Contributions	(11,600,405)	(7,720,853)	(5,940,765)
Customer Contributions (SSC)	8,888,663	5,018,092	6,793,040
Contributed Sewer Lines	792,011	533,616	1,840,259
Capital Contributions - Connection Fees	5,724,833	3,515,804	7,078,635
Total Capital Contributions	15,405,507	9,067,512	15,711,934
Change in Net Position	3,805,102	1,346,659	9,771,169
Beginning Net Position	622,797,871	621,451,212	611,680,043
Ending Net Position	\$ 626,602,973	\$ 622,797,871	\$ 621,451,212

In 2011-12, operating revenues increased by \$1.7 million or 2.87% compared to 2010-11 and increased by \$2.8 million or 4.73% comparing 2011-12 to 2009-10. Total non-operating revenue increased in 2011-12 compared to 2010-11 by \$0.4 million or 2.86% and decreased by -\$0.4 million or -2.92% comparing 2011-12 to 2009-10. The change in total revenue resulted in an increase of \$2.1 million or 2.87% comparing 2011-12 to 2010-11 and increased by \$2.4 million or 3.21% comparing 2011-12 to 2009-10. There was a 9.6% SSC rate increase in 2011-12 but no SSC rate increases occurred in 2010-11 and 2009-10. Property Tax revenue has basically remained flat for the 3-year period due to housing values remaining low.

In 2011-12, total expenses increased by \$6.0 million or 7.36% compared to 2010-11. Comparing 2011-12 to 2009-10, total expenses were \$8.0 million or 10.10% higher. Increases are mainly due to higher labor and benefit costs along with technical services for temporary staff. Labor costs increased due to employee benefit costs (primarily pension and healthcare costs), cost-of-living adjustments, merit increases, and filling of vacant positions. Depreciation expense increased due to new capital additions. Non-Operating Expense is mainly driven by debt service interest expense. Total income before capital contributions went from -\$6.0 million in 2009-10 to -\$7.2 million in 2010-11 and -\$11.6 million in 2011-12.

Total capital contributions in 2011-12 were \$15.4 million compared to \$9.1 million in 2010-11 and \$15.7 million in 2009-10. This was mainly due to higher customer contributions (SSC) in 2011-12 due to the 9.6% rate increase, shift of the internal SSC revenue allocation, and volatility in connection fees due to the fluctuation of the housing and construction markets. Connection fees for one large complex were received in 2009-10 which contributed to the \$15.7 million in revenue that year. The total change in net position decreased by -\$6.0 million or -61.06% when comparing 2011-12 to 2009-10.

CAPITAL ASSETS

Capital assets include the District's entire major infrastructure including wastewater treatment facilities, sewers, land, buildings, pumping stations, vehicles, intangible assets and furniture and equipment exceeding our capitalization policy limit of \$5,000, net of depreciation. As of June 30, 2012, the District's investment in capital assets totaled \$597.7 million, which is an increase of \$4.2 million or 0.71% over the capital asset balance of \$593.5 million at June 30, 2011. Capital Assets increased by \$10.9 million or 1.86% comparing 2011-12 to 2009-10. A comparison of the District's capital assets over the past 3 fiscal years is presented below:

Capital Assets	Fiscal Year 2011-2012	Fiscal Year 2010-2011	Fiscal Year 2009-2010
Land	\$ 17,114,720	\$ 17,114,720	\$ 17,114,720
Sewage Collection System	303,693,519	290,317,724	286,351,576
Contributed Sewer Lines	149,895,302	149,110,351	148,580,734
Outfall Sewers	8,518,443	8,518,443	8,518,443
Sewage Treatment Plant	292,432,883	287,537,513	275,413,411
Recycled Water Infrastructure	13,335,295	12,300,131	12,281,480
Pumping Stations	54,412,730	54,412,730	53,750,940
Buildings	34,477,124	31,317,466	21,206,981
Intangible Assets	2,463,834	2,058,921	1,806,272
Furniture & Equipment	14,031,564	13,243,330	13,756,662
Motor Vehicles	6,010,773	6,038,527	5,759,209
Construction In Progress	22,469,694	22,632,142	26,735,297
Subtotal	918,855,881	894,601,998	871,275,725
Less Accumulated Depreciation	321,166,137	301,140,207	284,490,570
Total Capital Assets (net of depreciation)	\$ 597,689,744	\$ 593,461,791	\$ 586,785,155

The major reasons for the increase in capital assets, net of depreciation, of \$4.2 million from 2010-11 to 2011-12 and \$10.9 million from 2009-10 to 2011-12, are as follows:

- Treatment plant infrastructure renovations, upgrades, equipment, and improvements increased by \$4.9 million comparing 2011-12 to 2010-11 and \$17.0 million comparing 2011-12 to 2009-10.
- Buildings increased by \$3.2 million comparing 2011-12 to 2010-11 and \$13.3 million comparing 2011-12 to 2009-10. The Walnut Creek Collection System Operations new building construction substantially completed cost of \$11.5 million was capitalized in 2010-11 and \$3.2 million more was capitalized in 2011-12.
- Sewer pipe ongoing renovations, pumping station improvements, and contributed sewer lines increased by \$14.2 million comparing 2011-12 to 2010-11 and \$19.3 million comparing 2011-12 to 2009-10.
- All other asset categories, including construction in progress, increased by \$2.0 million comparing 2011-12 to 2010-11 and decreased by \$2.0 million comparing 2011-12 to 2009-10.
- Capital Asset increases are offset by an increased subtraction of accumulated depreciation of \$20.0 million comparing 2011-12 to 2010-11 and \$36.7 million comparing 2011-12 to 2009-10 due to our increasing capital asset investment and its associated depreciation expense.

See Note 4 in the audited financial statements.

DEBT ADMINISTRATION

The District has the following outstanding debt as of June 30, 2012:

Revenue Bonds	\$ 47,200,000
Water Reclamation Loan	1,027,238
	<u>\$ 48,227,238</u>

See Note 6 in the audited financial statements.

ECONOMIC AND OTHER FACTORS

The Federal and State of California economies still struggle to recover from the 2008 recession. Federal economic challenges continue and there is added uncertainty due to the 2012 Presidential election outcome not being known at this time. The housing market is still in recovery and continues to impact user fees. Fiscal year 2011-12 resulted in the fourth consecutive year to end with a deficit for the State of California. Pension reform is in the spotlight and the governor’s 2012-13 Budget Package relies on voters passing Proposition 30, which temporarily increases state sales and income taxes.

Items impacting the District are:

- Employee Memorandum of Understanding contract negotiations; although the current contracts end as of April 17, 2012 negotiations are still ongoing
- Employee benefits may be reduced due to the negotiations outcome in which employees may pay a larger share of benefit costs. Also, current and future legislation impacting public employee pensions is in play, also calling for higher employee contributions and lower pensions by eliminating spiking. Also, a larger than number of anticipated early retirements may occur depending on negotiated and legislated changes to public employee salary and benefits.
- Regulatory requirements becoming more stringent, causing the District to spend more on compliance, both for operations and maintenance costs and capital projects.
- Anticipated continuation of the slow recovery and associated impacts to connection and other fees.
- Continued low interest rates negatively impact interest earnings for District temporary investments as well as OPEB trust and pension plan assets.

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

FINANCIAL CONTACT

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

FINANCIAL STATEMENTS

CENTRAL CONTRA COSTA SANITARY DISTRICT
Statement of Net Position
June 30, 2012

	2012
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 42,428,045
Short term investments	16,496,087
Accounts receivable, net	15,019,382
Interest receivable	55,148
Parts and supplies	2,007,445
Prepaid expenses	2,500,705
Total Current Assets	78,506,812
Noncurrent Assets	
Restricted cash and equivalents	193,592
Restricted investments	5,318,908
Land, property, plant and equipment, net	575,220,050
Construction in progress	22,469,694
Contractual and Alhambra Valley assessment districts receivable	2,221,330
OPEB asset (obligation)	1,263,542
Revenue bond issuance costs, net	334,992
Total Noncurrent Assets	607,022,108
Total Assets	685,528,920
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	4,904,644
Interest payable	754,197
Current portion of refunding revenue bonds	3,605,000
Current portion of water reclamation loan contract	160,411
Current portion of accrued compensated absences	375,000
Liability for uninsured claims	1,000,000
Refundable deposits	329,288
Total Current Liabilities	11,128,540
Noncurrent Liabilities	
Revenue bonds, net of current portion	43,595,000
Accrued compensated absences, net of current portion	3,335,580
Water reclamation loan contract, net of current portion	866,827
Total Noncurrent Liabilities	47,797,407
Total Liabilities	58,925,947
NET POSITION	
Net investment in capital assets	549,462,506
Restricted for debt service	4,663,601
Unrestricted	72,476,866
Total Net Position	\$ 626,602,973

The accompanying notes are an integral part of the financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2012

	2012
OPERATING REVENUE	
Sewer service charges (SSC)	49,123,848
Service charges - City of Concord	10,647,389
Other service charges	915,485
Miscellaneous charges	929,917
Total operating revenue	61,616,639
OPERATING EXPENSES	
Sewage collection and pumping stations	11,987,373
Sewage treatment	23,708,309
Engineering	8,023,226
Administrative and general	20,566,279
Depreciation	21,190,059
Total operating expenses	85,475,246
OPERATING LOSS	(23,858,607)
NON-OPERATING REVENUES (EXPENSES)	
Taxes	12,047,169
Permit and inspection fees	903,810
Interest earnings	294,938
Interest expense	(1,919,375)
Other income (expense)	931,660
Total non-operating revenues (expenses)	12,258,202
Income before contributions and transfers	(11,600,405)
City of Concord contributions to capital costs	2,541,688
Customer contributions to capital cost (SSC)	6,346,975
Contributed sewer lines	792,011
Capital contributions - connection fees	5,724,833
Total contributions	15,395,507
CHANGE IN NET POSITION	3,805,102
Net Position - Beginning	622,797,871
Net Position - Ending	\$ 626,602,973

The accompanying notes are an integral part of the financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
Statement of Cash Flows
Year Ended June 30, 2012

