



ORO LOMA SANITARY DISTRICT
2655 GRANT AVENUE, SAN LORENZO, CA 94580



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014

ORO LOMA SANITARY DISTRICT

Comprehensive Annual Financial Report Year Ended June 30, 2014

Presented by:



Jason J. Warner, General Manager/Treasurer

Prepared by:



Arlene Wong, Finance Manager



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ORO LOMA SANITARY DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2014
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ORO LOMA SANITARY DISTRICT

December 15, 2014

To the Honorable Board of Directors and Customers of Oro Loma Sanitary District, San Lorenzo, California:

State law requires that every general purpose local government publish a complete set of audited financial statements within six month of each fiscal year-end. This report is published in alignment with Oro Loma Sanitary District's standard for transparency while fulfilling the State's requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls 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, Certified Public Accountants, has issued an unqualified opinion on the District's financial statements for the year ended June 30, 2014. Immediately following the independent auditor's report, the Management's Discussion and Analysis (MD&A) segment provides a narrative analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

DISTRICT OVERVIEW

Oro Loma Sanitary District was formed on August 11, 1911 to serve an 800-acre area. It is one of the oldest sanitary agencies in Alameda County, California. Today, it encompasses approximately 13 square miles within the County, on the east shore of San Francisco Bay, about 13 miles south of Oakland, and 30 miles north of San Jose. The customer base has been stable over the last ten years and is predominantly residential. As of July 1, 2014, sewage collection and treatment services are provided to 47,110 customers, comprised of: residential 45,836 units (97.30%), commercial and light industrial 1,271 units (2.69%), and, 3 significant industrial customers (0.01%). The population served within the District's boundaries is approximately 135,217.

Oro Loma also provides sewage treatment services for other agencies by agreement. Approximately 20,400 customers of Castro Valley Sanitary District, 800 customers of the City of San Leandro, and 170 customers of the City of Hayward are connected to the District's gravity sewer system due to topography.

The District is governed by a five-member Board of Directors, elected in the County's general election, for alternating four-year terms. The election is at-large and non-partisan. Directors must reside within the District's boundaries. Policy making and legislative authority are vested in the Board, which appoints the General Manager to manage and oversee the District's activities.

The District's enabling legislation is the Sanitary Act of 1923 of the State Health and Safety Code, which empowers the District to provide the following services.

Sewage Collection

- The District owns approximately 273 miles of underground sewer lines within its boundaries, and maintains 14 remote sewage lift stations, which are facilities for moving wastewater from lower to higher elevation, particularly where the elevation of the source is insufficient for gravity flow.
- Industrial dischargers are monitored for compliance to meet federal and state pretreatment standards, which assures treatment plant effluent quality.

Sewage Treatment

- The District operates a water pollution control plant with a permitted capacity of 20 million gallons per day (MGD). The plant is jointly owned by Oro Loma Sanitary District (75%) and Castro Valley Sanitary District (25%).
- An average daily dry weather flow of 11.8 million gallons of sewage is treated each day.
- The plant uses primary and secondary treatment processes to separate solids from the wastewater. Treated wastewater, known as effluent, is disposed of through a discharge pipe (collectively-owned by the District and four other local agencies) into the San Francisco Bay.
- Each day, 11 dry tons of biosolids are produced from the treatment process. These biosolids are disposed annually, and used as alternative daily cover at the Altamont landfill.

Reuse of Treated Wastewater (Water Reclamation)

An annual total of 60 million gallons (1.3%) of treated effluent is reused for irrigation at the Skywest Golf Course, saving fresh water for residents and businesses while diverting effluent from the Bay.

Other Inter-Governmental Agency Services

The District has joint ownership of an effluent discharge system through a Joint Powers Authority called East Bay Dischargers Authority (EBDA). The purpose of EBDA is to manage and operate common use areas for sewage wastewater disposal facilities for its member agencies. EBDA also holds a National Pollutant Discharge Elimination System (NPDES) Permit from the California Regional Water Quality Control Board to discharge secondary treated wastewater from its member agencies into the San Francisco Bay. The District provides maintenance services to EBDA on a contract basis, and has cooperative support agreements with other governmental agencies in the event of disasters and emergencies.

Solid Waste (Garbage) Services

The District contracts with Waste Management of Alameda County to provide garbage services for the unincorporated areas of Alameda County and parts of the Cities of Hayward and San Leandro.

Recycling Services

The District contracts with Waste Management of Alameda County to provide recycling and green waste programs for the unincorporated areas of Alameda County and parts of the City of San Leandro. These programs are intended to reduce solid waste in accordance with the California Integrated Waste Management Act of 1989 (AB939), and the Alameda County Measure D. The District has been achieving and exceeding its AB939 mandated solid waste reduction goals since 1995.

ECONOMIC CONDITION

Local Economy

Oro Loma Sanitary District's service area crosses over several political jurisdictions. Of the 47,110 customers within District boundaries, approximately 60% reside in unincorporated communities of Alameda County, 32% live in the City of San Leandro, and 8% live in the City of Hayward. Economic conditions vary slightly among communities. The 2008-2012 statistics published by the U.S. Census Bureau provided the following information on median household income and occupancy: for the unincorporated areas of Alameda County, \$70,719 with 3.21 persons per household; for the City of San Leandro, \$62,195 with 2.79 persons per household; and, for the City of Hayward, \$62,313 with 3.24 persons per household. The region is slowly recovering from the last economic downturn. The average unemployment rate in 2013-14 was 6.4%, a drop from 9.1% in 2011, yet still high compared to 3.8% in 2007. Median housing sale price in 2013-14 was \$408,000. Although housing values have not returned to the June 2007 level (\$537,000), it has shown significant recovery from its lowest in June 2012 (\$277,000). Based on economic forecasts by the California Department of Transportation, it is anticipated that the County's population growth will be 0.9% per year; inflation adjusted average salaries are expected to rise by 1.5% annually; and, inflation adjusted per capita income is forecasted to increase by 2.0% per year.

The Board has consistently maintained sound fiscal policies by closely monitoring operating expenses and capital spending. The District is committed to eliminating unnecessary costs, while providing the best possible service and system reliability for its customers. It is also fully funded for its other post-employment benefit obligations. Major accomplishments during the last five fiscal years were as follows:

- The District maintains the lowest sewer service rates in Alameda County, and one of the lowest known rates in the State of California. As of July 1, 2014, the annual single family residential sewer rate of \$200 is 63% below the average of \$539 within the County.
- As of September 1, 2014, the monthly garbage and recycling rate for a 35-gallon container in unincorporated Alameda is \$20.59, 35% less than the average of \$31.56 within the County.
- On September 21, 2009, the District redeemed its sewer revenue bonds and is debt free.
- In 2009, the District implemented a Food Scrap Recycling Program for its residential, single-family customers. The program's objective is to divert food scraps from the landfill and transform them into useful resources, such as compost, that are beneficial for agriculture and landscaping.
- In December 2010, the District began operation of its new 468 kW Solar Array. Combined with the existing 720 kW cogeneration system, the District is 100% self-sufficient for its electrical needs.
- In March 2011, the District started operation of its grease receiving facility. The facility provides a disposal location for grease from commercial food establishments that would otherwise end up in the District's collection system. At the same time, the grease system yields renewable energy. To date, not only has the project reduced average monthly natural gas purchases by 80%, it has also brought in grease receiving revenues of approximately \$100,000 per year.
- On May 12, 2011, the District paid off a \$1,640,742 CalPERS Side Fund. The Side Fund was established by CalPERS when the District joined the 2.5% at 55 retirement risk pool in 2003. The prepayment reduced the employer contribution rates by approximately 5% per year.
- The District achieved 554 days without a sanitary sewer overflow between April 2012 and October 2013, the longest period in its history.
- To date, the District has been operating for over 2480 days without a lost-time injury. The District maintains a high safety culture, and continuously trains and seeks to improve job safety.

- The District won the 2011 California Water Environment Association's Treat Plant of the Year (5-20 mgd) at the San Francisco Bay Section level.
- The District won the 2013 SHELL Award given by California Sanitation Risk Management Authority. The award recognizes excellent management in Safety, Health, Environmental, Liability, and Losses.
- The District won the 2013 California Water Environment Association's Collection System of the Year (250-500 miles) at both the San Francisco Bay Section and State levels. It is the only District in history to have won the State award four times.
- In December 2014, the District completed a three-year, \$9.5 million construction project for two new digesters, thereby increasing operational efficiency and reliability.

Long-Term Financial Planning

The District utilizes strategic capital spending, and makes aggressive use of in-house engineering design and construction management expertise. Staff continually updates long-term cost projections for collection system and treatment plant improvements. These projections serve as planning tools to ensure that the District's facilities, equipment, and infrastructure are in optimal condition.

The District plans to spend approximately \$7.6 million annually for the next five years in renewal and replacement projects and capital improvements. Of this total, about \$5.1 million per year are allocated to renewing the existing collection system and facilities. Other major long-range plans include upgrading the SCADA system, building the Geographic Information System (GIS) into a central reference source for assets and customer service, implementing asset management program for all assets, responding to emerging nutrient regulations and exploring possibilities to equalize peak flow capacity.

The operating budget is expected to increase in line with inflation and regulatory compliance requirements, without any significant staffing changes. Sewer rate increases are anticipated to continue at 3% per year for the next five years, to provide for necessary spending and to maintain sufficient reserves.

Relevant Financial Policies

The District has adopted a comprehensive set of financial policies. The Reserves Policy establishes minimum reserve levels, currently at \$15.33 million. \$5.70 million is reserved to provide funds during periods between remittances from the County. \$8.73 million is reserved for renewal and replacement, and capital projects. The policy is reviewed annually by the Board.

The Investment Policy provides guidelines on investing the District's funds and resources, and is reviewed at least once a year by the Board. The objectives of this policy are to maintain safety, liquidity, and yield of public funds. The District follows State laws with regards to investment limits and credit ratings. In some cases, the District provides for more restrictive measures than the law requires. The policy outlines permissible investment types and constraints, and establishes internal controls. As of June 30, 2014, the District's cash and investments balance was \$26.47 million in a well diversified portfolio. Approximately \$8.66 million were in liquid assets. The remaining \$17.81 million were held in federal agency securities, corporate bonds, or certificates of deposits with maturities ranging from one month to five years.

The District is not required by statute to adopt a budget. However, in its commitment to maintain fiscal responsibility, the Board adopts a biannual budget which serves as a management tool to control cost and prioritize spending. In addition, the Purchasing Procedures provide foundations for the procurement process of goods and services by designating purchasing authority, and ensuring that requirements for documentation and compliance with the California Public Contract Code are met.

Major Initiatives

The District developed the first ten-year Strategic Plan, which establishes strategic goals to meet its vision in the areas of safety, nutrient response, planning for the upcoming contract renewal with EBDA, and replacement of 20 miles of sewer pipelines in the next ten years.

Another major initiative actively pursued by the District is to seek regulatory approval to construct a multi-purpose equalization, treatment wetland, and ecotone demonstration project on a portion of District property. Benefits of this project include the ability to divert peak wet weather flows, improvement of existing wildlife habitat, and evaluation of the leading alternative response to sea level rise in the Bay Area. In FY 2013-14, the District succeeded in obtaining four of five permits and approvals necessary for the plan. Construction is expected to begin in early 2015 and be completed within three years. The total cost of the project is projected to be \$6.9 million, funded partly by a \$2.1 million grant from the State of California.

With increasing concern for the sustainability of public employees retirement benefits, the District is considering to accelerate the funding of its accrued pension liability. A policy response is currently being developed to analyze various options to achieve this goal within ten to twenty years.

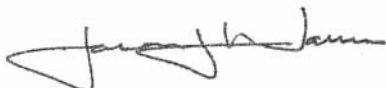
AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Oro Loma Sanitary District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the 19th consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the governmental entity had to publish an informative, well organized, and easily readable CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and are submitting it to GFOA to determine its eligibility for another certificate.

We wish to express our sincere appreciation to the Board of Directors, and especially to the members of the Finance & Insurance Committee, Mr. Roland J. Dias and Mr. Timothy P. Becker, and to the audit team from Cropper Accountancy, under the direction of Mr. John A. Cropper and Ms. Katy Perry, for their support in submitting this Comprehensive Annual Financial Report. The presentation of this report could not have been accomplished without the professionalism and dedication demonstrated by the management and staff of the District. We would like to convey special thanks to everyone who provided input in the preparation of this report.