	2012
Cash Flows From Operating Activities:	
Receipts from customers and users	\$ 60,547,670
Payments to suppliers	(113,842,860)
Payments to employees and related benefits	48,453,775
Net cash used in operating activities	(4,841,415)
Cash Flows From Noncapital Financing Activities:	
Receipt of taxes	12,047,169
Inspection/permit fees and other non-operating income	1,835,469
Net cash provided by non capital and related financing activities	13,882,638
Cash Flows From Capital And Related Financing Activities:	
Capital contributions	9,680,674
Connection fees	5,724,833
Acquisition and construction of capital assets	(26,578,417)
Principal paid on bonds	(3,601,640)
Interest paid on bonds	(1,965,575)
Net cash provided by (used in) capital and related financing activities	(16,740,125)
Cash Flows From Investing Activities	
Purchases of short term investments	(1,503,427)
Interest received	301,631
Net cash provided by (used in) investing activities	(1,201,796)
Net increase (decrease) in cash and cash equivalents	(8,900,698)
Cash and cash equivalents, July 1	51,522,335
Cash and Cash equivalents, June 30	\$ 42,621,637
Reconciliation of operating loss to net cash provided (used) by operating activities	
Operating gain (loss)	(23,858,607)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation expense	21,190,059
Net book value on capital assets retired	1,160,405
(Increase) decrease in:	
Accounts receivable	(1,068,969)
Parts and supplies	(164,977)
Prepaid expenses	(818,962)
Increase (decrease) in:	
Accounts payable and accrued expenses	385,104
Refundable deposits	102,825
OPEB obligation	(346,806)
Accrued compensated absences	(1,421,487)
Net cash provided by (used in) operating activities	\$ (4,841,415)
Noncash investing, capital, and financing activities	
Contributions of capital assets	\$ 792,011
End of Period:	
Unrestricted cash and equivalents	\$ 42,428,045
Restricted cash and equivalents	193,592
	\$ 42,621,637

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
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND 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 the financial statements of Central Contra Costa Sanitary District and its component unit. The component unit discussed in the following paragraph is blended in the District's reporting entity because of the significance of its operational 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. The authority does this by acquiring, constructing, improving and financing various facilities, land and equipment purchases, and by leasing or selling certain facilities, land and equipment for the use, benefit and enjoyment of the public served by the District. The 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 of accounting. The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)

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

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

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 supplementary information to the financial statements.

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

Investments

Investments held at June 30, 2012, 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 performance 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 listed as 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 capital assets are capitalized and depreciated over the remaining useful life of the asset. The term depreciation includes amortization of intangible assets.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	<u>Years</u>
Sewage Collection Facilities	75
Intangible Assets	75
Sewage Treatment Plant and Pumping Plants	40
Buildings	50
Furniture and Equipment	5 – 15
Motor Vehicles	6 - 15

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.

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

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 \$1,478,038 to the plan during the year ended June 30, 2012.

Reclassifications

Certain items in the prior year financial statements have been reclassified to match their presentation in the current year financial statements.

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.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences

The liability for vested vacation, 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.

In fiscal 2012, accrued compensated absences decreased from \$5,132,067 to \$3,710,580, or by \$1,421,487. The current portion of the liability to be used within the next year was estimated by management to be approximately \$375,000 at June 30, 2012. The change of \$1,421,487 during fiscal 2012 consists of increases of \$337,579 and decreases of \$1,759,066.

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.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

In December of 2009, GASB issued GASBS No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. The District is required to implement the provisions of the Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice, since the District does not use the alternative measurement method.

In November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). The District has no known SCAs that would require disclosure or have a material effect on the financial statements of the District.

In November of 2010, GASB issued GASBS No. 61, *The Financial Reporting Entity: Omnibus*. This Statement amends Statements No. 14 and 34, to modify certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after June 15, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In December of 2010, GASB issued GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2011, GASB issued GASBS No. 63, Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement should not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2011, GASB issued GASBS No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement amends Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty’s credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty’s credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District is required to implement the provisions of this Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

In March of 2012, GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The District is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District is required to implement the provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

In June of 2012, GASB issued GASBS No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement and Statement 68 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans* and *Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Distinctions are made regarding the particular requirements depending upon the type of pension plan administered, including cost-sharing multi-employer pension plans, in which the District participates. Cost-sharing plans are those in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The net pension liability information will offer an up-to-date indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates. In that circumstance, it also will provide information about whether employers and nonemployer contributing entities are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due. The District is required to implement to provisions of this Statement for the year ended June 30, 2014 (effective for periods beginning after June 15, 2013).

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

This Statement will result in a change in current practice, but will most likely not have a material effect on the financial statements of the District.

In June of 2012, GASB issued GASBS No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts that meet certain criteria relating to irrevocable contributions, dedicated plan assets, and protection of plan assets from creditors. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified into categories. Cost-sharing employers, such as the District, are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans. Cost-sharing plans are pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

Cost-sharing employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

1. DESCRIPTION OF DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees). The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plans through which the pensions are provided. Cost-sharing employers should identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities. Cost-sharing employers also should disclose information about how their contributions to the pension plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) information about required contributions, contributions to the pension plan, and related ratios. The District is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after June 15, 2014). This Statement will result in a change in current practice, and may have a material effect on the financial statements of the District.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

2. CASH AND CASH EQUIVALENTS

Summary of Cash and Investments

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

Cash and cash equivalents	\$ 42,428,045
Short term investments	16,496,087
Restricted cash and investments	5,512,500 *
Total Cash and Investments	\$ 64,436,632

* Includes \$100,000 bank escrow deposit- see note 1.

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; and certificates of participation. State code and the District's investment policy prohibit the District from investing in investments with a rating of less than A or equivalent. District policy limits investments in commercial paper to prime quality with corporate assets over \$500,000,000.

General Authorizations

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

Authorized Investment Type	California State Limits			District Policy
	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Maximum Percentage of Portfolio
U.S. Treasury Obligations	5 years	None	None	100%
Banker's Acceptance	180	40%	40%	10%
Commercial Paper (1)	270	25%	10%	10%
Collateralized Certificates of Deposit (2)	5 years	30%	None	10%
County Pooled Investment Funds	N/A	None	None	100%
Local Agency Investment Fund (LAIF)	N/A	None	None	100%

(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
Year Ended June 30, 2012

2. CASH AND CASH EQUIVALENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment; generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. It is the District's policy to manage exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. District policy is that investment maturities do not exceed one year, with the exception of Treasury Notes or Local Agency Investment Fund; however, investments can be held longer with Board approval.

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

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>
Certificates of Deposit	\$ 5,001,098	08/01/12
Commercial Paper	2,994,207	10/17/12
Certificates of Deposit	3,998,672	12/17/12
Commercial Paper	4,502,110	9/21/12
Total	<u>\$ 16,496,087</u>	

Credit Risk

Credit risk is the risk that an issue of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, 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 at Year-End</u>	
				<u>Aaa</u>	<u>Unrated</u>
Cash	\$ 1,558,558	N/A	\$ 1,558,558	\$ -	\$ -
Money Markets	5,381,987	Aaa	-	5,381,987	-
Commercial Paper/CDs	16,496,087	Aaa	-	16,496,087	-
State Investment Pool	41,000,000	N/A	-	-	41,000,000
Total	<u>\$ 64,436,632</u>		<u>\$ 1,558,558</u>	<u>\$ 21,878,074</u>	<u>\$ 41,000,000</u>

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

2. CASH AND CASH EQUIVALENTS (continued)

Concentration of Credit Risk

The investment policy of the District contains the limitation that no more than 10% of the District's investment portfolio will be invested in a single issuer. During the current fiscal year the District invested 64% of its monies in the State Investment Pool (LAIF) which is 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 cost basis.

Custodial Credit Risk – Investments

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

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

3. ACCOUNTS RECEIVABLE

At June 30, 2012, accounts receivable are comprised of the following:

City of Concord (see Note 8)	\$ 13,189,077
Household Hazardous Waste Partners	766,204
Proposition 1A loan	985,916
Permit counter	214,490
All other	<u>849,611</u>
Total Accounts Receivable	16,005,298
Allowance for Doubtful Accounts	<u>(985,916)</u>
Net Accounts Receivable	<u>\$ 15,019,382</u>

Proposition 1A Loan Receivable

Under the provisions of Proposition 1A, and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the supplemental property tax apportioned to special districts. The state is required to repay this borrowing, plus interest, by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the District was \$ 985,916.

The borrowing by the State of California was recognized as a receivable in the accompanying financial statements, with an equal amount set up as an allowance for doubtful accounts. In the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2010).

Due to the economic climate, and the ongoing budget difficulties of the State of California, District management decided to reserve the entire Proposition 1A loan of \$985,916 in fiscal year 2010. This amount is tracked as a loan receivable on the books, with a corresponding contra account on the Statement of Net Assets, which effectively eliminates the receivable.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

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, 2012:

	Balance Beginning of Year	Additions	Retirements	Transfer from CIP	Balance End of Year
At Cost					
Capital assets not being depreciated					
Land	\$ 17,114,720	\$ -	\$ -	\$ -	\$ 17,114,720
Construction in progress	22,632,142	24,787,334	-	(24,949,782)	22,469,694
Total nondepreciated assets	<u>39,746,862</u>	<u>24,787,334</u>	<u>-</u>	<u>(24,949,782)</u>	<u>39,584,414</u>
Capital assets being depreciated					
Sewage collection system	290,317,724	-	-	13,375,795	303,693,519
Contributed sewer lines	149,110,351	630,767	(7,060)	161,244	149,895,302
Outfall sewers	8,518,443	-	-	-	8,518,443
Sewage treatment plant	287,537,513	-	(1,100,000)	5,995,370	292,432,883
Recycled water infrastructure	12,300,131	-	-	1,035,164	13,335,295
Pumping stations	54,412,730	-	-	-	54,412,730
Buildings	31,317,466	-	-	3,159,658	34,477,124
Intangibles	2,058,921	-	-	404,913	2,463,834
Furniture and equipment	13,243,330	-	(26,120)	814,354	14,031,564
Motor vehicles	6,038,527	-	(31,038)	3,284	6,010,773
Total depreciated assets	<u>854,855,136</u>	<u>630,767</u>	<u>(1,164,218)</u>	<u>24,949,782</u>	<u>879,271,467</u>
Less accumulated depreciation					
Sewage collection system	44,948,296	4,007,175	-	-	48,955,471
Contributed sewer lines	47,111,102	2,005,303	(7,060)	-	49,109,345
Outfall sewers	2,766,972	113,353	-	-	2,880,325
Sewage treatment plant	161,800,408	10,003,134	(1,100,000)	-	170,703,542
Recycled water infrastructure	4,848,535	513,851	-	-	5,362,386
Pumping stations	19,991,305	2,176,437	-	-	22,167,742
Buildings	6,031,677	988,057	-	-	7,019,734
Intangibles	58,095	30,152	-	-	88,247
Furniture and equipment	9,775,349	1,069,343	(26,031)	-	10,818,661
Motor vehicles	3,808,468	283,254	(31,038)	-	4,060,684
Total accumulated depreciation	<u>301,140,207</u>	<u>21,190,059</u>	<u>(1,164,129)</u>	<u>-</u>	<u>321,166,137</u>
Total capital assets being depreciated, net	<u>553,714,929</u>	<u>(20,559,292)</u>	<u>(89)</u>	<u>24,949,782</u>	<u>558,105,330</u>
Capital assets, net	<u>\$ 593,461,791</u>	<u>\$ 4,228,042</u>	<u>\$ (89)</u>	<u>\$ -</u>	<u>\$ 597,689,744</u>

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

5. 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 CAD receivable balance was \$519,426.

The District also established the Alhambra Valley Assessment District (AVAD) to provide services to residents in the Alhambra Valley in Martinez. Residents have the choice to pay cash or finance the construction costs and connection fees. At year-end the AVAD receivable balance was \$1,701,904.

The total receivable balance for the CAD and AVAD is \$2,221,330, and is shown as a non-current asset on the Statement of Net Position.

6. LONG-TERM DEBT

2009 Wastewater Revenue Certificates of Participation

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

The 2009 Wastewater Revenue Certificates of Participation, Series A and Series B were issued for \$19,635,000 and \$34,490,000, respectively. The Series A COP are federally taxable "Build America Bonds" which have a direct 35% interest rate subsidy from the Federal Government. Yields on this series range from 3.45% to 3.78% net of the subsidy. The Series B COP are tax exempt bonds that were used to refund the 1998 and 2002 bond issues and raise an additional \$30 million in new proceeds with yields ranging from .4% to 3.79%.

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

Summary

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

	Balance <u>July 1, 2011</u>	<u>Deductions</u>	<u>Additions</u>	Balance <u>June 30, 2012</u>	Due in <u>One Year</u>
Revenue bonds	\$ 50,665,000	\$ 3,465,000	\$ -	\$ 47,200,000	\$ 3,605,000
Water Reclamation Loan	<u>1,183,583</u>	<u>156,345</u>	-	<u>1,027,238</u>	<u>160,411</u>
	<u>\$ 51,848,583</u>	<u>\$ 3,621,345</u>	<u>\$ -</u>	<u>\$ 48,227,238</u>	<u>\$ 3,765,411</u>

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

6. LONG-TERM DEBT (continued)

Debt Service Requirements

In 2009, the District issued Certificates of Participation (COP), which retired the 2002 and 1998 debt. The 2009 Revenue COP debt service requirements are as follows:

Fiscal Year Ending June 30,	Series A Debt Service Requirement	Series B Debt Service Requirement	Gross Total	Series A 35% Tax Subsidy	Net Total
2013	1,190,840	4,586,625	5,777,465	(416,794)	5,360,671
2014	1,190,840	4,571,683	5,762,523	(416,794)	5,345,729
2015	1,190,840	4,565,467	5,756,307	(416,794)	5,339,513
2016	1,190,840	2,811,033	4,001,873	(416,794)	3,585,079
2017	1,190,840	2,801,300	3,992,140	(416,794)	3,575,346
2018 – 2022	9,064,808	10,870,037	19,934,845	(2,001,820)	17,933,025
2023 – 2027	12,995,263	2,478,751	15,474,014	(1,239,282)	14,234,732
2028 – 2030	7,161,643	73,230	7,234,873	(183,706)	7,051,167
Total	35,175,914	32,758,126	67,934,040	(5,508,778)	62,425,262
Amount representing interest	(15,540,914)	(5,193,126)	(20,734,040)	-	(20,734,040)
Principal outstanding	19,635,000	27,565,000	47,200,000	(5,508,778)	41,691,222
Short-term portion of revenue bonds	-	(3,605,000)	(3,605,000)	416,794	(3,188,206)
Long-term portion of revenue bonds	<u>\$ 19,635,000</u>	<u>\$ 23,960,000</u>	<u>\$ 43,595,000</u>	<u>\$ (5,091,984)</u>	<u>\$ 38,503,016</u>

Water Reclamation Loan Contract

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

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

Fiscal Year Ending June 30,	Debt Service Requirements
2013	\$ 187,119
2014	187,119
2015	187,119
2016	187,119
2017	187,120
2018	187,120
Total	1,122,716
Amount representing interest	(95,478)
Less: Current portion of Water Reclamation Loan Contract	1,027,238
	(160,411)
Long term portion of Water Reclamation Loan Contract	<u>\$ 866,827</u>

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

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.

Insurance Coverage

The District's insurance coverage is as follows:

Type of Insurance Coverage	Insurer	Limits	Self Insured Deductible Per Occurrence
All-Risk Property			
Fire	Public Entity Property Insurance Program (PEPIP)	\$533,523,156	\$ 250,000
Boiler & Machinery (Shared Limits per Occurrence)	PEPIP	\$100,000,000	\$ 250,000
Crime	Travelers	\$ 1,000,000	\$ 25,000
Liability			
Errors and Omissions	Insurance Company of the State of Pennsylvania (Chartis)	\$ 15,500,000	\$ 1,000,000
Employment Practices Liability	Chartis	\$ 15,500,000	\$ 1,000,000
Employment Practices Liability	Admiral Insurance Company	\$ 1,000,000	\$ 15,000
General Liability	Chartis	\$ 15,500,000	\$ 1,000,000
Auto Liability	Chartis	\$ 15,500,000	\$ 1,000,000
Pollution (General Aggregate)	Chartis Specialty Insurance Co.	\$ 5,000,000	\$ 5,000
General Liability (Occurrence)			
Pollution (Legal Liability Aggregate)	Chartis Specialty Insurance Co.	\$ 10,000,000	\$ 50,000
Fiduciary Liability	RLI Insurance Company	\$ 1,000,000	-
Workers' Compensation	CSRMA	\$ 750,000	-
Excess Workers' Compensation	Safety National Casualty Corporation	Statutory	\$ 750,000

Liability for Uninsured Claims

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

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
Year Ended June 30, 2012

7. RISK MANAGEMENT (continued)

For the fiscal years ended June 30, 2012, 2011, and 2010, settlements have not exceeded insurance coverage. Changes in the District's estimated liability for uninsured claims for fiscal years 2012, 2011, and 2010 are summarized as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance	\$1,000,000	\$1,000,000	\$ 750,000
Provisions for claims incurred in the current year and changes in the liability for uninsured – claims incurred in prior years	72,606	240,844	295,348
Claims and claim adjustment expenses paid	<u>(72,606)</u>	<u>(240,844)</u>	<u>(45,348)</u>
Ending balance	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</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 \$10,647,389 and \$2,541,688 respectively, for the year ended June 30, 2012, for a total of \$13,189,077.

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 defined benefit retirement plan (Plan), governed by the County Employee's Retirement Law of 1937, as amended. The latest available actuarial and financial information for the Plan is for the year ended December 31, 2011. The Contra Costa Employees' Retirement Association issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Contra Costa County Employees' Retirement Association, 1355 Willow Way, Suite 221, Concord, CA 94520-5728 or by calling (925) 521-3960.

The Plan provides for retirement, disability, and death and survivor benefits. Annual cost of living (COL) adjustments to retirement allowances can be granted by the Retirement Board as provided by State statutes. Retirement benefits are based on age, length of service 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
Year Ended June 30, 2012

9. PENSION PLAN (continued)

Plan Contribution Requirement

The Plan requires employees to pay a portion of the basic retirement benefit and a portion of future COL costs. However, the District has paid the employee's basic contributions in accordance with the Memorandum of Understanding (MOU). Employees must pay the COL portion of the employee rate. The contribution requirement and payment from the District for the plan years ended June 30, 2012, 2011 and 2010 was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Covered payroll for fiscal years ended June 30	<u>\$ 24,305,548</u>	<u>\$ 24,709,477</u>	<u>\$ 25,080,233</u>
Employer required contributions to pension	10,961,853	8,950,938	8,804,127
Employee (COL) required contributions to pension	<u>922,520</u>	<u>930,648</u>	<u>939,388</u>
Total required contributions	<u>\$ 11,884,373</u>	<u>\$ 9,881,586</u>	<u>\$ 9,743,515</u>
Percentage of payroll	<u>49%</u>	<u>40%</u>	<u>39%</u>

The District pension plan covered 231 participants during the year.

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

10. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

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

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

10. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Funding Policy

Statement No. 45 sets rules for computing the employer's expense for retiree benefits other than pension, called OPEBs. The expense, called the annual OPEB Cost (AOC), is determined similarly to pensions. The *annual required contribution (ARC)* of the employer, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. When an agency contributes more than the ARC, there is a net OPEB asset; when the contribution is less, a net OPEB obligation results. There is a net OPEB asset of \$1,263,542 and \$916,736 as of June 30, 2012 and 2011, respectively.