Respectfully submitted,



Jason J. Warner
General Manager/Treasurer

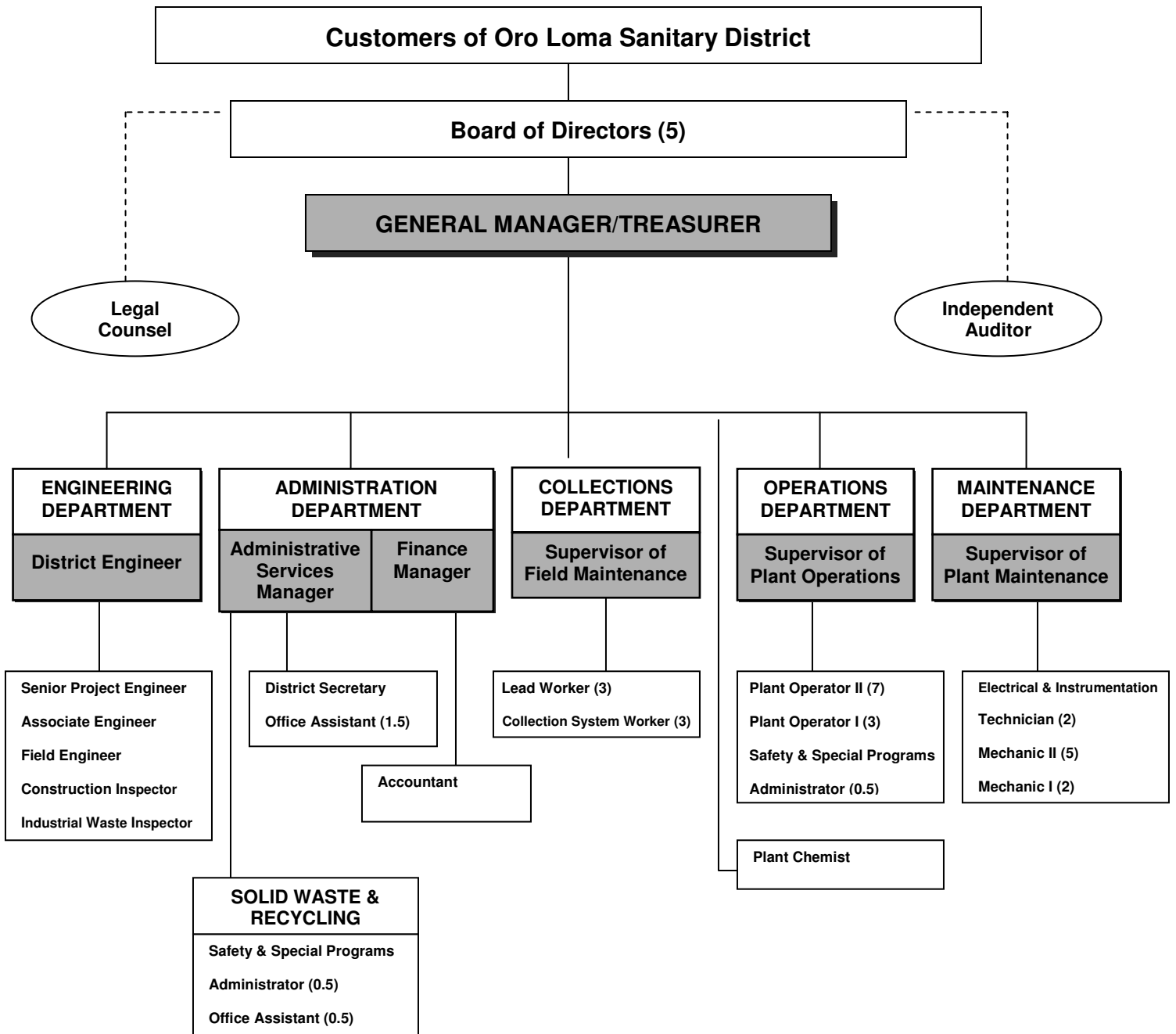


Arlene Wong
Finance Manager



Pearl Gonzalez
Accountant

DISTRICT ORGANIZATIONAL CHART



ORO LOMA SANITARY DISTRICT

GOVERNING BODY / BOARD OF DIRECTORS

The District is governed by a five-member Board of Directors, elected in the County's general election, for alternating four-year terms. The election is at large and non-partisan. Directors must reside within the District's boundaries.



Roland J. Dias, President

Term Expires 2016

Chairperson of Finance & Insurance Committee, member of Construction Committee, and representative on EBDA Commission

Mr. Dias is a retired Pacific Bell and AT&T executive who has extensive experience in fiscal budgeting and financial controls. He joined the Board of Directors in 1992.



Laython N. Landis, Vice President

Term Expires 2016

Chairperson of Construction Committee, member of Solid Waste Committee, and representative to ACWMA

Mr. Landis is a retired Pacific Bell executive and has served on the Board of Directors for most of the last 42 years, rejoining the Board in 1992.



Timothy P. Becker, Secretary

Term Expires 2018

Chairperson of Personnel/Safety/Public Information Committee, member of Finance & Insurance Committee, and alternate to ACWMA and alternate on EBDA commission

Mr. Becker has over 25 years of experience in the environmental services industry, and has been managing his own consulting business for almost a decade. He has been a member of the Board of Directors since 2007.



Howard W. Kerr, Director

Term Expires 2018

Chairperson of Solid Waste Committee, member of Operations Committee, alternate Representative to ACSDA

Mr. Kerr is a retired Health Inspector for the City of Oakland, and is a registered environmental health specialist in the State of California. He has been on the Board of Directors since 1986.



Frank V. Sidari, Director

Term Expired 2014. Retired from the District in November 2014.

Chairperson of Operations Committee, member of Personnel/Safety/Public Information Committee, and representative to ACSDA

Mr. Sidari is retired and a former partner/owner of the Alameda Disposal Company. Mr. Sidari has been on the Board of Directors since 1994.

ORO LOMA SANITARY DISTRICT

MANAGEMENT TEAM

OFFICIALS



Jason J. Warner, General Manager/Treasurer (from 2008)

Directs, manages, and coordinates District activities in accordance with Board policies. Manages the daily activities of the District and keeps the Board informed on projects and programs to facilitate good decision making. As Treasurer of the District, the General Manager also oversees the District's financial operations and risk management.

DEPARTMENTAL MANAGEMENT

ADMINISTRATION



Andreea Simion, Administrative Services Manager (from 2003)

Manages human resources functions, administrative support services, and public information programs. Oversees the preparation of agendas and minutes for the Board and various committee meetings, and coordinates the solid waste, recycling, safety, and training programs.



Arlene Wong, Finance Manager (from 2013)

Manages the District's financial control system, including budget preparation, investments, payroll, customer billings, payments, internal audits, and debt services, assuring that the District is meeting all its fiduciary responsibilities.

COLLECTIONS



Lenny A. Rather, Supervisor of Field Maintenance (from 1997)

Supervises the maintenance of the collections system and pump stations, and coordinates 24-hour emergency response. Ensures that the District provides exemplary customer service.

ORO LOMA SANITARY DISTRICT

MANAGEMENT TEAM

ENGINEERING



William D. Halsted, District Engineer (from 2009)

Directs and manages the Engineering Department. Administers capital and renewal and replacement programs. Oversees the issuance of permits for construction, repairs, and annexations, and reviews plans and specifications.

TREATMENT PLANT



Manuel Talledo-Garcia, Supervisor of Plant Operations (from 2012)

Supervises the continuous operations of the water pollution control plant and water reclamation facilities. Oversees day-to-day sludge processing operations.



Scott Von der Lieth, Supervisor of Plant Maintenance (from 2011)

Supervises equipment maintenance and provides support for operations, collections and remote site pump stations.

Vision of OLSD



Safety is paramount. We will maintain a safety program, safety culture, safe work habits, and safe work record to reflect our practice of proactive risk identification and mitigation, and commitment to safely completing our work.

Our staff remains our key asset. Despite anticipated attrition, we will practice deliberate knowledge transfer, keep the selection of extraordinary team players as our norm, foster an environment to promote professional development, and offer an appropriate compensation package.

Shaping and responding to new regulations gives us a competitive advantage. We will perform sound planning, engage with the regulatory community, and innovate as we select optimal responses to significant emerging regulations.

Not all new technologies are worth our investment. We will scrutinize available technologies and implement only those that increase our standard for operational resiliency while meeting our high standards for investment of public funds.

Measured risk taking is part of sound management. We will continue to take prudent business risks that improve the District's ability to respond to future challenges while maintaining our fiscal strength.

The public expects us to manage with the long term in mind. We will maintain a comprehensive understanding of our service and infrastructure needs and provide proper funding to manage their ongoing renewal.

Proactive communication is essential to providing the best service. We will identify issues of public concern and communicate our approach to addressing these issues well in advance of any requirement for significant action.

Excellence over average performance. We will set the standard for operational resiliency, regulatory compliance, and cost efficient operations among sanitary agencies in the State.





STRATEGY MAP

2014-2015

The best possible service at the lowest possible cost.

PERSPECTIVE

OBJECTIVE

CUSTOMER SERVICE

Raise awareness of what we do - within existing budget constraints.

When customers reach out to us, provide extraordinary service.

Meet all regulatory requirements (zero collection system overflows, zero lift station overflows, no effluent violations).

Maintain a high level of financial and operational transparency.

Continually audit Waste Management contract compliance and enforce required contract provisions.
Continually review Stopwaste and state mandates and maintain compliance.

INTERNAL

Build GIS into central reference source for all District assets and customers.

Improve District wide communications.

Maintain a high safety culture. Send Oro Loma employees into retirement without impairment - due to work related injury.

Apply rigorous condition assessment techniques to prioritize renewal of District assets.

Track emerging regulations and engage in process where appropriate.

FINANCIAL

Set rates to maintain infrastructure at a high performance level.

For each expenditure decision at all levels of the District - allocate funds as if they were our own.

Maintain the lowest sewer service rates in Alameda County and among the lowest 5 percentile of CASA members in the State.

EMPLOYEE LEARNING AND GROWTH

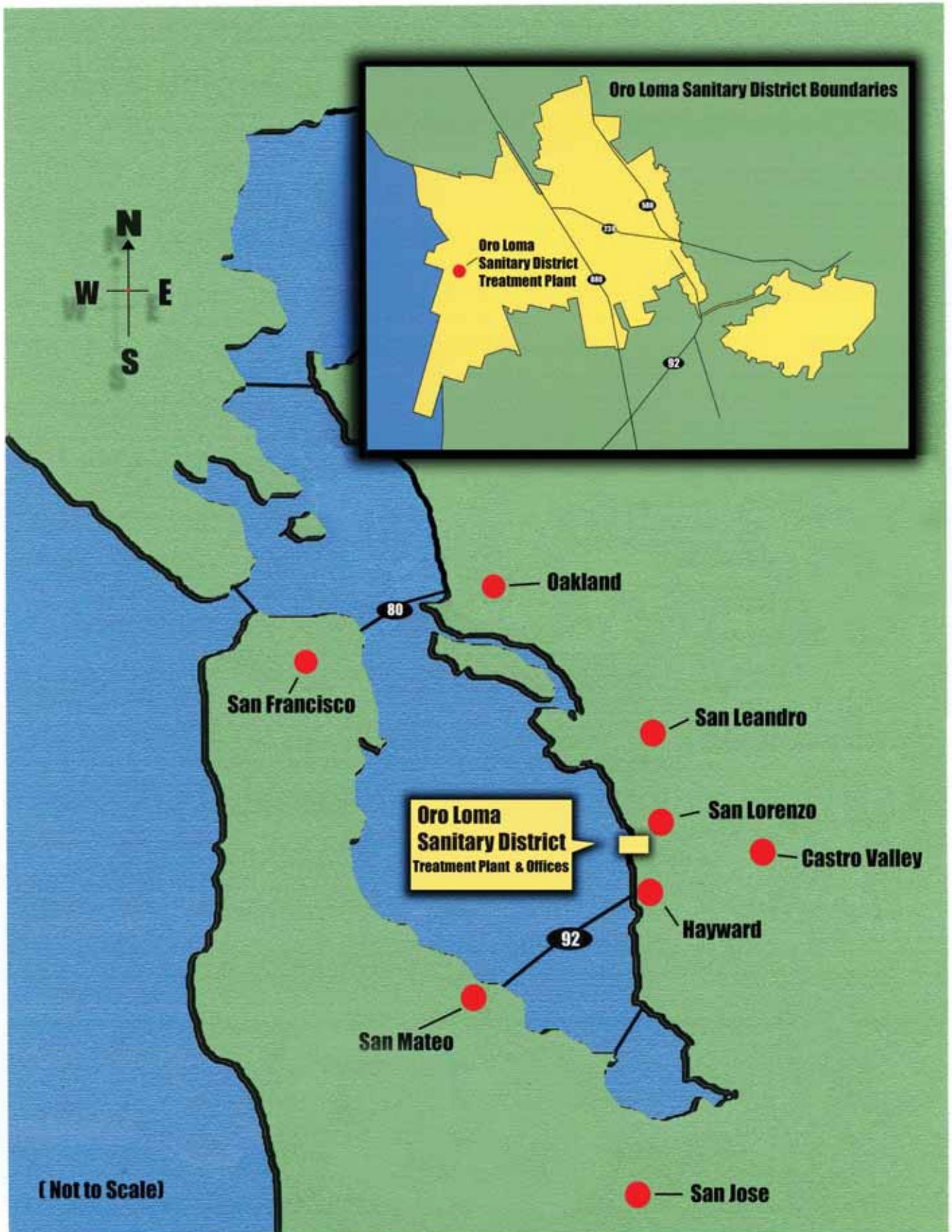
Teach and encourage mindfulness to prevent potential or new risks. Train and maintain readiness for proper response when risks materialize.

Develop written training documents for all key department processes.

Hire extraordinary people.

Oro Loma Sanitary District

Geographical Location & Boundaries





Government Finance Officers Association

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

Presented to

**Oro Loma Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO

DISTRICT AWARDS – LAST TEN YEARS

California Water Environment Association

(* denotes an award at both the San Francisco Bay Section and State levels)

Collection System of the Year (250-500 miles)

2004*, 2010*, 2013*

Plant of the Year (5-20 MGD)

2011

Safety Award (26-75 employees)

2007*

Water Environment Federation

George W. Burke Facility Safety Award

2008

California Sanitation Risk Management Authority

Safety, Health, Environment, Liability and Losses (SHELL) Award

FY 2012-13

Loss Control Program of the Year

FY 2004-05

Safety Superstar

FY 2004-05, 2005-06,
2006-07, 2009-10

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

All 10 years

(continuous since FY 1994-95)



Oro Loma won the California Water Environment Association's 2013 Collection System of the Year (250-500 miles).

INDEPENDENT AUDITORS' REPORT

Board of Directors
Oro Loma Sanitary District
San Lorenzo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Oro Loma Sanitary District, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Oro Loma Sanitary District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oro Loma Sanitary District, as of June 30, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed for Special Districts by the Office of the California State Controller.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oro Loma Sanitary District's basic financial statements. The *budgetary comparison information* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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


CROPPER ACCOUNTANCY CORPORATION

Walnut Creek, CA
September 5, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

Oro Loma Sanitary District (The District) was established in 1911 and subsequently reorganized in 1940. The District is empowered to own and operate sewage facilities, provide sewer services, and solid waste and recycling services to its customers. The elected Board of Directors may set, revise and collect fees for services provided by the District.

The following Management Discussion and Analysis (MD&A) is an overview of the District's financial activities, and summarizes changes in the District's basic financial statements for the fiscal year ended June 30, 2014, as compared to June 30, 2013. The MD&A serves as an introduction to the District's annual financial report.