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

Annual OPEB Cost

For 2012, the District's annual OPEB cost (expense) was equal to the ARC of \$8,300,000. The District contributed \$8,646,806; \$4,139,606 for retiree health care premiums and \$4,507,200 to the PARS trust. The following table shows the components of the District's annual OPEB costs for the years 2012 and 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2012</u>	<u>2011</u>
Annual Required Contribution (ARC)	\$ 8,300,000	\$6,976,364
Interest on net OPEB obligation (asset)	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (AOC)	8,300,000	6,976,364
Contributions Made:		
Health care premiums paid	(4,139,606)	(3,571,141)
Contributions to PARS trust	(4,507,200)	(3,575,028)
Increase (decrease) in net OPEB obligation	(346,806)	(169,805)
Net OPEB Obligation (Asset) – Beginning of Year	(916,736)	(746,931)
Net OPEB Obligation (Asset) – End of Year	\$ (1,263,542)	\$ (916,736)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2012 and the preceding years are presented below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Annual Employer Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Current Year AOC Obligation (Asset)</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2012	\$8,300,000	\$ 8,646,806	104%	\$ (346,806)	\$ (1,263,542)
June 30, 2011	\$6,976,364	\$ 7,146,169	102%	\$ (169,805)	\$ (916,736)
June 30, 2010	\$6,976,364	\$ 9,334,917	134%	\$(2,358,553)	\$ (746,931)

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

10. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2010 was as follows:

Actuarial Valuation Date	Actuarial Valuation of Assets (A)	Cost Method Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B) UAAL	Funding Ratio (A/B)	Covered Payroll (Active Plan Members)	UAAL as a % of Covered Payroll
June 30, 2010	\$ 9,404,000	\$ 90,337,000	\$ (80,933,000)	10.41%	\$ 25,080,233	323%
June 30, 2009	\$ 2,341,251	\$ 68,769,305	\$ (66,428,054)	3.40%	\$ 25,080,233	265%
June 30, 2007	\$ 2,341,251	\$ 68,447,956	\$ (66,106,705)	3.42%	\$ 22,648,230	292%

Per PARS, actuarial assets as of June 30, 2012, including trust contributions and interest, total \$22,718,524 (\$18,077,303 at June 30, 2011). Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

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

In August 2011, the District had an additional actuarial valuation prepared as of July 1, 2010. This additional valuation was not required at the time, but was prepared in order to begin a completion schedule that allows the District to have data available for future budget cycles, in this case for the 2011 – 2012 and 2012 – 2013 fiscal years. The ARC in 2011 – 2012 and 2012 – 2013 increased to \$8.3 million per year. The next actuarial valuation is scheduled to be performed by December 31, 2012 to be applied to the 2013 – 2014 fiscal year.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

10. POST EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

Valuation Date	July 1, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Dollar/Closed
Average Remaining Period	28 Years fixed
<i>Actuarial Assumptions:</i>	
Investment Rate of Return	6.5%
Inflation	Medical – 10% grading to 5% in 2021 – 22 Medicare Part B – same as medical trend Dental – 4%

Financial Statements

The District has deposited monies to the PARS trust in excess of the actuarial determined annual required contribution (ARC), therefore, under the provisions of GASB 45, the District has an OPEB asset of \$1,263,542 for reporting purposes.

The provision for the GASB 45 OPEB obligation is an asset of \$1,263,542 at June 30, 2012. The actuarial determined liability, which is being paid over the next 30 years, is \$80,933,000 at July 1, 2010, of which, \$22,718,524 (or 28%) has been funded.

11. LEASE COMMITMENTS

The District leases various facilities and equipment under operating leases. Following is a summary of operating lease commitments as of June 30, 2012:

Fiscal Year	Office			
<u>Ending</u>	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>	
2013	\$ 249,924	\$ 56,784	\$ 306,708	
2014	249,924	58,416	308,340	
2015	249,924	60,096	310,020	
2016	249,924	61,827	311,751	
2017	-	63,610	63,610	
Thereafter	-	33,922	33,922	
Total	<u>\$ 999,696</u>	<u>\$ 334,655</u>	<u>\$ 1,334,351</u>	

Total rental expense for the fiscal year ended June 30, 2012 was \$349,655.

CENTRAL CONTRA COSTA SANITARY DISTRICT
Notes to Financial Statements
Year Ended June 30, 2012

12. 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, 2012 of \$12,941,372.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2012, the date on which the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

CENTRAL CONTRA COSTA SANITARY DISTRICT
Combining Schedule of Net Position
for the Year Ended June 30, 2012

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 797,055	\$ 37,114,879	\$ 4,546,624	\$ (30,513)	\$ -	\$ 42,428,045
Short term investments	-	16,496,087	-	-	-	16,496,087
Accounts receivable, net of allowance for Sewer Construction Fund of \$985,916	12,076,614	2,942,768	-	-	-	15,019,382
Interest receivable	-	45,782	4,068	5,298	-	55,148
Due from other sub-funds	147,719,332	120,975,602	1,063,668	53,008,745	(322,767,347)	-
Parts and supplies	2,007,445	-	-	-	-	2,007,445
Prepaid expenses	2,500,705	-	-	-	-	2,500,705
Total Current Assets	<u>165,101,151</u>	<u>177,575,118</u>	<u>5,614,360</u>	<u>52,983,530</u>	<u>(322,767,347)</u>	<u>78,506,812</u>
Noncurrent Assets						
Restricted cash and equivalents	100,000	-	-	93,592	-	193,592
Restricted investments	-	-	-	5,318,908	-	5,318,908
Land, property, plant and equipment, net	575,220,050	-	-	-	-	575,220,050
Construction in progress	22,469,694	-	-	-	-	22,469,694
Contractual assessment district and Alhambra Valley Assessment District receivable	-	2,221,330	-	-	-	2,221,330
OPEB liability- medical insurance premiums	1,263,542	-	-	-	-	1,263,542
Revenue bond issuance costs net of amortization	-	-	-	334,992	-	334,992
	<u>764,154,437</u>	<u>179,796,448</u>	<u>5,614,360</u>	<u>58,731,022</u>	<u>(322,767,347)</u>	<u>685,528,920</u>
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	3,066,490	1,670,117	168,037	-	-	4,904,644
Due to other sub-funds	161,650,119	150,748,651	618,990	9,749,587	(322,767,347)	-
Interest payable	-	-	-	754,197	-	754,197
Current portion of refunding water revenue bonds	-	-	-	3,605,000	-	3,605,000
Current portion of water reclamation loan contract	-	-	-	160,411	-	160,411
Accrued compensated absences	375,000	-	-	-	-	375,000
Liability for uninsured claims	-	-	1,000,000	-	-	1,000,000
Refundable deposits	189,018	140,270	-	-	-	329,288
Total Current Liabilities	<u>165,280,627</u>	<u>152,559,038</u>	<u>1,787,027</u>	<u>14,269,195</u>	<u>(322,767,347)</u>	<u>11,128,540</u>
NONCURRENT LIABILITIES						
Revenue bonds, net of current portion	-	-	-	43,595,000	-	43,595,000
Accrued compensated absences	3,335,580	-	-	-	-	3,335,580
Water reclamation loan contract net of current portion	-	-	-	866,827	-	866,827
Total Liabilities	<u>168,616,207</u>	<u>152,559,038</u>	<u>1,787,027</u>	<u>58,731,022</u>	<u>(322,767,347)</u>	<u>58,925,947</u>
NET POSITION						
Net investment in capital assets	597,689,744	-	-	(48,227,238)	-	549,462,506
Restricted for debt service	-	-	-	4,663,601	-	4,663,601
Unrestricted	(2,151,514)	27,237,410	3,827,333	43,563,637	-	72,476,866
Total Net Position	<u>\$ 595,538,230</u>	<u>\$ 27,237,410</u>	<u>\$ 3,827,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626,602,973</u>

The accompanying notes are an integral part of the financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
Combining Schedule of Revenues, Expenses and Changes in Net Position
for the Year Ended June 30, 2012

	Running Expense	Sewer Construction	Self Insurance	Debt Service	Elimination	Total
Operating Revenues						
Sewer Service Charges (SSC)	\$ 49,123,848	\$ -	\$ -	\$ -	\$ -	\$ 49,123,848
Service charges - City of Concord	10,647,389	-	-	-	-	10,647,389
Other service charges	915,485	-	-	-	-	915,485
Miscellaneous charges	929,917	-	-	-	-	929,917
Total operating revenues	<u>61,616,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,616,639</u>
Operating Expenses						
Sewage collection and pumping stations	11,987,373	-	-	-	-	11,987,373
Sewage treatment	23,708,309	-	-	-	-	23,708,309
Engineering	8,023,226	-	-	-	-	8,023,226
Administrative and general	20,631,967	-	810,849	-	(876,537)	20,566,279
Depreciation	21,190,059	-	-	-	-	21,190,059
Total operating expenses	<u>85,540,934</u>	<u>-</u>	<u>810,849</u>	<u>-</u>	<u>(876,537)</u>	<u>85,475,246</u>
Operating Loss	<u>(23,924,295)</u>	<u>-</u>	<u>(810,849)</u>	<u>-</u>	<u>876,537</u>	<u>(23,858,607)</u>
Non-Operating Revenues (Expenses):						
Taxes	-	6,367,268	-	5,679,901	-	12,047,169
Permit and inspection fees	801,017	102,793	-	-	-	903,810
Interest earnings	182,114	232,568	19,436	(139,180)	-	294,938
Interest expense	-	-	-	(1,919,375)	-	(1,919,375)
Other income (expense)	538,757	392,903	876,537	-	(876,537)	931,660
Total non-operating revenues (expenses)	<u>1,521,888</u>	<u>7,095,532</u>	<u>895,973</u>	<u>3,621,346</u>	<u>(876,537)</u>	<u>12,258,202</u>
Income (loss) before contributions and transfers	<u>(22,402,407)</u>	<u>7,095,532</u>	<u>85,124</u>	<u>3,621,346</u>	<u>-</u>	<u>(11,600,405)</u>
City of Concord contributions to capital costs	-	2,541,688	-	-	-	2,541,688
Customer contributions to capital cost (SSC)	-	6,346,975	-	-	-	6,346,975
Contributed sewer lines	792,011	-	-	-	-	792,011
Capital contributions - connection fees	-	5,724,833	-	-	-	5,724,833
Transfers	24,787,334	(21,165,988)	-	(3,621,346)	-	-
Change in Net Position	3,176,938	543,040	85,124	-	-	3,805,102
Net Position - Beginning	592,361,292	26,694,370	3,742,209	-	-	622,797,871
Net Position - Ending	<u>\$ 595,538,230</u>	<u>\$ 27,237,410</u>	<u>\$ 3,827,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626,602,973</u>