Financial Highlights

- The District's Total Net Position as of June 30, 2014 was \$98,269,280, as compared to \$96,383,325 in 2013. Of these amounts, \$66,742,699 (2014) and \$61,334,894 (2013) represent net investment in capital assets, and \$31,526,581 (2014) and \$35,048,431 (2013) represent unrestricted net position, which may be used to meet the District's on-going financial obligations.
- The District's net position increased by \$1,885,955 (2.0%) in 2014 and \$1,415,981 (1.5%) in 2013.
- The District has not had any debt obligations since September 2009.

Overview of Financial Report

The District's annual financial report consists of: Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, and, Supplementary Information which shows annual changes in net position, revenues and expenses, and budgetary comparisons for sewer, solid waste and recycling services.

Required Financial Statements

The District provides services to the public and generates revenues through fee-based business-type activities. The accounting methods used are similar to those used by private entities, utilizing an enterprise fund under a broad fund category, known as proprietary funds. Required financial statements are listed as follows:

- The Statement of Net Position presents information about investments in resources (assets) and obligations (liabilities). It also provides a basis for evaluating the District's capital structure, liquidity and financial flexibility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Statement of Revenues, Expenses, and Changes in Net Position accounts for revenues and expenses. It shows the District's current operations and provides a comparison to the previous year, and can be used to determine whether the District has successfully recovered all its costs through user fees and other revenues.
- The Statement of Cash Flows provides information about cash receipts and disbursements, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities. It shows various cash sources and uses, and the changes in cash and cash equivalents between years.

Financial Analysis of the District

Net position is the difference between assets and liabilities, and provides a measurement on the District's overall financial health. Over time, trends in net position indicate whether the District's financial strength is improving or deteriorating. Nevertheless, other non-financial factors such as economic conditions, demographic changes, and new regulatory requirements also play a part in the financial condition of the District.

The District's total net position increased by \$1,885,955 (2.0%) during 2014, and \$1,415,981 (1.5%) during 2013. The following analysis focuses on the District's net position (Table 1) and changes in net position (Table 2) over the last two fiscal years:

Table 1: Oro Loma Sanitary District – Statement of Net Position

Period Ended June 30	2014	2013	Change in 2014		2012	Change in 2013	
			\$	%		\$	%
Current and other assets	34,832,988	36,995,210	(2,162,222)	-5.84%	37,472,692	(477,482)	-1.3%
Capital assets	66,742,699	61,334,894	5,407,805	8.8%	60,137,540	1,197,354	2.0%
Total assets	101,575,687	98,330,104	3,245,583	3.3%	97,610,232	719,872	0.7%
Current liabilities	2,395,438	858,669	1,536,769	179.0%	1,590,385	(731,716)	-46.0%
Noncurrent liabilities	910,969	1,088,110	(177,141)	-16.3%	1,052,504	35,606	3.4%
Total liabilities	3,306,407	1,946,779	1,359,628	69.8%	2,642,889	(696,110)	-26.3%
Net position							
Net investment in capital assets	66,742,699	61,334,894	5,407,805	8.8%	60,137,540	1,197,354	2.0%
Unrestricted	31,526,581	35,048,431	(3,521,850)	-10.0%	34,829,804	218,627	0.6%
Total net position	98,269,280	96,383,325	1,885,955	2.0%	94,967,344	1,415,981	1.5%

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of fiscal year 2014, the District's net position was \$98,269,280. This amount is made up of:

- \$66,742,699 – Net investment in capital assets. This amount represents investment in capital assets net of accumulated depreciation. There is no related debt. The capital assets are used to provide a variety of services. One of the biggest components of the assets category is the wastewater pollution control plant owned jointly by Oro Loma Sanitary District (75%) and Castro Valley Sanitary District (25%). Under a long-term agreement, Castro Valley Sanitary District reimburses Oro Loma for its share of capital costs, and keeps the value of its portion of capital assets relating to the plant on its books and records. Assets that do not pertain to the operations and maintenance of the water pollution control plant are owned by the District 100%.
- \$31,526,581 – Unrestricted category. This amount is comprised of:
 - \$6,586,688 – dedicated to investment in sewage discharge facilities – EBDA.
 - \$14,252,500 – dedicated reserves established by the Board for specific activities. The current reserve levels were adopted in July 2012 to reflect changing requirements in different programs and are noted below.
 - \$5,600,000 reserved for cash flow fluctuations. The District's main sources of revenue – sewer service charges and recycling charges – are collected on the Alameda County tax roll twice a year (December and April). There is a six-month delay between meeting current obligations and cash collections from the tax roll.
 - \$2,500 reserved for petty cash funds.
 - \$300,000 reserved for other post-retirement employee benefits (OPEB). This is a new reserve category, established in 2013, based on the annual cost of post-retirement medical benefits for retirees.
 - \$7,450,000 reserved for capital reserves in renewal and replacement, and capital improvement programs.
 - \$500,000 reserved for self-insurance and catastrophic events. The District's insurance deductible is \$250,000.
 - \$400,000 reserved for solid waste activities.
 - \$10,687,393 – Unreserved/unrestricted net position

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2: Oro Loma Sanitary District - Statement of Revenues, Expenses and Changes in Net Position

Period Ended June 30	2014	2013	Change in 2014		2012	Change in 2013	
			\$	%		\$	%
Operating revenues							
District service charges	\$11,583,176	\$11,368,931	\$214,245	1.9%	\$10,539,022	\$829,909	7.9%
Agency treatment charges	2,206,459	2,341,562	(135,103)	-5.8%	2,356,508	(14,946)	-0.6%
Permits and inspection fees	126,143	105,122	21,021	20.0%	105,501	(379)	-0.4%
Sanitary truck waste charges	48,815	44,614	4,201	9.4%	34,119	10,495	30.8%
Grease receiving charges	120,927	113,397	7,530	6.6%	100,964	12,433	12.3%
Contract fees	755,676	728,946	26,730	3.7%	1,014,122	(285,176)	-28.1%
Recycling charges-residential/green waste	2,286,977	2,285,768	1,209	0.1%	2,285,609	159	0.0%
Recycling charges-commercial/industrial	87,783	71,686	16,097	22.5%	96,011	(24,325)	-25.3%
Landfills fees-Measure D	327,570	342,132	(14,562)	-4.3%	322,360	19,772	6.1%
Others	763,138	719,682	43,456	6.0%	761,461	(41,779)	-5.5%
Total operating revenues	18,306,664	18,121,840	184,824	1.0%	17,615,677	506,163	2.9%
Operating expenses							
Engineering	712,859	694,142	18,717	2.7%	585,037	109,105	18.6%
Sewage collections	2,727,099	2,375,275	351,824	14.8%	2,207,219	168,056	7.6%
Sewage treatment operations	3,768,468	3,961,746	(193,278)	-4.9%	3,833,846	127,900	3.3%
Sewage treatment maintenance	1,951,508	2,100,408	(148,900)	-7.1%	2,419,194	(318,786)	-13.2%
Sewage disposal –EBDA	645,786	682,807	(37,021)	-5.4%	696,967	(14,160)	-2.0%
Administration and general	1,206,450	1,405,494	(199,044)	-14.2%	1,215,432	190,062	15.6%
Depreciation	3,179,437	3,133,447	45,990	1.5%	2,993,361	140,086	4.7%
Decrease in carrying value of sewage discharge facilities – EBDA	95,162	92,055	3,107	3.4%	104,088	(12,033)	-11.6%
Solid waste	296,535	330,769	(34,234)	-10.3%	395,554	(64,785)	-16.4%
Recycling-residential and commercial	2,599,618	2,682,645	(83,027)	-3.1%	2,662,165	20,480	0.8%
Total operating expenses	17,182,922	17,458,788	(275,866)	-1.6%	17,112,863	345,925	2.0%
Operating income (loss)	1,123,742	663,052	460,690	69.5%	502,814	160,238	31.9%
Nonoperating revenues							
Interest income	217,367	194,227	23,140	11.9%	157,237	36,990	23.5%
Unrealized gains (losses) on investments	53,279	19,345	33,934	175.4%	(157,399)	176,744	-112.3%
Rents, leases and personal license fees	84,856	132,159	(47,303)	-35.8%	394,141	(261,982)	-66.5%
Gain on disposal of capital aseets	14,643	-	14,643	100.0%	-	-	0.0%
Recovery of uncollectible accounts	11,702	9,821	1,881	19.2%	16,172	(6,351)	-39.3%
Other miscellaneous revenues	177,063	220,500	(43,437)	-19.7%	200,510	19,990	10.0%
EBDA and other agreement refunds	79,371	79,371	-	0.0%	79,371	-	0.0%
Grant revenues	-	36,948	(36,948)	-100.0%	-	36,948	100.0%
Total nonoperating revenues	638,281	692,371	(54,090)	-7.8%	690,032	2,339	0.3%
Nonoperating expenses							
Grant expenses	10,725	444	10,281	2315.5%	34,623	(34,179)	-98.7%
Write-off of plant and equipment	78	-	78	100.0%	260,034	(260,034)	-100.0%
Write-off of uncollectible accounts	1,502	8,757	(7,255)	-82.8%	2,217	6,540	295.0%
Total nonoperating expenses	12,305	9,201	3,104	33.7%	296,874	(287,673)	-96.9%
Income before contributions and transfers	1,749,718	1,346,222	403,496	30.0%	895,972	450,250	50.3%
Connection fees and other contributions	136,237	69,759	66,478	95.3%	112,127	(42,368)	-37.8%
Change in net position	1,885,955	1,415,981	469,974	33.2%	1,008,099	407,882	40.5%
Total net position – beginning	96,383,325	94,967,344	1,415,981	1.5%	93,959,245	1,008,099	1.1%
Total net position – ending	\$98,269,280	\$96,383,325	\$1,885,955	2.0%	\$94,967,344	\$1,415,981	1.5%

As presented in Table 2:

Total Operating Revenues \$18.3 million (2014) and \$18.1 million (2013) – Operating revenues increased by \$184,824 (1.0%) in 2014, and \$506,163 (2.9%) in 2013. This was mainly due to changes in revenues in the following categories:

- **District sewer service charges** increased by \$214,245 (1.9%) in 2014 and \$829,909 (7.9%) in 2013. After maintaining the same sewer service charges for the prior three years, the Board of Directors adopted a 3% annual rate increase over a five-year period, effective July 1, 2011. 2014 was the third year of this five-year plan. Residential sewer service revenues, billed on a per household basis, increased by \$272,791 (3.1%) in 2014. Commercial sewer service revenues, based on water consumption, remained stable at \$1.81 million. Revenues from significant industrial customers decreased by \$77,386 (8.5%) overall, mainly due to one customer's effort in reducing the chemical loadings in its discharge. In the prior year, the District experienced a 13% increase in commercial sewer revenues, and increased revenues from significant industrial customers, which were collectively 53% more than in 2012 due to higher water consumption and strength.
- **Agency treatment charges** decreased by \$135,103 (5.8%) in 2014 and \$14,946 (0.6%) in 2013. The District provides sewer treatment services to various public agencies, the largest of which is Castro Valley Sanitary District (CVSD). Charges to CVSD include treatment operations and maintenance costs (O&M), which are billed based on its contribution of sewage flow to the treatment plant. CVSD's flow has been on a downward trend from 26.87% (2012) to 26.30% (2013) and 25.84% (2014), causing lower agency revenues. Furthermore, in 2014, the District diverted more resources in its renewal and replacement (R&R) from the treatment plant to the collections system, to which CVSD does not contribute. The decrease in agency treatment charges from CVSD was partially offset by increases in treatment charges from the Cities of Hayward (7.1%) and San Leandro (4.5%), and EBDA (4.4%).
- **Permits and inspection fees** increased by \$21,021 (20.0%) in 2014. A total of 258 engineering permits were issued in 2014, compared to 220 in 2013, resulting in increased revenues of \$17,893 (31%). Industrial discharge permits increased by \$3,127 (6.6%).
- **Contract fees** increased by \$26,730 (3.7%) in 2014 and decreased by \$285,176 (28.1%) in 2013. The District provides solid waste services to its customers under agreement with Waste Management of Alameda County (WMAC), a private contractor. In January 2012, the District entered into a new agreement with WMAC which benefited the end customers by implementing only a modest garbage rate increase, but lowered the District's contract fee from 10% to 5%, resulting in the significant decrease in 2013. The higher revenues in 2014 were primarily due to the contract rate increase of 2.48%, and other adjustments in the customer base.
- **All remaining operating revenue categories** for 2014 and 2013 showed various fluctuations. Sanitary truck waste charges increased by 4,201 (9.4%) in 2014 and \$10,495 (30.8%) in 2013. Grease receiving charges increased by \$7,530 (6.6%) in 2014 and \$12,433 (12.3%) in 2013. Commercial and industrial recycling charges increased by \$16,097 (22.5%) in 2014 from higher recycled volume from businesses. This was offset by Landfill fees – Measure D, which decreased by \$14,562 (4.3%) in 2014, as a result of less solid waste being sent to the landfills.

Total Operating Expenses \$17.2 million (2014) and \$17.5 million (2013) – Operating expenses decreased by \$275,866 (1.6%) in 2014 and increased by \$345,925 (2.0%) in 2013. Election expenses of \$63,000 were not incurred in 2014 due to the non-election year. Other factors included a \$47,669 reduction in operating supplies, a \$136,338 decrease in general repairs and maintenance, and one-time payments for accumulated time-off to two retiring employees in 2013 that did not recur in 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total Nonoperating Revenues \$0.64 million (2014) and \$0.69 million (2013) – Nonoperating revenues decreased by \$53,646 (7.8%) in 2014 and increased by \$36,518 (5.6%) in 2013. The 2014 decrease was primarily due to the final discontinuance of WMAC personal license fees, decrease in sewer and recycling penalties collected by the Alameda County, and the differences in grant proceeds between the years. These factors were partially offset by a \$23,140 (11.9%) increase in interest income from District investments, and a \$33,934 (175.4%) increase in unrealized gains on investments. The 2013 increase was due to a \$176,744 (112.3%) increase in unrealized gains on investments, a \$71,127 (205.4%) increase in recycling grants, and a \$36,990 (23.5%) increase in interest income, offset by a \$261,982 (66.5%) decrease in personal license fees as a result of their expiration in the new solid waste and recycling agreement.

Total Nonoperating Expenses \$0.01 million (2014) and \$0.01 million (2013) – Nonoperating expenses increased by \$3,104 (33.7%) in 2014 due to grant expenses of \$10,725. In 2013, the \$253,494 (96.7%) decrease from the prior year was due to a write-off of equipment for \$260,034 recorded in 2012, when the District replaced an old filter belt press with remaining book value.

Capital Assets & Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$66,742,699 (net of accumulated depreciation) invested in a broad range of capital assets, as compared to \$61,334,894 at the end of 2013. These assets include land, collection system subsurface lines and lift stations, the sewage treatment plant, machinery and equipment, vehicles, solid waste and recycling assets.

In August 2012, the District transferred the ownership of fourteen garbage and green waste trucks to WMAC, at the end of a leasing agreement between the two parties. The value of these vehicles (\$1,831,381) have been removed from the District's assets and accumulated depreciation in 2013. In 2014, numerous construction projects were completed, transferred from construction in progress and capitalized. The results of these changes are shown in Table 3, which summarizes the District's capital assets at historical costs, reflecting a \$7,705,491 (6.5%) increase in 2014 and \$2,264,288 (1.9%) increase in 2013.

Table 3: Oro Loma Sanitary District – Capital Assets at Historical Cost

Period Ended June 30	2014	2013	2012
Land	\$ 846,034	\$ 846,034	\$ 846,034
Construction in progress	6,352,012	3,543,716	2,648,036
Sewer subsurface lines	57,154,775	53,002,054	51,849,904
Engineering equipment	50,815	58,170	71,945
Sewage collections lift station and equipment	6,762,222	6,616,705	5,021,885
Treatment plant buildings, systems, equipment	48,535,435	48,342,660	47,968,203
Maintenance machinery and equipment	3,322,410	2,853,018	2,836,788
Administration buildings and equipment	1,868,189	2,086,673	2,096,577
District vehicles	2,189,491	2,019,399	1,933,389
Subtotal – Sewer Services	119,883,337	114,978,679	111,778,691
Subtotal – Solid Waste equipment	2,177	2,177	917,867
Subtotal – Recycling equipment	28,514	35,977	951,667
Total capital assets	\$ 127,112,074	\$ 119,406,583	\$ 117,142,295
Increase (decrease) over prior year	\$ 7,705,491	\$ 2,264,288	\$ (1,851,833)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 4 summarizes the changes in capital assets, net of accumulated depreciation. The net increase in the District's Capital assets was \$5,407,805 (8.8%) in 2014 and \$1,197,354 (2.0%) in 2013. Additional information on capital assets is presented in Note 3 to the financial statements.

Table 4: Oro Loma Sanitary District – Capital Assets, Net of Accumulated Depreciation

Period Ended June 30,	2014	2013	2012
Balance at beginning of year	\$ 119,406,583	\$ 117,142,295	\$ 118,994,128
Additions	10,437,923	6,875,026	6,865,038
Retirements, write-offs and transfers	(2,732,432)	(4,610,738)	(8,716,871)
Total Districts capital assets	<u>127,112,074</u>	<u>119,406,583</u>	<u>117,142,295</u>
Accumulated depreciation at beginning of year	(58,071,689)	(57,004,755)	(59,333,347)
Depreciation - retired assets	881,751	2,066,513	5,321,953
Annual depreciation	<u>(3,179,437)</u>	<u>(3,133,447)</u>	<u>(2,993,361)</u>
Accumulated depreciation at end of year	<u>(60,369,375)</u>	<u>(58,071,689)</u>	<u>(57,004,755)</u>
Capital assets at end of year, net of depreciation	\$ 66,742,699	\$ 61,334,894	\$ 60,137,540
Increase (decrease) over prior year	\$ 5,407,805	\$ 1,197,354	\$ 476,759

Debt Administration

The District paid off its outstanding bonds in August 2009 and remains debt-free.

Economic Factors and Next Year's Budget and Rates

The District's mission is to provide customers with the best possible service at the lowest possible cost. The District prides itself in efficiency, accountability, customer service, entrepreneurial spirit, and an attitude of stewardship. As a result, the District has maintained the lowest sewer service rates in Alameda County, and the lowest known rate for sewer collection and treatment in the State of California. Our single family residential sewer rate during FY 2013-14 was \$195, or 62% less than the average rate of \$516 in Alameda County. As of July 1, 2014, the annual sewer service rate is \$200.

The District establishes and regularly reviews its reserves policy. The current five-year cash flow projection indicates that the District will utilize a portion of its available reserves to fund capital improvements, while maintaining modest increases in its sewer service rates. With significant investments put into the digester facilities during the last two years, and planning for a 3-year project to construct an equalization basin and ecotone demonstration, staff projects that available reserves may fall below Board-approved levels in the near future. During the upcoming budget planning, the Board should consider responses to the projection, including lowering established reserve levels, raising rates, or both.

In 2013, the District developed a Ten-Year Strategic Plan, which clarifies the District's mission statement and establishes a vision to reflect its commitment to continual improvement in all areas of its business. The Plan intends to cause an alignment of allocation of resources with actions to achieve the established vision. From this framework, strategic goals are identified in the areas of safety, collections, wastewater treatment, maintenance, operations, administration, solid waste and recycling. The Plan will be updated with the two-year budget.

Request for Information

This financial report aims to provide the public with a general overview of District finances, and to demonstrate the District's success in fulfilling its fiscal responsibility. Additional information may be requested from the District's Finance Manager at 2655 Grant Avenue, San Lorenzo, CA 94580, or (510) 481-6979.

SERVICE RECOGNITIONS DURING FY 2013-14

Oro Loma Sanitary District congratulates the following personnel for their dedicated years of service.

30 Years



Darrell Sorenson
Plant Operator II

15 Years



Scott Beckman
Plant Operator II

5 Years



Sara Burke
Plant Chemist



Robert Fletcher
Mechanic II



Chad McCarthy
Plant Operator I

BASIC FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

**ORO LOMA SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014 AND 2013**

EXHIBIT A

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	\$ 8,661,761	\$ 10,887,316
Investments at fair market value	17,807,662	17,874,789
Interest receivable	49,623	52,613
Accounts receivable	1,624,105	1,408,045
Prepaid and other items	103,149	90,597
Total current assets	28,246,300	30,313,360
Noncurrent assets		
Investment in sewage discharge facilities - EBDA	6,586,688	6,681,850
Capital assets		
Land	846,034	846,034
Buildings, machinery, equipment	119,883,337	114,978,679
Solid waste assets	2,177	2,177
Recycling assets	28,514	35,977
Construction in progress	6,352,012	3,543,716
Less: accumulated depreciation	(60,369,375)	(58,071,689)
Total capital assets (net of accumulated depreciation)	66,742,699	61,334,894
Total noncurrent assets	73,329,387	68,016,744
Total assets	\$ 101,575,687	\$ 98,330,104

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014 AND 2013**

EXHIBIT A (continued)

LIABILITIES

	<u>2014</u>	<u>2013</u>
Current liabilities		
Accounts payable	\$ 1,613,146	\$ 193,337
Accrued salaries and wages	95,376	81,833
Customers deposit payable	374,916	278,499
Accrued compensated absences (current)	62,000	55,000
Other benefits set-aside (current)	250,000	250,000
Total current liabilities	<u>2,395,438</u>	<u>858,669</u>
Noncurrent liabilities		
Accrued compensated absences	350,481	339,983
Other benefits set-aside	560,488	748,127
Total noncurrent liabilities	<u>910,969</u>	<u>1,088,110</u>
Total liabilities	<u>3,306,407</u>	<u>1,946,779</u>
NET POSITION		
Net investment in capital assets	66,742,699	61,334,894
Unrestricted	31,526,581	35,048,431
Total net position	<u><u>\$ 98,269,280</u></u>	<u><u>\$ 96,383,325</u></u>

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

EXHIBIT B

	<u>2014</u>	<u>2013</u>
Operating revenues		
District service charges	\$ 11,583,176	\$ 11,368,931
Agency treatment charges	2,206,459	2,341,562
Permits and inspection fees	126,143	105,122
Sanitary truck waste charges	48,815	44,614
Grease receiving charges	120,927	113,397
Contract fees	755,676	728,946
Recycling charges - residential and green waste	2,286,977	2,285,768
Recycling charges - commercial and industrial	87,783	71,686
Landfills fees - Measure D	327,570	342,132
Other	763,138	719,682
Total operating revenues	<u>18,306,664</u>	<u>18,121,840</u>
Operating expenses		
Engineering	712,859	694,142
Sewage collections	2,727,099	2,375,275
Sewage treatment operations	3,768,468	3,961,746
Sewage treatment maintenance	1,951,508	2,100,408
Sewage disposal - EBDA	645,786	682,807
Administration and general	1,206,450	1,405,494
Depreciation	3,179,437	3,133,447
Decrease in carrying value of sewage discharge facilities - EBDA	95,162	92,055
Solid waste	296,535	330,769
Recycling - residential, green waste, commercial and industrial	2,599,618	2,682,645
Total operating expenses	<u>17,182,922</u>	<u>17,458,788</u>
Operating income	<u>\$ 1,123,742</u>	<u>\$ 663,052</u>

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

EXHIBIT B (continued)

	<u>2014</u>	<u>2013</u>
Nonoperating revenues		
Interest income	\$ 217,367	\$ 194,227
Unrealized gains on investments	53,279	19,345
Rents, leases and personal license fees	84,856	132,159
Gain on disposal of capital assets	14,643	-
Recovery of uncollectible accounts	11,702	9,821
Other miscellaneous revenues	177,063	220,500
EBDA and other agreement refund	79,371	79,371
Grant revenues	-	36,948
Total nonoperating revenues	<u>638,281</u>	<u>692,371</u>
Nonoperating expenses		
Grant expenses	10,725	444
Write-off of plant and equipment	78	-
Write-off of uncollectible accounts	1,502	8,757
Total nonoperating expenses	<u>12,305</u>	<u>9,201</u>
Income before contributions	1,749,718	1,346,222
Connection and other developer fees	135,600	69,759
Contributions from Castro Valley Sanitary District for transferred vehicle	637	-
Change in net position	<u>1,885,955</u>	<u>1,415,981</u>
Net position - beginning	<u>96,383,325</u>	<u>94,967,344</u>
Net position - ending	<u><u>\$ 98,269,280</u></u>	<u><u>\$ 96,383,325</u></u>

The accompanying notes are an integral part of the financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS JUNE 30, 2014 AND 2013**

EXHIBIT C

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$18,090,604	\$18,016,572
Payments to suppliers	(5,775,127)	(8,272,490)
Rents, leases, and personal license fees	261,919	352,659
Payments to employees and employee benefit plans	(6,798,425)	(6,680,457)
Net cash provided by operating activities	<u>5,778,971</u>	<u>3,416,284</u>
Cash Flows From Noncapital Financing Activities		
EBDA agreement refund	79,371	79,371
Grant revenue	-	36,948
Grant expenses	-	(444)
Recovery of uncollectible accounts	11,702	9,821
Net cash provided by noncapital and related financing activities	<u>91,073</u>	<u>125,696</u>
Cash Flows From Capital And Related Financing Activities		
Connection and other developers' fees	135,600	69,759
Additions to property, plant and equipment	(8,587,242)	(4,330,801)
Gain on disposal of capital assets	14,643	-
Contributions for Castro Valley for transferred vehicle	637	-
Net cash used by capital and related financing activities	<u>(8,436,362)</u>	<u>(4,261,042)</u>
Cash Flows From Investing Activities		
Interest on investments	220,357	194,121
Purchases of investments	-	(3,007,654)
Proceeds from investments	120,406	-
Net cash provided by (used for) investing activities	<u>340,763</u>	<u>(2,813,533)</u>
Net decrease in cash and cash equivalents	(2,225,555)	(3,532,595)
Cash and cash equivalents, beginning of year	<u>10,887,316</u>	<u>14,419,911</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,661,761</u></u>	<u><u>\$10,887,316</u></u>

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

**ORO LOMA SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

EXHIBIT C (Continued)

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	\$ 1,123,742	\$ 663,052
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation expense	3,179,437	3,133,447
(Increase) decrease in accounts receivables	(216,060)	(105,268)
(Increase) decrease in other current assets	(12,552)	(14,794)
Increase (decrease) in accounts payable	1,419,809	(672,593)
Increase (decrease) in deposits payable	96,417	(63,798)
Write off of plant and equipment	(78)	-
Write off of uncollectible accounts	(1,502)	(8,757)
Grant expenses	(10,725)	-
Decrease in EBDA discharge facilities	95,162	92,055
Reclassification of line item from nonoperating to operating revenues on the Statement of Cash Flows	261,919	352,659
Increase in accrued salaries and compensated absences	31,041	24,270
Increase (decrease) in other postemployment benefit liability	(187,639)	16,011
Net cash provided by operating activities	<u>5,778,971</u>	<u>3,416,284</u>
End of Period		
Unrestricted cash and equivalents	8,661,761	10,887,316
Restricted assets	-	-
Total cash and cash equivalents	<u>\$ 8,661,761</u>	<u>\$ 10,887,316</u>
Schedule of noncash investing and financing activities		
Change in FMV of investments not held as cash equivalents	\$ 53,279	\$ 19,345

The accompanying notes are integral part of these financial statements

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Description of District and Summary of Significant Accounting Policies

The Oro Loma Sanitary District (the “District”) was formed on August 11, 1911, with the primary purpose of servicing an 800-acre area, and was reorganized on June 18, 1940. The District provides for the collection and treatment of wastewater, and oversees the collection and proper handling of solid waste and recyclables from homes and businesses located in its 13-square mile service area. Oro Loma’s service area is located about 13-miles south of Oakland, and 30-miles north of San Jose, within Alameda County on the eastern shore of the San Francisco Bay. In addition to the services provided within the District’s boundaries, the District also provides sewage treatment services for Castro Valley Sanitary District, and has special collection and treatment service agreements for certain areas within the City of San Leandro and the City of Hayward. The District’s enabling legislation is the Sanitary Act of 1923 of the California State Health and Safety Code.

The District is governed by a five-member Board of Directors, elected in the Alameda County’s general election, for alternating four-year terms. The election is at large and non-partisan. Directors must reside within the District’s boundaries. The Board appoints the General Manager to manage and oversee day-to-day operations.