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, 2012

	Administration	Engineering	Sewage Collection	Sewage Treatment Plant	Pumping Stations	Total	Budget	Variance Favorable (Unfavorable)
Salaries and Wages	\$ 4,941,012	\$ 5,288,979	\$ 4,505,758	\$ 7,810,809	\$ 896,139	\$ 23,442,697	\$ 24,765,649	\$ 1,322,952
Employee Benefits	11,894,203	3,811,154	3,241,673	5,455,646	608,402	25,011,078	26,284,029	1,272,951
Less Capitalized Overhead and Benefits	<u>(27,468)</u>	<u>(2,721,432)</u>	<u>(58,751)</u>	<u>(83,694)</u>	<u>-</u>	<u>(2,891,345)</u>	<u>(3,778,069)</u>	<u>(886,724)</u>
Total Salaries and Benefits	16,807,747	6,378,701	7,688,680	13,182,761	1,504,541	45,562,430	47,271,609	1,709,179
Directors' Fees and Expense	154,423	-	-	-	-	154,423	232,017	77,594
Chemicals	-	-	-	1,144,436	420,908	1,565,344	1,771,000	205,656
Utilities	149,736	61,607	80,669	3,756,739	476,313	4,525,064	4,542,600	17,536
Repairs and Maintenance	282,829	63,851	400,554	2,175,249	146,121	3,068,604	3,528,761	460,157
Hauling and Disposal	-	558,522	61,040	370,804	18,771	1,009,137	1,088,250	79,113
Professional and Legal Services	546,699	100,888	2,252	38,156	-	687,995	540,660	(147,335)
Outside Services	1,202,707	550,296	104,333	1,507,013	47,532	3,411,881	2,917,700	(494,181)
Materials and Supplies	212,631	155,528	815,074	787,188	60,980	2,031,401	1,925,745	(105,656)
Self Insurance	850,000	-	-	-	-	850,000	850,000	-
Other	425,195	153,833	129,283	745,963	30,322	1,484,596	1,872,318	387,722
	<u>\$20,631,967</u>	<u>\$8,023,226</u>	<u>\$ 9,281,885</u>	<u>\$23,708,309</u>	<u>\$2,705,488</u>	<u>\$64,350,875</u>	<u>\$ 66,540,660</u>	<u>\$ 2,189,785</u>

The accompanying notes are an integral part of the financial statements

CENTRAL CONTRA COSTA SANITARY DISTRICT
Running Expense
Schedule of Supplemental Net Position Analysis
June 30, 2012

Prior Year Balance		\$ 9,918,758
2011 - 2012 Revenue	\$ 63,138,527	
2012 - 2012 Expense	(85,540,934)	
Add Back Depreciation Expense	<u>21,190,059</u>	<u>(1,212,348)</u>
Net Position Attributed to General Operations		8,706,410
Net Position Attributed to All Other		<u>586,831,820</u>
Running Expense Net Position		<u><u>\$ 595,538,230</u></u>

The accompanying notes are an integral part of the financial statements

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Central Contra Costa Sanitary District

Statistical Section



**Central Contra Costa Sanitary District
Statistical Section
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Financial Trends

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

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Revenue by Type - Last Ten Fiscal Years	S-2
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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 Ten Fiscal Years	S-5
Assessed and Estimated Actual Valuation of Taxable Property - Last Ten Fiscal Years	S-6
Property Tax and Sewer Service Charge Fees Levied and Collected - Last Ten Fiscal Years	S-6

Debt Capacity

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

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

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

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

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Capital Asset and Operating Statistics - Last Ten Calendar or Fiscal Years ..	S-11
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in the 2002-2003 fiscal year; schedules presented include information beginning in that year.

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

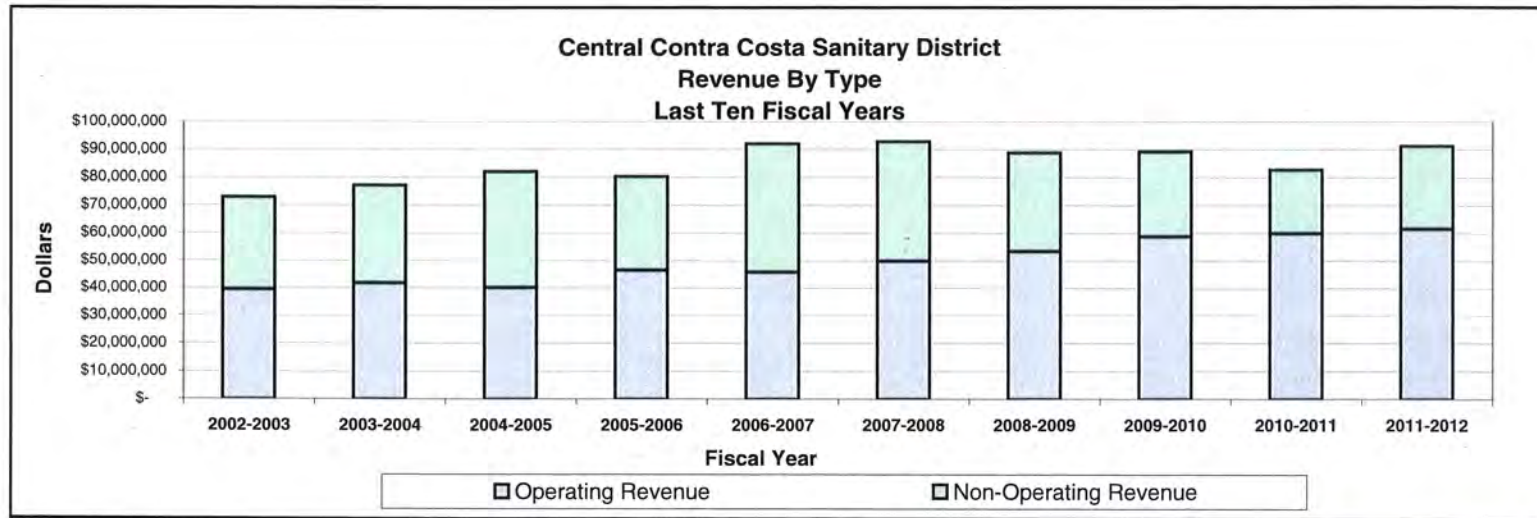
Changes in Net Position	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Operating Revenues:										
Sewer Service Charges (SSC)	31,967,101	33,935,899	32,282,806	37,781,774	35,057,668	40,207,157	43,087,454	48,692,520	49,095,870	49,123,848
City of Concord	6,321,452	6,609,602	6,603,000	7,383,011	9,043,215	8,206,860	8,755,857	8,664,668	9,224,952	10,647,389
Other Service Charges	633,037	648,617	672,887	755,827	793,395	869,589	872,978	824,022	913,017	915,485
Miscellaneous Charges	506,812	560,454	612,851	517,741	863,843	595,980	667,855	650,876	662,721	929,917
Total Operating Revenue	39,428,402	41,754,572	40,171,544	46,438,353	45,758,121	49,879,586	53,384,144	58,832,086	59,896,560	61,616,639
Operating Expenses:										
Salaries & Benefits	24,919,820	28,095,636	27,989,401	29,875,340	34,678,665	37,312,472	39,440,034	39,986,763	41,705,131	45,562,430
Chemicals, Utilities & Supplies	5,735,379	5,808,070	6,801,750	7,646,866	8,759,490	8,952,840	9,368,755	7,973,992	7,609,127	8,121,809
Professional & Outside Services	2,084,830	2,282,408	2,350,387	2,850,825	2,298,712	2,613,658	2,832,001	2,129,552	2,425,615	4,099,876
Hauling, Disposal, Repairs & Maintenance	3,557,171	3,871,749	3,716,176	3,826,165	4,105,082	3,863,555	3,938,129	3,808,635	3,916,789	4,077,741
Self-Insurance (net of transfers)	407,007	464,702	1,189,693	629,513	(180,716)	(215,004)	90,876	(688,859)	119,051	(65,688)
Depreciation	14,527,871	15,186,594	16,041,555	16,354,488	17,714,714	18,615,747	19,417,941	20,969,429	20,580,061	21,190,059
All Other	1,243,345	1,267,809	1,437,272	1,330,946	2,144,082	2,378,941	2,305,459	2,658,662	2,459,966	2,489,019
Total Operating Expenses	52,475,423	56,976,968	59,526,234	62,514,143	69,520,029	73,522,209	77,393,195	76,838,174	78,815,740	85,475,246
Operating Loss	(13,047,021)	(15,222,396)	(19,354,690)	(16,075,790)	(23,761,908)	(23,642,623)	(24,009,051)	(18,006,088)	(18,919,180)	(23,858,607)
Non-Operating Revenues (Expenses):										
Property Taxes *	8,801,230	8,919,327	4,010,380	4,836,301	11,762,731	12,254,168	12,539,375	12,260,123	12,213,624	12,047,169
Connection & Other Fees	1,479,870	2,936,298	4,265,620	2,062,216	1,615,308	1,335,160	1,093,756	776,348	895,825	903,810
Interest Income	925,509	831,215	1,519,192	2,465,985	3,257,773	2,527,621	1,033,095	570,024	673,990	294,938
Interest Expense	(1,153,349)	(1,101,115)	(1,775,857)	(1,694,304)	(1,609,104)	(1,518,142)	(1,421,686)	(1,553,467)	(2,061,903)	(1,919,375)
All Other *	1,076,654	1,467,877	1,109,716	1,096,401	1,316,383	1,243,817	639,523	12,295	(523,209)	931,660
Total Non-Operating	11,129,914	13,053,602	9,129,051	8,766,599	16,343,091	15,842,624	13,884,063	12,065,323	11,198,327	12,258,202
Income Before Contributions and Transfers	(1,917,107)	(2,168,794)	(10,225,639)	(7,309,191)	(7,418,817)	(7,799,999)	(10,124,988)	(5,940,765)	(7,720,853)	(11,600,405)
Customer Contributions**	7,833,641	10,187,725	14,716,585	9,862,620	15,945,915	14,970,637	13,938,421	6,793,040	5,018,092	8,888,663
Contributed Sewer Lines	7,818,537	4,410,808	5,530,848	3,044,945	3,521,704	1,444,420	1,231,022	1,840,259	533,616	792,011
Capital Contributions - Connection Fees	5,530,064	6,585,984	10,728,717	10,496,898	8,917,658	9,259,160	5,025,493	7,078,635	3,515,804	5,724,833
CHANGE IN NET POSITION	19,265,135	19,015,723	20,750,511	16,095,272	20,966,460	17,874,218	10,069,948	9,771,169	1,346,659	3,805,102
Total Net Assets - Beginning	487,642,776	506,907,911	525,923,634	546,674,145	562,769,417	583,735,877	601,610,095	611,680,043	621,451,212	622,797,871
Total Net Assets - Ending	506,907,911	525,923,634	546,674,145	562,769,417	583,735,877	601,610,095	611,680,043	621,451,212	622,797,871	626,602,973
Statement of Net Position	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Investments in Capital Assets, Net of Related Debt	443,350,151	453,251,761	469,375,715	486,098,303	513,580,658	531,119,639	552,165,498	531,324,187	541,613,208	549,462,506
Restricted for Debt Service	4,484,542	3,035,944	3,118,704	3,647,257	3,216,163	3,185,416	3,163,956	4,565,970	4,612,103	4,663,601
Unrestricted	59,073,218	69,635,929	74,179,726	73,023,857	66,939,056	67,305,040	56,350,589	85,561,055	76,572,560	72,476,866
Total Net Position	506,907,911	525,923,634	546,674,145	562,769,417	583,735,877	601,610,095	611,680,043	621,451,212	622,797,871	626,602,973

* Includes Prop 1A loan receivable revenue and offset of \$985,916. The revenue is offset by the provision for losses categorized in other.