The accounting policies of Oro Loma Sanitary District conform to accounting principles generally accepted in the United States of America as applicable to enterprise governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The District has implemented GASB Statement No. 34, and its statements are presented according to those requirements. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a management discussion and analysis section, a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. The District does not currently have any restrictions on any portion of its net position.

Financial Reporting Entity

For financial reporting purposes and in conformity with the Governmental Accounting Standards Board (GASB) Statement No. 14, component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The District considered all potential component units in determining what organizations should be included in the financial statements. The District includes all funds that are controlled by, or are dependent upon the Board of Directors of the District. Since no other entities are controlled by, or rely upon the District, the reporting entity consists solely of the District. The District’s share of a Joint Powers Authority – East Bay Dischargers Authority (EBDA) is reflected based upon the District’s proportionate share of the investment in the discharge facilities of the Authority. Based on these criteria, there are no component units to include in the District’s financial statements. GASBS No. 14 was modified in November 2010 by the issuance of GASBS No. 61.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Methods of Accounting

The financial statements of the District are presented as those of an enterprise fund under the broad category of funds called proprietary funds, which also include internal service funds.

Enterprise funds account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The acquisition and capital improvement of the physical plant facilities required that these goods and services be financed from existing cash resources, cash flow from operations, the issuance of bonds, and contributed capital.

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.

To facilitate management and budgetary controls, the District has established funds. These funds are combined to arrive at the financial position and results of operations reflected in the District's financial statements (Exhibits A through C).

A more detailed description of funds utilized by the District is included in the supplementary information.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus applied.

Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Policy and Control

The District is not required by statute to adopt a budget. However, in its commitment to maintain responsible fiscal management, the District adopts a biennial budget, which includes capital project outlays and expenses. This necessitates the exclusion of capital expenditures in order to reconcile to expenses used in the accrual basis of accounting. Prior to June 30 every two years, the General Manager submits a proposed budget to the Board of Directors for approval by resolution. The General Manager may over-expend for a particular line item; however, the General Manager may not over-expend on a departmental budget without obtaining Board approval. During the two-year budget cycle, amendments are prepared by management and approved by the Board to reprioritize project spendings if necessary.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash-on-hand, demand-deposits, and short-term investments, with original maturities of three months or less from the date of acquisition. See Note 2 for additional information on investment policies and practices for both the State of California and the District.

Long Term Debt

The District does not have any long term debt at June 30, 2014. The last sewer revenue bonds were paid off on September 21, 2009. Consequently, there are no restricted reserves associated with debt service presented on the Statement of Net Position.

Capital Assets

Capital assets, which include property, plant and equipment, are recorded at historical costs or estimated historical cost, if actual cost is not available. Contributed assets are recorded at estimated fair value on the date contributed. The sewage plant is owned jointly by Oro Loma Sanitary District and Castro Valley Sanitary District. Oro Loma, as the majority owner, constructs the assets, and the assets are recorded at a value of 75% on Oro Loma's books and 25% on Castro Valley's books. Assets that do not pertain to the operations and maintenance of the treatment plant are recorded at 100% of the value on the District's books.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. See Note 3 for further details.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Depreciation is computed using the straight-line method based on the estimated useful lives of related asset classifications ranging from 2 to 80 years. It is the District's policy to depreciate capital assets following the year of acquisition.

Capital Contributions

Contributions of capital assets consist of contributed capital assets, connection and other developer fees that are legally restricted for capital expenditures by State law or by Board actions that established those charges. Connection and other developer fees represent a one-time contribution of resources to the District, imposed on contractors and developers for the purpose of financing capital improvements.

Compensated Absences

The District has included in its liabilities an accrual for accumulated earned, but unused, vacations, holidays, and compensatory time.

Balance at June 30, 2013		\$ 394,983
Addition for employees with accrued compensated absences earned	79,443	
Deduction for employees with accrued compensated absences used	(61,945)	
Net change in accrued compensated absences		<u>17,498</u>
Balance at June 30, 2014		<u><u>\$ 412,481</u></u>

The current portion of the compensated absences liability to be used within the next year is estimated by management to be approximately \$62,000 or 15%.

Classification of Revenues

Operating revenues consist of fees charged to customers for wastewater, solid waste and recycling services. Nonoperating revenues consist of investment income and special charges that can be used for either operating or capital purposes, except those which by grant provision or other agreement, may be designated for certain other purposes.

Other Post-Employment Benefits (OPEB)

The District adopted GASBS No. 43 and GASBS No. 45 in fiscal year ended June 30, 2008. To comply with the provisions of GASBS No. 43 and GASBS No. 45, actuarial studies were performed as of July 1, 2009, 2011 and 2013 to determine the District's annual required contributions (ARC) and unfunded liabilities. In addition, the District set up an OPEB trust through CalPERS, and maintains an in-house OPEB day-to-day account, to which the actuarially determined ARC could be deposited. See Note 8 for additional detail.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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. As described more fully in Note 6, the District paid off its debt in 2009 and has had no restricted assets since the year ended June 30, 2010.

New Accounting Pronouncements

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 current fiscal year (effective for periods beginning after December 31, 2012). This Statement did 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 No. 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 current fiscal year ended (effective for periods beginning after December 31, 2012). This Statement did not result in a change in current practice, or have a material effect on the financial statements of the District.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 No. 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 No. 25 and No. 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 post-employment 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 the provisions of this Statement for the current fiscal year (effective for periods beginning after June 15, 2013). Because the District is not a pension plan, but rather a participant in a pension plan, this Statement did not result in a change in current practice, or have a material effect on the financial statements of the District.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

New Accounting Pronouncements (continued)

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.

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.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

New Accounting Pronouncements (continued)

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, but may have a material effect on the financial statements of the District.

In January of 2013, GASB issued GASBS No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

This Statement requires the use of carrying values to measure the assets and liabilities in a government merger; it also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values, provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold, and requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The District is required to implement provisions of this Statement for the year ended June 30, 2015 (effective for periods beginning after December 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

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ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

New Accounting Pronouncements (continued)

In April of 2013, GASB issued GASBS No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting. The District is required to implement provisions of this Statement for the current fiscal year (effective for periods beginning after June 15, 2013). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In November of 2013, GASB issued GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District is required to implement provisions of this Statement simultaneously with the provisions of Statement 68 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, but may have a material effect on the financial statements of the District.

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ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. Cash and Cash Equivalents and Investments

The following cash and investments at June 30, 2014 reflects amounts reported in Exhibit A of the basic financial statements:

Assets:

Cash and cash equivalents	\$ 8,661,761
Investments	<u>17,807,662</u>
Total cash, deposits, and investments	<u>\$ 26,469,423</u>

Cash, deposits, and investments as of June 30, 2014, consist of the following:

Petty cash	\$ 2,500
Deposits with financial institutions:	
Checking account – US Bank	411,701
Money market account – Wells Fargo IRT*	1,360,725
California Local Agency Investment Fund (LAIF)	<u>6,886,835</u>
Subtotal cash and deposits	<u>8,661,761</u>
Investments:	
U.S. Treasury Obligations (TN) – Wells Fargo IRT*	1,756,343
U.S. Government Securities (Bonds) – Wells Fargo IRT*	5,511,075
Certificates of Deposit – Wells Fargo IRT*	7,488,204
Corporate Bonds – Wells Fargo IRT*	<u>3,052,040</u>
Subtotal investments	<u>17,807,662</u>
Total cash, deposits, and investments	<u>\$ 26,469,423</u>

*Institutional Retirement & Trust (IRT) – custodial account maintained by Wells Fargo Bank for the District's specific investments, based on the written custodial agreement dated June 20, 2011.

Policies and Practices

Under the constraints prescribed by the Government Code of the State of California for permissible investments, the District's investment policy allows the following investment instruments:

- Local Agency Investment Fund
- Certificates of Deposit (FDIC insured)
- U.S. Treasury instruments
- Federal Agency mortgage-backed securities and debentures
- Federal instrumentality debentures, discount notes, callable and step-up securities
- Money market mutual funds
- Bankers' acceptances
- Other deposits with banks, savings and loan associations, credit unions, federal investment funds
- Commercial papers
- Medium-term corporate notes

State code prohibits the District from investing in investments with a rating of less than A or equivalent. The District's investment policy follows State code, except that investments in Money Market may be made only if the fund has a rating of Aaa.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. Cash and Cash Equivalents and Investments (continued)

General Authorizations

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

Authorized Investment Type with <u>minimum rating requirements, where applicable</u>	<u>State of California Limits</u>			<u>District Policy</u>
	Maximum Remaining <u>Maturity</u>	Maximum Amount or Percentage <u>of Portfolio</u>	Maximum Investment <u>in One Issuer</u>	Maximum Percentage <u>of Portfolio</u>
U.S. Treasury Obligations	5 years	None	None	100%
U.S. Government Securities (a)	5 years	None	None	30%
Banker's Acceptance [A-1, A for senior debt]	180 days	40%	30%	20%
Commercial Papers [A-1]	270 days	25%	10%	25%
Certificates of Deposit (b)	5 years	30%	None	30%
Repurchase Agreements	1 year	None	None	Not permitted
Reverse Repurchase Agreements	92 days	20% of base	None	Not permitted
Money Market Mutual Funds [Aaa]	N/A	20%	10%	20%
Local Agency Investment Fund (c)	N/A	\$50 million	None	\$50 million
Bank deposits	N/A	None	10%	20%
Corporate notes [A]	5 years	25%	5%	25%

- (a) U.S. Government Securities – securities issued by agencies sponsored by the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC). District policy states that no more than 30% of District assets can be invested in one agency.
- (b) All certificates of deposit purchased by the District must be insured by the Federal Deposit Insurance Corporation (FDIC).
- (c) Local Agency Investment Fund investments have a minimum balance of \$4 million.

The District investment policy is that investment maturities do not exceed 5 years.

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ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. Cash and Cash Equivalents and Investments (continued)

Interest Rate Risk and Credit Risk

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following schedule provides information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation by showing the distribution of the District's investments by maturity. Presented below is the actual rating as of the June 30, 2014 for each investment type.

(Source: Moody's)

Investment Type	Maturities of Instruments			Rating as of June 30, 2014	Total	Percentage of Portfolio
	12 months or less	12 – 24 months	25 months or longer			
U.S. Treasury Notes	\$ -	\$ -	\$ 1,756,343	Aaa	\$ 1,756,343	7%
U.S. Government Securities						
FFCB	-	-	997,580	Aaa	997,580	4%
FHLB	-	-	2,000,910	Aaa	2,000,910	8%
FHLMC	-	-	1,001,710	Aaa	1,001,710	4%
FNMA	-	511,715	999,160	Aaa	1,510,875	5%
Corporate Bonds	-	1,557,860	1,494,180	A1 - Aaa	3,052,040	11%
Certificate of Deposit	<u>1,754,232</u>	<u>1,762,023</u>	<u>3,971,949</u>	FDIC insured	<u>7,488,204</u>	<u>28%</u>
Total Investments	1,754,232	3,831,598	12,221,832		17,807,662	67%
Cash and money market	1,774,926	-	-	Not required	1,774,926	7%
LAIF State Investment Pool	<u>6,886,835</u>	-	-	Not required	<u>6,886,835</u>	<u>26%</u>
Total cash and investments	<u>\$10,415,993</u>	<u>\$ 3,831,598</u>	<u>\$12,221,832</u>		<u>\$26,469,423</u>	<u>100%</u>

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**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. Cash and Cash Equivalents and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. District investment policy limits the amount that can be invested in any one issuer. As of June 30, 2014, all concentrations are within the amounts permitted by the District's investment policy.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk, as well as the California Government Code, requires that a financial institution secure deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District's policy, as well as California law, allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits, and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2014, the District's U.S. Bank balance of \$943,602 (before reduction for outstanding checks and addition of deposits in transit) was covered by federal depository insurance or by collateral held in an undivided collateral pool, as described above.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside 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 Cutwater Asset Management and Wells Fargo Securities, both of which will transact the District's investment decisions in compliance with the requirements of the District's policy. All cash and securities purchased through Cutwater Asset Management and Wells Fargo Securities are held with Wells Fargo Institutional Retirement and Trust (IRT) in the District's name per a custody agreement dated June 20, 2011.

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. The LAIF balance at June 30, 2014 was \$6,886,835.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. Capital Assets

Capital asset activity for the year ended June 30, 2014 is summarized as follows:

	<u>Estimated life</u>	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Non-depreciable capital assets:					
Land		\$ 846,034	\$ -	\$ -	\$ 846,034
Construction in progress		3,543,716	4,658,976	(1,850,680)	6,352,012
Total non-depreciable capital assets		<u>4,389,750</u>	<u>4,658,976</u>	<u>(1,850,680)</u>	<u>7,198,046</u>
Depreciable capital assets:					
<u>Sewer services</u>					
Subsurface Lines	20-80yrs	53,002,053	4,152,722	-	57,154,775
Engineering	5-20 yrs	58,171	-	(7,356)	50,815
Sewage collections	5-20 yrs	6,616,706	310,954	(165,438)	6,762,222
Sewage treatment operations	2-20 yrs	48,342,658	376,109	(183,333)	48,535,434
Sewage treatment maintenance	5-20 yrs	2,853,019	506,743	(37,352)	3,322,410
Administration and general	5-20 yrs	2,086,674	-	(218,484)	1,868,190
District vehicles	5-10 yrs	2,019,398	451,675	(281,582)	2,189,491
Subtotal - Sewer services		<u>114,978,679</u>	<u>5,798,203</u>	<u>(893,545)</u>	<u>119,883,337</u>
<u>Solid waste services</u>					
Subtotal - Solid waste services	5 yrs	<u>2,177</u>	<u>-</u>	<u>-</u>	<u>2,177</u>
<u>Recycling services</u>					
Subtotal - Recycling services	5-10 yrs	<u>35,977</u>	<u>-</u>	<u>(7,463)</u>	<u>28,514</u>
Total depreciable capital assets		<u>115,016,833</u>	<u>5,798,203</u>	<u>(901,008)</u>	<u>119,914,028</u>
Total District capital assets		\$ <u>119,406,583</u>	\$ <u>10,457,179</u>	\$ <u>(2,751,688)</u>	\$ <u>127,112,074</u>

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. Capital Assets (continued)

	Balance <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
Less: accumulated depreciation:				
<u>Sewer services</u>				
Subsurface Lines	\$ (25,409,553)	\$ (739,428)	\$ -	\$ (26,148,981)
Engineering	(42,943)	(5,186)	7,356	(40,773)
Sewage collections	(3,455,520)	(228,275)	146,181	(3,537,614)
Sewage treatment operations	(23,629,128)	(1,968,177)	183,333	(25,413,972)
Sewage treatment maintenance	(2,070,777)	(121,705)	37,352	(2,155,130)
Administration and general	(2,054,556)	(6,655)	218,484	(1,842,727)
District vehicles	(1,373,663)	(107,406)	281,582	(1,199,487)
Subtotal - Sewer services	<u>(58,036,140)</u>	<u>(3,176,832)</u>	<u>874,288</u>	<u>(60,338,684)</u>
<u>Solid waste services</u>				
Subtotal - Solid waste services	<u>(2,177)</u>	<u>-</u>	<u>-</u>	<u>(2,177)</u>
<u>Recycling services</u>				
Subtotal - Recycling services	<u>(33,372)</u>	<u>(2,605)</u>	<u>7,463</u>	<u>(28,514)</u>
Total accumulated depreciation	<u>(58,071,689)</u>	<u>(3,179,437)</u>	<u>881,751</u>	<u>(60,369,375)</u>
Net depreciable capital assets	<u>56,945,144</u>	<u>2,618,766</u>	<u>(19,257)</u>	<u>59,544,653</u>
Net capital assets	\$ <u>61,334,894</u>	\$ <u>7,277,742</u>	\$ <u>(1,869,937)</u>	\$ <u>66,742,699</u>

Depreciation expenses were charged by function as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Sewer services	\$ 3,176,832	\$ 3,130,408	\$ 2,990,322
Solid waste services	-	435	435
Recycling services	<u>2,605</u>	<u>2,604</u>	<u>2,604</u>
Total depreciation expense by function	\$ <u>3,179,437</u>	\$ <u>3,133,447</u>	\$ <u>2,993,361</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

3. Capital Assets (continued)

Construction commitments:

The District has active construction projects as of June 30, 2014. The projects include sewer line replacements and capital improvements in the wastewater treatment plant. These commitments are for wastewater treatment facilities and being financed from available reserves. The Equalization Wetland Treatment/Ecotone project will be partially funded by a grant from the State of California.

Expenditures from inception to date and estimated costs of completion (including commitments) for these projects are listed below.

Project #	Project	Total Cost			
		From Inception To Date	District's Share Of Cost	Estimated Total Cost Of Completion	Projected Year Of Completion
45-143.02	Pipeline Replacements FY 2014-15	\$ 51,945	\$ 51,945	\$ 2,127,705	FY 2014-15
45-281.00	Digester Facilities Improvements	7,673,038	5,754,778	800,000	FY 2014-15
45-293.02	Equalization Wetland/Ecotone	670,106	502,580	6,200,000*	FY 2016-17
45-319.00	SCADA Network Upgrades	56,945	42,709	285,000	FY 2014-15
Total construction commitments		\$ 8,452,034	\$ 6,352,012	\$ 9,412,705	

* Part of this cost will be reimbursed by a grant from the State of California. See note 12 for additional detail.

4. Pollution Remediation Commitment

The parking lot on the west side of the administration building once housed an underground gasoline storage tank. The tank has been removed, and the site was cleaned up by the District with the help of a grant from the State of California. The District has fulfilled all the requirements for testing, which showed that contaminants levels are in compliance with both the State and the County of Alameda. On July 3, 2014, the District received from the State a completion certification for the remediation, and the case is now closed. No further monitoring is required.

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ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. Investment in Sewage Discharge Facilities - East Bay Dischargers Authority (EBDA)

The East Bay Dischargers Authority (EBDA) was established in 1974 by the Cities of Hayward and San Leandro, and by the Oro Loma, Castro Valley, and Union Sanitary Districts under the Joint Exercise of Powers Act of the State of California. The purpose for creating the Authority was to plan, acquire, construct, manage and operate common use areas for sewage disposal facilities for its member agencies. The governing body of EBDA consists of five members: one appointed by each of its member agencies, all with equal vote. As a separate legal entity, EBDA exercises full powers and authorities within the scope of the Joint Powers Agreement. The obligations and liabilities of EBDA are not those of its member agencies.

EBDA applied for, and received, a National Pollutant Discharge Elimination System Permit No. CA 0037869 from the California Regional Water Quality Control Board to discharge up to 189.1 MGD of secondary treated wastewater to the San Francisco Bay. It is EBDA's responsibility to ensure that all treatment of wastewater by each member agency is in compliance with the Federal Water Pollution Control Act (P.L. 92-500) and as amended by the Clean Water Act of 1986.

The financial activities for EBDA are not included in the accompanying financial statements as it is administered by a Commission separate from and independent of the District. Current fiscal year transactions with, and the investment in, the Joint Powers Authority are accounted for as follows:

1. The District's long-term investment in EBDA, for which the District has the ability to exercise significant influence over operating and financial policies, is reported as "Investment in Sewage Discharge Facilities" under capital assets in the amount of \$6,586,688 for 2014 and \$6,681,850 for 2013. The annual changes of \$95,162 and \$92,055, respectively, are reported as decreases in the carrying value of sewage discharge facilities (EBDA) under operating expenses.
2. The District's share of payments related to sewage disposal services provided by EBDA is reported as operating expenses on the financial statements. The District paid \$645,786 and \$682,807 respectively during the fiscal years ended 2014 and 2013.
3. The District received from EBDA \$79,371 per year in 2014 and 2013 in lieu of its share of revenues from the long-term agreement between EBDA and Livermore-Amador Valley Water Management Agency (LAVWMA). These receipts are reported as EBDA and Other Agreement Refunds under nonoperating revenues.

The assets of EBDA are the costs of the property, plant, and equipment used to discharge the wastewater to the San Francisco Bay.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

5. Investment in Sewage Discharge Facilities - East Bay Dischargers Authority (EBDA)
(continued)

Over \$40 million of the construction costs and planning related thereto were primarily funded by federal and state sources as follows: 75% by the U.S. Environmental Protection Agency (EPA), and 12.5% by the State Water Resources Control Board (SWRCB). The remaining 12.5% was funded by EBDA's member agencies.

Legal title and all pertinent grant documents and conditions for joint-use facilities remain with EBDA. Each agency owns an undivided portion of the joint facilities used by it (including the portions funded by federal and state grants), equal to its percentage of project costs, as defined by the Joint Exercise of Powers Agreement.

The financial statements of EBDA are available upon request from: East Bay Dischargers Authority, 2651 Grant Avenue, San Lorenzo, California 94580.

Summary financial data taken from EBDA's audited financial statements for its fiscal years ended June 30, 2013 and 2012 (latest available) is as follows:

	Fiscal Year Ended June 30	
	<u>2013</u>	<u>2012</u>
Net position at beginning of year	\$ 34,612,018	\$ 35,088,861
Net income before depreciation	381,593	420,752
Depreciation	<u>(874,534)</u>	<u>(897,595)</u>
Changes in net position	<u>(492,941)</u>	<u>(476,843)</u>
Net position at end of year	<u>\$ 34,119,077</u>	<u>\$ 34,612,018</u>
Comprised of		
Total assets	35,336,462	35,636,575
Less: total liabilities	<u>(1,217,385)</u>	<u>(1,024,557)</u>
Total net position	<u>\$ 34,119,077</u>	<u>\$ 34,612,018</u>

The District's investment in sewage discharge facilities (EBDA) at 19.305% is as follows*:

Investment in sewage discharge facilities (EBDA) – beginning of year	6,681,850	6,773,905
Decrease in carrying value of sewage discharge facilities of EBDA	<u>(95,162)</u>	<u>(92,055)</u>
Investment in sewage discharge facilities (EBDA) - end of year (listed as a noncurrent asset on the Statement of Net Position)	<u>\$ 6,586,688</u>	<u>\$ 6,681,850</u>

* Oro Loma's share is 65% of the 29.7 % jointly owned by OLSD and CVSD (or 19.305%).

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. Long Term Debt

All outstanding revenue bonds were paid in full on September 21, 2009. As of June 30, 2014 there was no long term debt or restricted portion of net position that would be required to be listed on the Statement of Net Position.

Property Tax

The District's property tax levies have been used to pay principal and interest on outstanding General Obligation Bonds in the past. Potential debt service assessment data for fiscal years 2014 and 2013 is set forth below:

	<u>2014</u>	<u>2013</u>
Oro Loma Sanitary District No. 2	\$ 3,207,964,633	\$ 3,033,240,871
Oro Loma Sanitary District No. 5	7,088,026,218	6,810,687,283
Oro Loma Sanitary District Castro Valley Annex	74,188,097	72,243,523
Total asset valuation at full value	<u>\$ 10,370,178,948</u>	<u>\$ 9,916,171,677</u>

The State of California Constitution Article XIII provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by Article XIII. The State Legislature has determined the method of distribution of receipts from the \$1.00 levy among the counties, cities, school districts and other districts. Counties, cities and districts may levy such additional tax rate as is necessary to provide for voter-approved debt service.

Bonding Capacity

The California Health & Safety Code, Section 6651, Bonded Indebtedness Limit, limits the District's maximum bonding capacity to 15% of the assessed value of the real and personal property of the District, which is established by the County of Alameda as follows:

	<u>2014</u>	<u>2013</u>
Total asset valuation at full value	\$ <u>10,370,178,948</u>	\$ <u>9,916,171,677</u>
Assessed valuation at 25% of full value	\$ <u>2,592,544,737</u>	\$ <u>2,479,042,919</u>
Limit (15% thereof)	388,881,711	371,856,438
Bonds authorized and unissued General Obligation Bonds	<u>(600,000)</u>	<u>(600,000)</u>
Bonding capacity	\$ <u>388,281,711</u>	\$ <u>371,256,438</u>
Tax Rate for General Obligation Bonds	None Outstanding	None Outstanding

The District does not rely upon a property tax levy for any portion of its revenues. The District has not issued general obligation debt secured by property taxes, and therefore is not subjected to legal debt limits. Certain portions of sewer and recycling revenues are collected via property tax rolls as delineated in the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien / levy dates	March 1	March 1
Due dates	50% on November 1, 50% on February 1	July 1
Delinquent as of	December 10, April 10	August 31

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. Defined Benefit Plans – California Public Employees’ Retirement System (CalPERS)

Plan Description

The District has three different retirement plans, maintained by the California Public Employees’ Retirement System (CalPERS).

Tier 1 – Miscellaneous Retirement Plan 2.5% at age 55 for all regular employees hired before June 27, 2011 and eligible members of the District’s Board of Directors first elected prior to January 1, 1995.

Tier 2 – Miscellaneous Retirement Plan 2.0% at age 60 for all regular employees hired on or after June 27, 2011, and before January 1, 2013.

Tier 3 – Miscellaneous Retirement Plan 2.0% at age 62 for all regular employees hired on or after January 1, 2013. This plan is mandated by Governor Brown of the State of California, under his Public Employees’ Pension Reform Act of 2013 (Assembly Bill 340 PEPRa).

CalPERS is an agent of multiple-employer public employee defined benefit plans in the State of California. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The benefits are based on the plan formulas, member’s years of service, age, and final compensation. Benefits provisions and all other requirements are established by State statute and the District’s contract with CalPERS. Because the District’s plan has less than 100 active members, it is required by CalPERS to participate in risk pools with other agencies that have the same contract formula for each tier: Miscellaneous Retirement Plan 2.5% at 55 for Tier 1, Miscellaneous Retirement Plan 2.0% at 60 for Tier 2, and Miscellaneous Retirement Plan 2.0% at 62 for Tier 3.

CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of the CalPERS annual financial report may be obtained from its office at CalPERS Fiscal Service Division, P.O. Box 942703, Sacramento, CA 94229-2703, or by calling 888-225-7377.