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

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

Source: Central Contra Costa Sanitary District Audited Financial Statements



Operating Revenue

Fiscal Year	Sewer Service Charges*	City of Concord	Other Service Charges	Miscellaneous Charges	Total Operating
2002-2003	\$ 31,967,101	\$ 6,321,452.00	\$ 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
2008-2009	43,087,454	8,755,857	872,978	667,855	53,384,144
2009-2010	48,692,520	8,664,668	824,022	650,876	58,832,086
2010-2011	49,095,870	9,224,952	913,017	662,721	59,896,560
2011-2012	49,123,848	10,647,389	915,485	929,917	61,616,639

Non-Operating Revenue

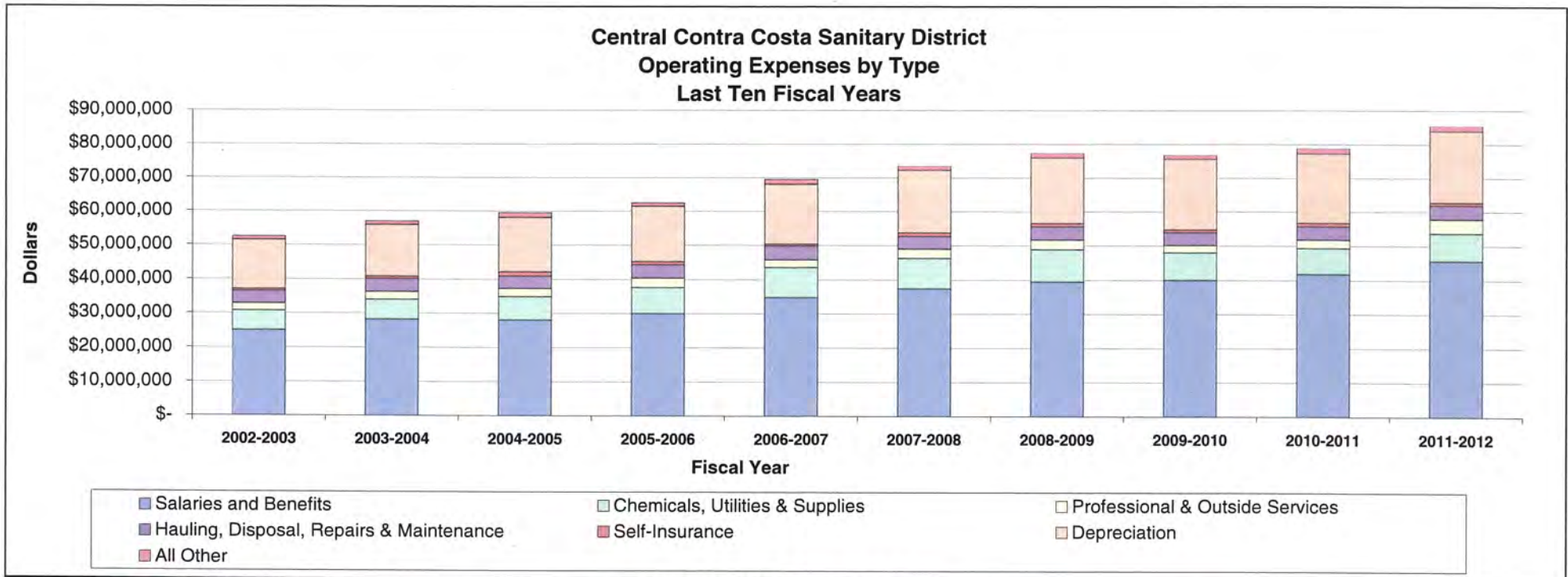
Fiscal Year	Property Taxes *1	Customer Contributions *2	Connections & Other Fees *3	Interest	All Other	Total Non-Operating & Contributions
2002-2003	\$ 8,801,230	\$ 15,652,178	\$ 7,009,934	\$ 925,509	\$ 1,076,654	\$ 33,465,505
2003-2004	8,919,327	14,598,533	9,522,282	831,215	1,467,877	35,339,234
2004-2005	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
2008-2009	12,539,375	15,169,443	6,119,249	1,033,095	639,523	35,500,685
2009-2010	12,260,123	8,633,299	7,854,983	570,024	998,211	30,316,640
2010-2011	12,213,624	5,551,708	4,411,629	673,990	-	22,850,951
2011-2012	12,047,169	9,680,674	6,628,643	294,938	931,660	29,583,084

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

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

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

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



OPERATING EXPENSES

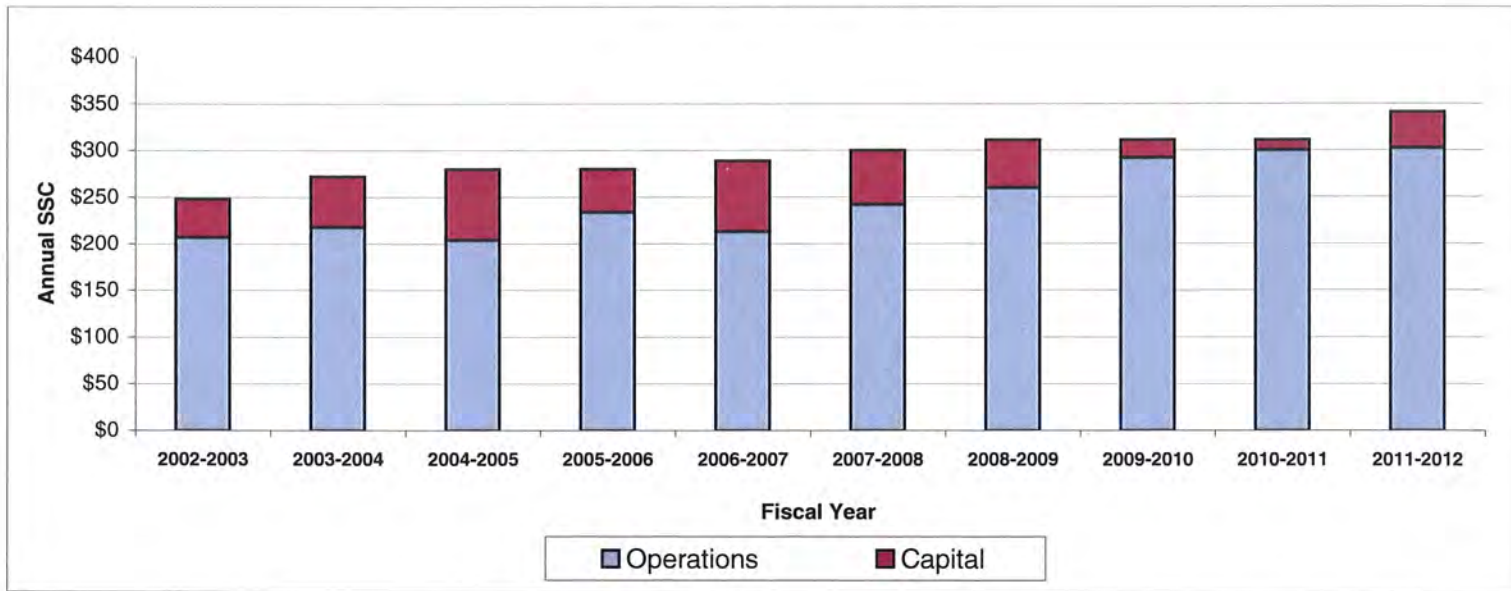
Fiscal Year	Salaries and Benefits	Chemicals, Utilities & Supplies	Professional & Outside Services	Hauling, Disposal, Repairs & Maintenance	Self-Insurance	Depreciation	All Other	Total Operating Expenses	Non-Operating Expenses *
2002-2003	\$ 24,919,820	\$ 5,735,379	\$ 2,084,830	\$ 3,557,171	\$ 632,007	\$ 14,527,871	\$ 1,018,345	\$ 52,475,423	\$ 1,153,349
2003-2004	28,095,636	5,808,070	2,282,408	3,871,749	689,702	15,186,594	1,042,809	56,976,968	1,101,115
2004-2005	27,989,401	6,801,750	2,350,387	3,716,176	1,189,693	16,041,555	1,437,272	59,526,234	1,775,857
2005-2006	29,875,340	7,646,866	2,850,825	3,826,165	879,513	16,354,488	1,080,946	62,514,143	1,694,304
2006-2007	34,678,665	8,759,490	2,298,712	4,105,082	519,284	17,714,714	1,444,082	69,520,029	1,609,104
2007-2008	37,312,472	8,952,840	2,613,658	3,863,555	916,639	18,615,747	1,247,298	73,522,209	1,518,142
2008-2009	39,440,034	9,368,755	2,832,001	3,938,129	958,906	19,417,941	1,437,429	77,393,195	1,421,686
2009-2010	39,986,763	7,973,992	2,129,552	3,808,635	746,612	20,969,429	1,223,191	76,838,174	2,539,383
2010-2011	41,705,131	7,609,127	2,425,615	3,916,789	1,003,115	20,580,061	1,575,902	78,815,740	2,585,112
2011-2012	45,562,430	8,121,809	4,099,876	4,077,741	810,849	21,190,059	1,612,482	85,475,246	1,919,375