Funding Policy Contribution Rates

The District and its employees are required to contribute to the CalPERS pension plan as follows:

- Employer contribution is based on the actuarially determined annual percentages of payroll reported to CalPERS. Those percentages for fiscal years ended 2014, 2013 and 2012 were 15.577%, 14.822% and 14.256% for Tier 1, and 8.768%, 8.552% and 8.438% for Tier 2, which was established in 2012. In 2013, a Tier 3 plan was established and the employer contribution percentage is 6.70%.
- Employee Contribution is based on the provisions of the CalPERS retirement plans adopted by the District for each of the three tiers. For Tier 1, the fixed employee contribution is 8% of annual reportable salary. Pursuant to labor agreements and Board resolutions, the District ‘picks up’ the Tier 1 employee’s contribution, and submits it to CalPERS on the employee’s behalf. For Tier 2, the fixed employee contribution is 7% of annual reportable salary, paid by the employee. Tier 3 employees are required to contribute 6.50% of annual reportable salary. This rate will remain unchanged through the end of fiscal year 2014-15.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. Defined Benefit Plans – California Public Employees’ Retirement System (CalPERS)
(continued)

Annual Pension Costs

The following table summarizes required contributions to CalPERS and annual pension costs for the fiscal years ended June 30, 2014, 2013, and 2012:

		<u>2014</u>	<u>2013</u>	<u>2012</u>
	<u>Employer Contributions</u>			
Tier 1	Covered payroll for fiscal year ended	\$ 3,769,874	\$ 4,005,755	\$ 3,943,797
	Actuarially required employer contribution rate	15.577%	14.822%	14.256%
	Annual employer required contribution (ARC)	587,233	593,733	562,228
	District exercised prepayment option	-	-	-
	Annual employer contribution paid	587,233	593,733	562,228
Tier 2	Covered payroll for fiscal years ended	269,567	203,859	37,600
	Actuarially required employer contribution rate	8.768%	8.552%	8.438%
	Annual employer required contribution (ARC) paid	23,636	17,434	3,172
Tier 3	Covered payroll for fiscal years ended	249,618	8,350	-
	Actuarially required employer contribution rate	6.700%	6.700%	N/A
	Annual employer required contribution (ARC) paid	16,724	559	-
	Annual employer contributions paid for all tiers	627,593	611,726	565,400
	<u>Employee Contributions</u>			
Tier 1	8.00% based on payroll – picked up by Employer	301,590	320,461	315,503
Tier 2	7.00% based on payroll – paid by Employee	18,870	14,270	2,632
Tier 3	6.50% based on payroll – paid by Employee	16,225	543	-
	Annual employee contributions paid for all tiers	336,685	335,274	318,135
	Annual pension cost (APC)	964,278	947,000	883,535
	Actual contributions made	(964,278)	(947,000)	(883,535)
	Net pension obligation	\$ -	\$ -	\$ -
	Percentage of APC contributed	100%	100%	100%

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**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. Defined Benefit Plans – California Public Employees’ Retirement System (CalPERS)
(continued)

Information on Compliance with Governmental Accounting Standards Board Opinion (GASB) 27 for Cost Sharing Multiple-Employer Defined Benefits Plan

Effective June 30, 2003, CalPERS established risk pools for plans with less than 100 active members as of that valuation date. The District met these requirements and was pooled with other plans based on their benefit formula – Miscellaneous Plan 2.5% at 55. Subsequently, in July 2011 and January 2013, the District joined two new risk pools – Miscellaneous Plan 2.0% at 60, and Miscellaneous Plan 2.0% at 62. In the Annual Valuation Report as of June 30, 2012, CalPERS used the following assumptions and methods to determine the contractually required contributions for the cost sharing multiple-employer defined benefit plan. The 2.0% at 62 Plan was not included in the 2012 valuation. Assumptions and methods for that plan will be provided in the June 30, 2013 Annual Valuation Report.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Period/Method	Open 10-year period, Level Percent of Payroll
Average Remaining Period	2.5% at 55 Plan: 19 Years as of the Valuation Date 2.0% at 60 Plan: 7 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

The following excerpts from CalPERS' June 30, 2012 Annual Valuation show recent history of the Miscellaneous Pools 2.5% at 55 and 2.0% at 60, pertaining to GASB Statement No. 27's requirements.

Risk Pool History of Funded Status and Funding Progress – Miscellaneous 2.5% at 55

Valuation	Accrued	Actuarial Value	Unfunded	Funded	Annual	UL as
Date	Liabilities	Of Assets	Liabilities	Ratio	Covered	a % of
	(AL)	(AVA)	(UL)	(AVA/AL)	Payroll	Payroll
June 30, 2010	\$ 1,972,910,641	\$ 1,603,482,152	\$ 369,428,489	81.30%	\$ 352,637,380	104.8%
June 30, 2011	\$ 2,135,350,204	\$ 1,724,200,585	\$ 411,149,619	80.80%	\$ 350,121,750	117.4%
June 30, 2012	\$ 2,254,622,362	\$ 1,837,489,422	\$ 417,132,940	81.50%	\$ 339,228,272	123.0%

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. Defined Benefit Plans (continued) – California Public Employees’ Retirement System (CalPERS) (continued)

Information on Compliance with Governmental Accounting Standards Board Opinion (GASB) 27 for Cost Sharing Multiple-Employer Defined Benefits Plan (continued)

Risk Pool History of Funded Status and Funding Progress – Miscellaneous 2.0% at 60

Valuation	Accrued	Actuarial Value	Unfunded	Funded	Annual	UL as
Date	Liabilities	Of Assets	Liabilities	Ratio	Covered	a % of
	(AL)	(AVA)	(UL)	(AVA/AL)	Payroll	Payroll
June 30, 2010	\$ 624,423,437	\$ 594,492,164	\$ 29,931,273	95.2%	\$ 186,777,830	16.0%
June 30, 2011	\$ 682,375,804	\$ 639,237,247	\$ 43,138,557	93.7%	\$ 193,877,169	22.3%
June 30, 2012	\$ 736,231,913	\$ 701,224,211	\$ 35,007,702	95.3%	\$ 208,517,122	16.8%

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members, and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as a portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. All gains or losses are tracked and amortized over a rolling 30-year period. If a pool’s accrued liability exceeds the actuarial value of the assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

The actuary may choose to use a fresh start under some circumstances. The fresh start period is chosen according to the actuary's best judgment, and will not be less than 5 years or greater than 30 years.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

7. Defined Benefit Plans (continued) – California Public Employees’ Retirement System (CalPERS) (continued)

Asset Valuation Method

All actuarial calculations are based on a number of assumptions about the future. To dampen the effect of short-term market value fluctuations on employer contribution rates, asset smoothing techniques are used. First, an Expected Value of Assets is computed by bringing forward the prior year’s Actuarial Value of Assets and the contributions received and benefits paid during the year, at the assumed actuarial rate of return. The Actuarial Value of Assets is then computed as the Expected Value of Assets, plus one-fifteenth of the difference between the actual Market Value of Assets and the Expected Value of Assets as of the valuation date. However, in no case will the Actuarial Value of Assets be less than 80% or greater than 120% of the actual Market Value of Assets.

In April 2013, the CalPERS Board of Administration approved a recommendation to change the amortization and rate smoothing policies. Beginning with the June 30, 2013 evaluations that set the FY 2015-16 contribution rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

In February 2014, the CalPERS Board adopted modest changes to the current asset allocation that will reduce the expected volatility of investment returns while holding the fund's long-term assumed rate of return at 7.5%. Significant changes to the actuarial assumptions were also adopted, including future mortality improvements that will cause increases in contribution rates. These changes in assumptions were designed to ensure greater sustainability of the pension fund, and will first affect employers' contribution rates beginning FY 2016-17. The impact on the District's Miscellaneous Plan 2.5% at 55 in FY 2016-17 is estimated to be between 0.6% to 1.3%, while for the Miscellaneous Plan 2.0% at 60, it is estimated to be between 0.4% to 1.0%.

In May 2014, the CalPERS Board adopted changes to existing pooling structure policies and a new policy for allocating the pool's unfunded accrued liability with the objective to address funding, equity and contribution rate volatility issues. All active and inactive risk pools will be combined into two pools – Miscellaneous and Safety. Each prior pool's unfunded accrued liability will be allocated proportionately to individual plans based on each plan's total liability instead of plan payroll. Employer contributions will be collected as dollar amounts instead of rates expressed as a percentage of payroll. In addition, by allocating the pool's unfunded actuarial liability to individual plans based on each plan's total liability instead of payroll, employers will have the option to pay down their share of the unfunded liability. The impact of these changes will become clear when CalPERS publishes the June 30, 2013 Annual Actuarial Valuation in the fall of 2014. Based on the information provided at that time, the District will develop a range of potential policy responses to eliminate the existing pension liability. The Board will review the options in FY 2014-15.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

8. Other Post-Employment Health Benefits (OPEB)

Description of the District Post-Employment Health Benefits

The District provides post-employment health benefits to eligible employees and board members, at different levels of reimbursement, in accordance with the District's various labor contracts. According to the post-employment medical benefits plan, effective July 1, 2006, all Oro Loma labor groups have agreed to certain changes. The changes redefined eligibility requirements to require more years of service and delay full vesting to age 60 for new employees. It also changed the basis for medical benefit entitlements from two-party Bay Area Kaiser medical plan to one-party. Employees hired before July 1, 2006 are eligible for post-retirement medical benefits from 50% to 100% of the maximum reimbursement amount at age 55 or older with 15 years of service, depending on actual age and years of service at the time of retirement. Full vesting for employees hired on or after July 1, 2006 is at the age of 60, with 20 years of service to the District.

The District manages accountability for payment of OPEB benefits in-house. For this purpose, as presented in the financial statements, under Noncurrent Liabilities, the benefit set-aside liability account is maintained as mandated by the District's Board. From this account, the District disburses payments for retiree benefits. As presented in the Statement of Net Position, the current and noncurrent balance of the account totaled \$810,488 in 2014 and \$998,127 in 2013.

California Public Employees' Retirement System (CalPERS) and the California Employers' Retiree Benefit TRUST (CERBT)

GASB Statement No. 43 requires actuarial reporting by the retiree health benefits trust fund and Statement No. 45 requires that an employer's expense be determined using actuarial methods so that costs accrue over the employees' working lifetimes.

The District chose an early implementation of Governmental Accounting Standards Board (GASB) Statements No. 43 and No. 45. In January 2008, the District joined the CalPERS CERBT Fund, deposited \$5,000,000, and established a trust account for its post-employment medical obligations. The purpose of the CalPERS CERBT Fund is to provide California government employers with a trust through which they may prefund retiree medical costs and other post employment benefits. The objective of the Fund is to seek favorable returns through a diverse asset allocation and market exposure. However, there is no guarantee that the Fund will achieve its investment objective. Employers who participate in the Fund own units of the Fund's portfolio that invests in accordance with the approved strategic asset allocation. They do not have direct ownership of the securities in the portfolio. The Fund's unit value changes with market condition. The CERBT is a self-funded program, in which participating employers pay for program costs. The cost charged to each participating employers is based on average daily balance of assets. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

8. Other Post-Employment Health Benefits (OPEB) (continued)

California Public Employees' Retirement System (CalPERS) and the California Employers' Retiree Benefit TRUST (CERBT) (continued)

The following is a summary of the District's market value assets on deposit with the CalPERS CERBT, as of June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Market value – beginning of year	\$ 6,083,475	\$ 5,450,529	\$ 5,448,769
Contributions	-	-	-
Gain (loss) on investment	1,125,720	641,852	8,079
Administrative expenses	(9,216)	(8,906)	(6,319)
Market value – end of year	<u>\$ 7,199,979</u>	<u>\$ 6,083,475</u>	<u>\$ 5,450,529</u>
Change	<u>18%</u>	<u>12%</u>	<u>0.03%</u>

Actuarial Value of Assets

The CERBT trust requires biennial valuation. To comply with the above requirements, an Actuarial Analysis of the Retiree Health Benefits for the District, as of July 1, 2013, was performed by actuary Steven T. Itelson. Based on that analysis, the ARC for fiscal years 2014 and 2015 were established.

The actuary used the following actuarial method and assumption:

Valuation date:	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Period/Method:	Open 10-year period, level percentage of payroll
Average Remaining Period:	10 years as of the Valuation Date
Asset Valuation Method:	Market gains and losses spread over 5 years

Actuarial Assumption:

Investment Rate of Return	7.50%
Projected Salary Increases	3.00% of covered payroll
Inflation	General-3.00% per year; Medical Premium increases declining (by 0.5% per year) from 7% in 2015 to 6% for 2017 and later
Rates of death and disability	California PERS rates for Public Agencies from 2010 Experience Study
Number of retirees receiving benefits:	39

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

8. Other Post-Employment Health Benefits (OPEB) (continued)

Actuarial Value of Assets (continued)

The following is a summary of Annual OPEB Costs and Net OPEB Obligations (Assets):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution (ARC)	\$ 117,200	\$ 163,400	\$ 158,300
Interest on net OPEB obligation	(10,239)	1,100	1,100
Adjustment to annual required contribution	16,424	(1,700)	(1,700)
Annual OPEB cost (AOC)	<u>123,385</u>	<u>162,800</u>	<u>157,700</u>
Contribution made – payment of benefits	(261,844)	(223,578)	(247,315)
Increase (decrease) in net OPEB obligation	(138,459)	(60,778)	(89,615)
OPEB liability (asset), beginning of period	(136,516)	(75,738)	13,877
OPEB liability (asset) end of period (NOO)	<u>\$ (274,975)</u>	<u>\$ (136,516)</u>	<u>\$ (75,738)</u>

Based on the above, the following is a summary of Annual OPEB Cost, Percentage of AOC Contributed, and Net OPEB Obligations (Assets).

Fiscal Year Ended	Annual OPEB Costs (AOC)	Employer Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset) (NOO)
June 30, 2012	\$ 157,700	\$ 247,315	156.8%	\$ (75,738)
June 30, 2013	\$ 162,800	\$ 223,578	137.3%	\$ (136,516)
June 30, 2014	\$ 123,385	\$ 261,844	212.2%	\$ (274,975)

Funding Status and Funding Progress

The following schedule shows the funded status of the plan since GASB 45 accounting was implemented:

The District's OPEB Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liabilities (AAL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UAAL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UAAL as a % of covered Payroll
July 1, 2007	\$ 5,556,000	\$ 5,063,000	\$ 493,000	91.13%	\$ 3,757,000	13.12%
July 1, 2009	\$ 5,262,000	\$ 4,530,000	\$ 732,000	86.09%	\$ 3,977,000	18.41%
July 1, 2011	\$ 5,405,200	\$ 5,327,900	\$ 77,300	98.57%	\$ 3,900,000	1.98%
July 1, 2013	\$ 5,497,800	\$ 5,791,000	\$ (293,200)	105.33%	\$ 4,220,000	(6.95%)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

8. Other Post-Employment Health Benefits (OPEB) (continued)

Actuarial Value of Assets (continued)

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 multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits. The next actuarial valuation will be performed as of July 1, 2015 and will be used for fiscal years ending June 30, 2016 and 2017, per CERBT requirements.

9. Deferred and/or Defined Contribution Plans

A. Deferred Compensation Plan (IRS Code Section 457(b))

The District maintains a deferred compensation plan, qualified under section 457(b) of the Internal Revenue Code, in which all full-time employees may participate. The District contributes 0.32% of each employee's gross salary into the plan, which requires a matching amount from the employee's own contributions. In addition, since July 1, 2006, the District contributes \$0.50 into said account for each \$1.00 voluntary contribution by the employee, up to a maximum additional District contribution of \$750 per calendar year. Furthermore, the District may contribute additional amounts to the management group and confidential employees' accounts, as specified in the management resolution, if the employee chooses not to participate in management's 401(a) plan. All employees may defer an amount up to the Internal Revenue Code limits (including District's portion). Generally, deferred compensation is available for withdrawal upon retirement, termination of employment, disability, or death. Employer's and employees' contributions are made to, and accumulated in, a trust maintained by the administrator, Lincoln Financial Group, for the benefit of each individual participant. Lincoln Financial Group's mailing address is 1300 S. Clinton Street, Fort Wayne, IN 46801-2248.