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

Source: Central Contra Costa Sanitary District Audited Financial Statements

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 (SSC) *1			Facility Capacity Fee *2	Pump Zone Fee *3
	Operations	Capital	Total		
2002-2003	\$207	\$41	\$248	\$3,360	\$710
2003-2004	218	54	272	3,983	988
2004-2005	204	76	280	3,983	988
2005-2006	234	46	280	4,150	1,331
2006-2007	213	76	289	4,263	1,404
2007-2008	242	58	300	4,524	1,466
2008-2009	260	51	311	4,923	1,586
2009-2010	292	19	311	5,298	1,651
2010-2011	300	11	311	5,451	1,641
2011-2012	302	39	341	5,465	1,606

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

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

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

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

Customer	2002 - 2003			2003 - 2004			2004 - 2005			2005 - 2006			2006-2007		
	Operating	Percentage of	Operating	Operating	Percentage of	Operating	Percentage of	Operating	Percentage of	Operating	Percentage of	Operating	Percentage of		
	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	
City of Concord*	\$ 6,321,452	1	16.03%	\$ 6,609,602	1	15.83%	\$ 6,603,000	1	16.44%	\$ 7,383,011	1	15.90%	\$ 9,043,215	1	19.76%
Contra Costa County General Services	222,619	2	0.56%	250,442	3	0.60%	294,670	2	0.73%	295,173	2	0.64%	322,351	2	0.70%
First Walnut Creek Mutual	206,246	3	0.52%	258,400	2	0.62%	266,000	3	0.66%	295,120	3	0.64%	-	-	-
Park Regency Apartments	197,408	4	0.50%	242,624	4	0.58%	249,760	4	0.62%	249,760	4	0.54%	257,788	3	0.56%
Second Walnut Creek Mutual Apts	158,224	5	0.40%	204,000	5	0.49%	210,000	5	0.52%	210,000	5	0.45%	-	-	-
Sun Valley Mall	138,993	6	0.35%	145,169	6	0.35%	158,077	6	0.39%	169,916	6	0.37%	176,293	4	0.39%
Archstone/Treat Commons Apartments	126,480	7	0.32%	138,720	7	0.33%	142,800	7	0.36%	142,800	7	0.31%	101,150	9-10	0.22%
St. Mary's College Contract	106,497	8	0.27%	97,670	10	0.23%	-	-	-	117,119	10	0.25%	127,355	6	0.28%
Willows Shopping Center	103,321	9	0.26%	111,822	9	0.27%	120,459	9	0.30%	-	-	-	128,303	5	0.28%
Canyon Point Condominiums	86,304	10	0.22%	-	-	-	-	-	-	-	-	-	-	-	-
Bay Landing Apartments	-	-	-	-	-	-	-	-	-	-	-	-	104,040	8	0.23%
Muirland @ Windemere Apartments	-	-	-	-	-	-	-	-	-	-	-	-	101,150	9-10	0.22%
Reflections San Ramon Apartments	-	-	-	134,912	8	0.32%	139,062	8	0.35%	139,062	8	0.30%	-	-	-
Kaiser Foundation Hospital	-	-	-	-	-	-	100,976	10	0.25%	126,904	9	0.27%	-	-	-
John Muir Health	-	-	-	-	-	-	-	-	-	-	-	-	121,613	7	0.27%
Total	\$ 7,667,544		19.45%	\$ 8,193,361		19.62%	\$ 8,284,804		20.62%	\$ 9,128,865		19.66%	\$ 10,483,258		22.91%

Customer	2007-2008			2008-2009			2009-2010			2010-2011			2011-2012		
	Operating	Percentage of	Operating	Operating	Percentage of	Operating	Percentage of	Operating	Percentage of	Operating	Percentage of	Operating	Percentage of		
	Revenue	Rank	Revenue	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	
City of Concord*	\$ 8,206,860	1	16.45%	\$ 8,755,857	1	16.40%	\$ 8,664,668	1	14.73%	\$ 9,224,952	1	15.40%	\$ 10,647,389	1	17.28%
Park Regency Apartments	267,600	4	0.54%	277,412	4	0.52%	277,412	3	0.47%	277,412	3	0.46%	304,172	2	0.49%
Contra Costa County General Services	316,854	3	0.64%	320,866	3	0.60%	305,880	2	0.52%	301,430	2	0.50%	292,384	3	0.47%
Sun Valley Mall	183,380	6	0.37%	190,734	5	0.36%	197,566	4	0.34%	193,957	4	0.32%	203,037	4	0.33%
Branch Creek Vista Apartments	120,000	8	0.24%	124,400	8	0.23%	124,400	7	0.21%	124,400	5	0.21%	136,400	5	0.22%
Bay Landing Apartments	108,000	10	0.22%	111,960	10	0.21%	111,960	8	0.19%	111,960	6	0.19%	122,760	6	0.20%
St. Mary's College Contract	136,016	7	0.27%	126,222	6	0.24%	-	-	-	98,521	10	0.16%	119,407	7	0.19%
Archstone Apartments	-	-	-	-	-	-	108,850	9-10	0.19%	108,850	7-8	0.18%	119,350	8-9	0.19%
Muirland @ Windemere Apartments	-	-	-	-	-	-	108,850	9-10	0.19%	108,850	7-8	0.18%	119,350	8-9	0.19%
Creekside Oaks Apartments	-	-	-	-	-	-	-	-	-	-	-	-	107,756	10	0.17%
John Muir Health	223,775	5	0.45%	125,292	7	0.23%	-	-	-	-	-	-	-	-	-
Kaiser Foundation Hospital	118,809	9	0.24%	112,727	9	0.21%	136,753	6	0.23%	102,893	9	0.17%	-	-	-
Chevron Offices & Office Park	340,389	2	0.68%	363,739	2	0.68%	165,561	5	0.28%	-	-	-	-	-	-
Willows Shopping Center	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 10,021,683		20.09%	\$ 10,509,209		19.69%	\$ 10,201,900		17.34%	\$ 10,653,225		17.79%	\$ 12,172,005		19.75%

* Contract with the City of Concord to treat and dispose of wastewater for Concord and Clayton.
The District implemented GASB 34 in the 2002-2003 fiscal year, one year earlier than required.
Source: Central Contra Costa Sanitary District Environmental Services Division

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

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
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%
2008-2009	68,888,723,534	1,738,606,038	70,627,329,572	3.9%
2009-2010	68,640,287,188	1,723,710,536	70,363,997,724	-0.4%
2010-2011	67,889,370,916	1,647,537,385	69,536,908,301	-1.2%
2011-2012	67,486,938,247	1,591,574,852	69,078,513,099	-0.7%

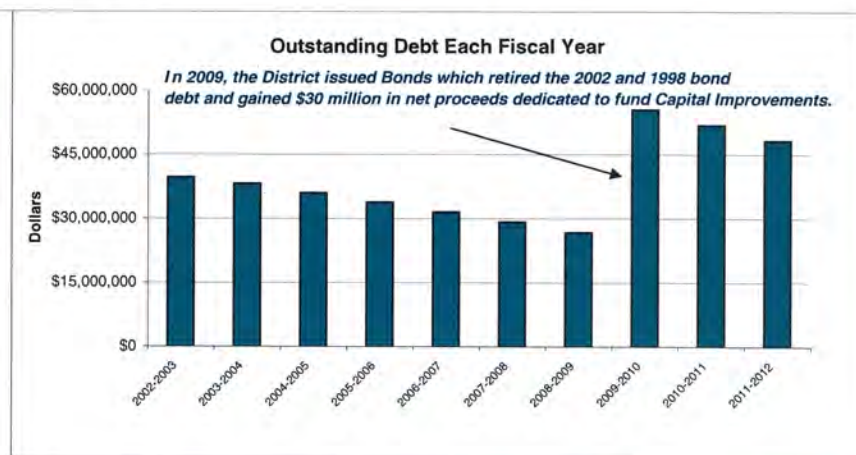
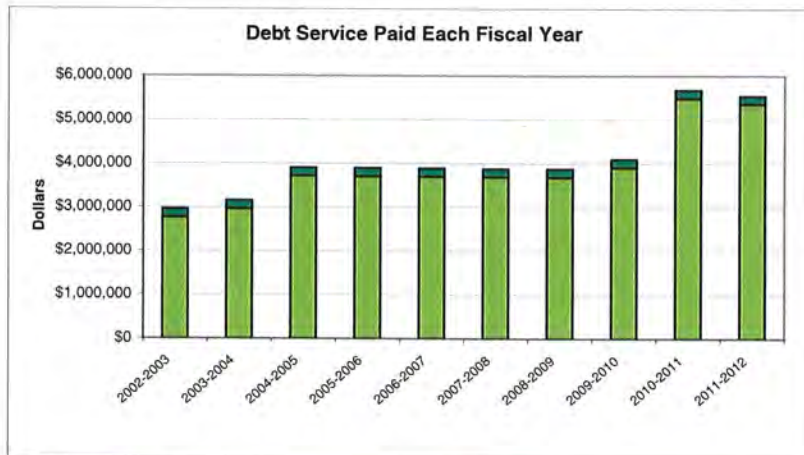
**Property Tax and Sewer Service Charge Fees Levied and Collected
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Property Tax* Levied & Collected</u>	<u>% Change</u>	<u>Sewer Service Charges* Levied & Collected</u>	<u>% Change</u>
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%
2008-2009	12,492,502	3.3%	50,743,258	3.8%
2009-2010	11,253,233 **	-9.9%	50,896,210	0.3%
2010-2011	12,171,725	8.2%	50,196,629	-1.4%
2011-2012	12,032,525	-1.1%	54,586,208	8.7%

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

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

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



Fiscal Year	Summary By Type Of Debt											
	Revenue Bonds (2009, 2002 & 1998)			Water Reclamation Loan			Total Debt Service Annual Expense			TOTAL DEBT SERVICE OUTSTANDING		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Revenue Bonds	Water Rec. Loan	Total Debt Outstanding
2002-2003	1,330,000	1,435,811	2,765,811	124,097	63,022	187,119	1,454,097	1,498,833	2,952,930	37,315,000	2,299,842	39,614,842
2003-2004	1,375,000	1,583,739	2,958,739	127,323	59,796	187,119	1,502,323	1,643,535	3,145,858	35,940,000	2,172,519	38,112,519
2004-2005	1,995,000	1,719,372	3,714,372	130,634	56,485	187,119	2,125,634	1,775,857	3,901,491	33,945,000	2,041,885	35,986,885
2005-2006	2,060,000	1,641,215	3,701,215	134,030	53,089	187,119	2,194,030	1,694,304	3,888,334	31,885,000	1,907,855	33,792,855
2006-2007	2,135,000	1,559,500	3,694,500	137,515	49,604	187,119	2,272,515	1,609,104	3,881,619	29,750,000	1,770,340	31,520,340
2007-2008	2,210,000	1,472,113	3,682,113	141,090	46,029	187,119	2,351,090	1,518,142	3,869,232	27,540,000	1,629,250	29,169,250
2008-2009	2,300,000	1,379,326	3,679,326	144,759	42,360	187,119	2,444,759	1,421,686	3,866,445	25,240,000	1,484,491	26,724,491
2009-2010	2,390,000	1,514,871	3,904,871	148,523	38,596	187,119	2,538,523	1,553,467	4,091,990	54,125,000	1,335,968	55,460,968
2010-2011	3,460,000	2,027,168	5,487,168	152,385	34,734	187,119	3,612,385	2,061,903	5,674,288	50,665,000	1,183,583	51,848,583
2011-2012	3,465,000	1,888,601	5,353,601	156,346	30,773	187,119	3,621,346	1,919,376	5,540,722	47,200,000	1,027,237	48,227,237

Fiscal Year	Debt Service Coverage Summary									Debt Ratios		
	Total Debt Service	Operating Revenue	Total Operating Expenses less Depreciation	Non-Operating Revenue & Contributions	Net Revenue *1	Debt Service Coverage (Net Revenue) *2	Capital Improvement Fees/Concord	Adjusted Net Revenue*3	Debt Service Coverage (Adj. Net Revenue)*4	Annual Debt Service to Operating Exp.	Annual Debt Service per Customer	Total Debt Outstanding Per Customer
2002-2003	2,952,930	39,428,402	37,947,552	33,465,505	34,946,355	11.83	7,023,589	27,922,766	9.46	7.78%	19.12	256.54
2003-2004	3,145,858	41,754,572	41,790,374	35,339,234	35,303,432	11.22	8,370,344	26,933,088	8.56	7.53%	20.21	244.83
2004-2005	3,901,491	40,171,544	43,484,679	41,881,058	38,567,923	9.89	13,351,448	25,216,475	6.46	8.97%	24.65	227.41
2005-2006	3,888,334	46,438,353	46,159,655	33,865,366	34,144,064	8.78	12,931,577	21,212,487	5.46	8.42%	24.08	209.29
2006-2007	3,881,619	45,758,121	51,805,315	46,337,472	40,290,278	10.38	12,353,170	27,937,108	7.20	7.49%	23.58	191.51
2007-2008	3,869,232	49,879,586	54,906,462	43,034,983	38,008,107	9.82	14,595,433	23,412,674	6.05	7.05%	23.29	175.56
2008-2009	3,866,445	53,384,144	57,975,254	35,500,685	30,909,575	7.99	10,511,351	20,398,224	5.28	6.67%	23.33	161.26
2009-2010	4,091,990	58,832,086	55,868,745	30,316,640	33,279,981	8.13	10,707,584	22,572,397	5.52	7.32%	24.47	331.68
2010-2011	5,674,288	59,896,560	58,235,679	22,850,951	24,511,832	4.32	6,731,994	17,779,838	3.13	9.74%	34.67	316.81
2011-2012	5,540,722	61,616,639	64,285,187	29,583,084	26,914,536	4.86	8,266,521	18,648,015	3.37	8.62%	33.69	293.25

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

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

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

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

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

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

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

<u>As Of January 1</u>	<u>Inside District Boundaries</u>	<u>Concord/ Clayton</u>	<u>Total Served</u>	<u>% Change</u>
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%
2009	322,200	134,000	456,200	1.0%
2010	326,600	135,400	462,000	1.3%
2011	321,800	133,600	455,400	-1.4%
2012	326,900	134,200	461,100	1.3%

Source: Central Contra Costa Sanitary District Environmental Services Division

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

<u>Employers</u>	<u>2000*</u>			<u>2011*</u>		
	<u>Estimated Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>	<u>Estimated Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Chevron Corporation	3,500	2	0.7%	4,115	1	0.9%
John Muir Physician Network	-	-	-	3,891	2	0.8%
Kaiser Foundation Hospitals	2,300	3	0.5%	3,852	3	0.8%
Bio-Rad Laboratories	-	-	-	1,705	4	0.4%
Contra Costa Newspapers, Inc.	1,500	8	0.2%	1,222	5	0.3%
Walmart Stores, Inc	-	-	-	1,150	6	0.2%
Doctors Medical Center	1,000	6	0.2%	937	7	0.2%
PMI Group Inc	-	-	-	757	8	0.2%
USS Posco Industries	975	7	0.2%	750	9	0.2%
Ladbrokes Casino San Pablo	-	-	-	670	10	0.1%
John Muir Medical Center	1,900	4	0.4%	-	-	-
John Muir/Mt. Diablo Medical Center	1,500	5	0.3%	-	-	-
Kaiser Permanente	5,000	1	1.0%	-	-	-
Bank of the West	700	9	0.1%	-	-	-
Aetna Health Services	600	10	0.1%	-	-	-
All Others	464,025		96.3%	443,851		95.9%
	<u>483,000</u>		<u>100.0%</u>	<u>462,900</u>		<u>100.0%</u>

Source: * County of Contra Costa, California, Comprehensive Annual Financial Report for 6/30/11, Statistical Section, excludes government employers.
2001data not available.

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

Fiscal Year Ended June 30	Population*	Personal Income*	Per Capita Personal Income*	Average Annual Unemployment Rate**
2002	979,862	44,709,373,000	45,628	5.7%
2003	987,531	45,775,727,000	46,354	6.1%
2004	992,424	48,923,798,000	49,297	5.4%
2005	999,013	51,534,263,000	51,585	4.9%
2006	1,000,834	55,318,933,000	55,273	4.3%
2007	1,009,152	58,043,926,000	57,518	4.7%
2008	1,023,344	59,914,142,000	58,547	6.2%
2009	1,037,890	56,221,077,000	54,169	10.2%
2010	1,052,605	58,382,965,000	55,465	11.1%
2011	N/A	N/A	N/A	10.4%

N/A - Information not available at this time.

* U.S. Department of Commerce, Bureau of Economic Analysis, 2002-2009 updated, estimates as of April 2012.

** State of California, Employment Development Department (EDD), annual calendar figure. Years 2008, 2010 revised.

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

Full-time Equivalent Employees as of June 30

<u>Department</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Administration	43	42	43	42	42	45	45	45	44	39
Engineering	70	71	76	73	75	76	80	76	75	71
Operations										
Collection Systems	44	45	46	49	50	50	52	47	44	47
Plant	82	82	81	88	83	77	82	78	74	71
Pumping Station	8	9	9	9	10	11	10	10	8	7
Operations Total	<u>134</u>	<u>136</u>	<u>136</u>	<u>146</u>	<u>143</u>	<u>138</u>	<u>144</u>	<u>135</u>	<u>126</u>	<u>125</u>
District Total	<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>	<u><u>269</u></u>	<u><u>256</u></u>	<u><u>245</u></u>	<u><u>235</u></u>

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

District Total	<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>	<u><u>187</u></u>	<u><u>201</u></u>	<u><u>215</u></u>	<u><u>237</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)										
	Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Treatment Plant Permitted Capacity	Calendar	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
Average Dry Weather Flow (ADWF)	Calendar	39.4	40.0	40.6	41.4	41.6	38.6	36.6	32.5	38.9	37.2
Wastewater Treated per day	Calendar	43.1	42.9	44.7	48.0	50.4	41.2	41.0	37.0	40.6	41.9

Tons per Year

Sludge to Furnace (Dry)*1	Fiscal	16,318	16,053	16,727	15,841	15,341	15,340	15,212	15,299	15,056	15,790
Ash to Reuse Site (Wet)*2	Fiscal	5,235	5,384	5,397	5,074	4,418	4,418	4,177	4,082	3,814	3,850

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

*2 Wet sludge, which at 19 to 23 percent solids, is pumped to the multiple-hearth furnace for incineration. The table above shows the dry tons per year of sludge to the furnace, excluding the 77 to 81 percent water in the wet sludge.

Collection Systems/Pumping Stations/Outfall Sewers

Other Data

Pipeline Miles	Calendar	1,400	1,400	1,400	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Number of pumping stations	Calendar	22	20	21	17	17	17	17	17	16	16

Recycled Water

Recycled Water Produced per day	Calendar	1.5 mgd	1.4 mgd	1.5 mgd	1.5 mgd	1.6 mgd	1.6 mgd	1.5 mgd	1.6 mgd	1.5 mgd	1.6 mgd
Number of Recycled Water Customers	Calendar	20	21	23	24	30	30	31	30	33	35

Household Hazardous Waste (HHW) - Inception 1997/1998

Program Participation (Number of cars)	Fiscal	22,359	23,061	22,872	23,897	26,392	27,940	28,210	29,347	29,441	29,112
Percentage of Households in Service Area	Fiscal	12.1%	12.3%	12.1%	12.3%	13.6%	14.5%	14.4%	15.0%	15.6%	15.4%
Operating Cost per Car	Fiscal	\$ 66	\$ 62	\$ 58	\$ 60	\$ 64	\$ 61	\$ 76	\$ 76	\$ 82	\$ 87
Pounds of HHW per Car	Fiscal	72	71	64	65	80	71	67	65	68	67

Miscellaneous Statistics

Governing Body:	Elected 5-Member Board of Directors
Governmental Structure:	Established in 1946 under the Sanitary District Act of 1923
Staff:	235 full-time equivalent employees
Authority:	California Health and Safety Code Section 4700 et. Seq.
Services:	Wastewater collection, treatment, and disposal Household Hazardous Waste Facility Recycled Water
Type Of Treatment:	Discharge - Secondary; Reclamation - Tertiary
Service Area:	144 square miles
Total Population Served:	461,100
Sewer Service Charge:	\$341 annually per residential equivalent unit