Changes in the plan assets for fiscal years ended June 30, 2014 and 2013 are summarized as follows:

Lincoln – 457(b)	2014	2013
Plan assets – beginning of year	\$ 6,674,911	\$ 6,524,137
Contributions by:		
Employer	43,632	39,445
Employee pre-tax deductions	342,155	353,511
Employee rollover	398,893	-
Investment earnings	712,709	569,246
Withdrawals and fees	(420,607)	(811,428)
Plan assets – end of year	<u>\$ 7,751,693</u>	<u>\$ 6,674,911</u>

Neither the assets nor the liabilities of this plan are those of the District.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. Deferred and/or Defined Contribution Plans (continued)

B. Public Agency Retirement System (PARS) Section 457(b) Alternate Retirement System (ARS)

Oro Loma Board Resolution No. 3469, adopted on June 17, 2008, established the Oro Loma Sanitary District PARS ARS plan, effective July 1, 2008. The plan, introduced as an alternative to Social Security, is a qualified defined contribution plan under Section 457(b), and tax-exempt under Section 501(a) of the Internal Revenue Code of 1986, and provides a retirement system for part-time, seasonal, temporary employees, and other employees and Board members not eligible to participate in the CalPERS Retirement System.

Enrollment in the PARS ARS plan is mandatory for all qualified employees, upon beginning employment with the District, and the selection of investment choices for the plan resides with the District.

All contributions – employee's 6.20% and employer's 2.20% - are pre-tax. The total contributions to the PARS ARS plan and the contributions to any other qualified 457(b) deferred compensation account(s) shall not exceed the limits established annually by the Internal Revenue Service. For questions about the PARS ARS plan, contact PARS at 1-800-540-6369 or by mail at PARS, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

Changes in the plan's assets for the fiscal years ended June 30, 2014 and 2013 are summarized as follows:

PARS – 457(b)	2014	2013
Plan assets – beginning of year	\$ 72,285	\$ 56,137
Contributions by:		
Employer	3,446	3,514
Employee (pre-tax)	9,713	9,903
Investment earnings	7,200	3,655
Withdrawals and fees	(1,832)	(924)
Plan assets – end of year	<u>\$ 90,812</u>	<u>\$ 72,285</u>

Neither the assets nor the liabilities of this plan are those of the District.

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**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. Deferred and/or Defined Contribution Plans (continued)

C. Defined IRS Code Section 401(a) Contribution Plan

During the second quarter of the fiscal year ended June 30, 1998, the District adopted a Defined Contribution Plan (IRS Section 401(a)). The participants include the General Manager, management group and confidential employees, and the District's Board members, for whom designated accounts are maintained. The plan was amended in 2007 in accordance with current Internal Revenue Service regulations. The administrator of the plan is ICMA-Retirement Corporation, at 777 N. Capitol Street NE, Washington, DC 20002-4240.

Changes in the plan assets for fiscal years ended June 30, 2014 and 2013 are summarized as follows:

ICMA – 401(a)	2014	2013
Plan assets – beginning of year	\$ 1,229,010	\$ 1,063,384
Contributions by:		
Employer	89,242	90,106
Employee (pre-tax)	40,379	39,944
Investment earnings	187,962	111,355
Withdrawals and fees	(5,921)	(75,779)
Plan assets – end of year	<u>\$ 1,540,672</u>	<u>\$ 1,229,010</u>

Neither the assets nor the liabilities of this plan are those of the District.

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ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. Risk Management and Insurance

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 disasters. The District is a member of the California Sanitation Risk Management Authority (CSRMA), a Joint Powers Authority (JPA), a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of the CSRMA JPA is to spread the adverse effects of losses among its member entities and to purchase excess insurance as a group, thereby reducing costs. Through this organization, the District participates in a general and automobile liability program with layers of insurance coverage as follows:

\$ 0	To	\$ 250,000	Oro Loma Insurance Fund (self-insured)
\$ 250,001	To	\$ 500,000	CSRMA
\$ 500,001	To	\$15,500,000	CSRMA/Excess (reinsurance) liability coverage with Munich Reinsurance America
\$15,500,001	To	\$25,500,000	Excess (reinsurance) liability coverage with Ironshore Specialty Insurance Co.
above		\$25,500,001	Oro Loma Insurance Fund (self-insured)

Through CSRMA, the District purchases property, errors & omissions, workers' compensation insurance, public entity pollution liability, and cyber liability.

The financial statements of CSRMA are available upon request from: The California Sanitation Risk Management Authority, c/o Alliant Insurance Services, Inc., 100 Pine Street, 11th Floor, San Francisco, California 96111-5101.

The District paid \$0, \$175 and \$2,443 in insurance claims during fiscal years ended June 30, 2014, 2013 and 2012 respectively, and has no outstanding claims, or carried no liabilities related thereto in its financial statements. The amounts paid were within the deductible limits carried by the District, i.e. \$250,000 self-insured. No claims were in excess of the \$250,000 self-insurance, and therefore, all current and past payments were made from the District's self-insurance deductible.

Insurance related expenses for fiscal years ended June 30 are summarized as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Administration	\$ 149,887	\$ 166,169	\$ 165,183
Insurance premiums	230,424	222,876	200,772
Losses and settlements	-	175	2,443
	<u>\$ 380,311</u>	<u>\$ 389,220</u>	<u>\$ 368,398</u>

Since no liabilities for claims has been provided in the financial statements as of June 30, 2014, 2013, and 2012, the indicated claims paid above represent the claims experience for the last three fiscal years.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. Risk Management and Insurance (continued)

In the normal course of business, the District is a defendant in various lawsuits. As of June 30, 2014, there was no current or anticipated litigation involving the District.

Insurance related expenses are distributed to the following departments at June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Engineering	\$ 22,308	\$ 19,848	\$ 26,024
Sewage collections	117,386	119,133	105,355
Sewage treatment operations	138,378	140,616	124,405
Sewage treatment maintenance	72,414	74,210	64,126
Administration and general	29,825	29,150	35,531
Solid waste	-	6,263	12,957
	<u>\$ 380,311</u>	<u>\$ 389,220</u>	<u>\$ 368,398</u>

11. Contract for Collection of Solid Waste and Landfill Closure/Post Closure Costs

On September 1, 1997, under a 10-year franchise agreement, the District contracted with Waste Management of Alameda, Inc. (WMAC) for the collection and disposal of solid waste, recycling and green waste materials generated within the District's service area. On March 1, 2004, both parties modified and extended the original Agreement. On January 1, 2012, the District entered into a new agreement with WMAC. The new expiration date is August 31, 2024, with possible extensions.

Highlights of the provisions included in the current agreement are as follows:

Customer-related:

- Residential recycling and green waste rates will remain unchanged for the term of the Agreement.
- All other solid waste fees and charges will be adjusted every September 1 by a combination factor as follows: $[0.5 \times (\text{April CPI-U for all urban consumer items in San Francisco, Oakland, and San Jose, as published by the US Department of Labor, Bureau of Statistics} - \text{Series CUURA422SA0})] + [0.5 \times (\text{Weighted average of Teamsters Wage, benefits and pension contract increases for the following year})]$.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

11. Contract for Collection of Solid Waste and Landfill Closure/Post Closure Costs (continued)

District-related:

- Under the new agreement, WMAC purchased new collection vehicles and placed them into service within the District's service territory. The previous 14 vehicles which WMAC leased from the District were purchased by WMAC for \$1.00 per vehicle. WMAC assumed all costs of transfer and licensing. These trucks will be used in WMAC's other service areas.
- WMAC assumes full responsibility for expenses related to closure/post-closure of its landfill (Altamont Landfill).
- Throughout the current contract period and extension(s), WMAC shall accept the District's biosolids at the Altamont Landfill for use as alternative daily cover (ADC). To qualify as ADC, the biosolids must comply with certain criteria for metals, pathogens and water content in accordance with local, state and federal regulations. Once WMAC accepts delivery of the biosolids, the District ceases to have any responsibility or liability for their content or for their compliance with any regulations for use as ADC.
- WMAC shall furnish to the District a performance bond in the amount of \$6,000,000, adjusted every September 1 by a combination factor as follows: $[0.5 \times (\text{April CPI-U for all urban consumer items in San Francisco, Oakland, and San Jose, as published by the US Department of Labor, Bureau of Statistics – Series CUURA422SA0})] + [0.5 \times (\text{Weighted average of Teamsters wage, benefits and pension contract increases for the following year})]$.
- As part of the agreement, WMAC maintains a Public Education Account on behalf of Oro Loma Sanitary District. The District uses this account to fund public outreach, and public information and education campaigns – Newsletter articles, postcards and flyers, bill inserts, a District-wide Earth Day poster contest, and other District-sponsored events. The balance in this account as of June 30, 2014 was \$164,668.

12. Subsequent Events

On July 16, 2014, the Association of Bay Area Governments (ABAG) signed a grant agreement with the State of California Department of Water Resources (DWR) acting on behalf of the San Francisco Estuary Partnership (SFEP), in the amount of \$20 million. As part of this agreement, ABAG is required to pass those funds through to local agencies to assist in funding projects associated with the Bay Area Integrated Regional Water Management Plan. The District's ecotone project is listed as project 14 on the signed agreement between ABAG and DWR. The District has yet to finalize the local project subsponsor agreement with ABAG. Under the terms of the agreement, the District anticipates to be reimbursed for no more than \$1,947,497 relating to the ecotone project.

SUPPLEMENTARY INFORMATION

ORO LOMA SANITARY DISTRICT



On November 4, 2014, the District recognized retiring Director Frank Sidari for his 20 years of service.



Three elected Directors took the Oath of Office on December 2, 2014. The District Board welcomes its newest member, Director Shelia Young (right). Also sworn in were Director Timothy Becker (left) and Director Howard Kerr (center).

**ORO LOMA SANITARY DISTRICT
DESCRIPTION OF FUNDS UTILIZED
JUNE 30, 2014**

The District utilizes an enterprise fund structure. To facilitate management and budgetary control, individual funds are established to account for activities in different services provided by the District. These funds are combined to account for the financial position and results of operations reflected in the District's financial statements.

Following is a brief description of the funds by type of service:

Sewer Services

Operations and Maintenance – accounts for both general sewage activities performed by the District in the collection, treatment, and disposal of sewage, as well as for accumulation of resources for the payment of long-term sewer revenue bonds, if applicable.

Renewal and Replacement – accounts for scheduled major repairs and maintenance of existing collection system and water pollution plant and equipment.

Capital Improvement Program – accounts for sewer system construction projects involving pipelines, building improvements, new operational facilities, and new equipment.

Solid Waste / Garbage Services

Solid Waste / Garbage – accounts for the collection and proper handling of solid waste from homes and businesses located in the District.

Recycling Services

Recycling – accounts for the collection and proper handling of recyclable materials and green waste collected from residences, and commercial recycling programs in the District's jurisdiction. Recycling programs are required by California Assembly Bill 939 (AB939) and Alameda County Measure D mandates.

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2014

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013

SCHEDULE 1

ASSETS	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
Current assets			
Cash and cash equivalents	\$ 9,974,924	\$ (809,396)	\$ (3,017,432)
Investments at Fair Market Value (FMV)	-	7,488,204	10,319,458
Interest receivable	5,123	12,578	30,210
Accounts receivable	1,090,433	(6,063)	450,080
Prepaid and other items	102,649	-	-
Total current assets	11,173,129	6,685,323	7,782,316
Noncurrent assets			
Investment in sewage discharge facilities - EBDA	6,586,688	-	-
Total investment in EBDA	6,586,688	-	-
Capital assets			
Land	846,034	-	-
Buildings, machinery, equipment	119,883,337	-	-
Solid waste assets	-	-	-
Recycling assets	-	-	-
Construction in progress	-	-	6,352,012
Less: accumulated depreciation	(60,338,684)	-	-
Total capital assets	60,390,687	-	6,352,012
Total noncurrent assets	66,977,375	-	6,352,012
Total assets	\$ 78,150,504	\$ 6,685,323	\$ 14,134,328

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2014

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013

SCHEDULE 1 (continued)

Solid Waste Services		Recycling Services					
Garbage		Residential, Green Waste, Commercial & Industrial Recycling		Combined June 30,		\$ Change	% Change
				2014	2013		
\$ 959,553		\$ 1,554,112		\$ 8,661,761	\$ 10,887,316	\$ (2,225,555)	-20.4%
-		-		17,807,662	17,874,789	(67,127)	-0.4%
919		793		49,623	52,613	(2,990)	-5.7%
37,512		52,143		1,624,105	1,408,045	216,060	15.3%
-		500		103,149	90,597	12,552	13.9%
997,984		1,607,548		28,246,300	30,313,360	(2,067,060)	-6.8%
-		-		6,586,688	6,681,850	(95,162)	-1.4%
-		-		6,586,688	6,681,850	(95,162)	-1.4%
-		-		846,034	846,034	-	0.0%
-		-		119,883,337	114,978,679	4,904,658	4.3%
2,177		-		2,177	2,177	-	0.0%
-		28,514		28,514	35,977	(7,463)	-20.7%
-		-		6,352,012	3,543,716	2,808,296	79.2%
(2,177)		(28,514)		(60,369,375)	(58,071,689)	(2,297,686)	4.0%
-		-		66,742,699	61,334,894	5,407,805	8.8%
-		-		73,329,387	68,016,744	5,312,643	7.8%
\$ 997,984		\$ 1,607,548		\$ 101,575,687	\$ 98,330,104	\$ 3,245,583	3.3%

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2014

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013

SCHEDULE 1 (continued)

LIABILITIES	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
Current liabilities			
Accounts payable	\$ 104,155	\$ 314,601	\$ 1,191,328
Accrued salaries and wages	95,376	-	-
Customers deposits payable	176,668	12,485	185,763
Accrued compensated absences (current)	62,000	-	-
Other benefits set-aside (current)	250,000	-	-
Total current liabilities	688,199	327,086	1,377,091
Noncurrent liabilities			
Accrued compensated absences	350,481	-	-
Other benefits set-aside	560,488	-	-
Total noncurrent liabilities	910,969	-	-
Total liabilities	\$ 1,599,168	\$ 327,086	\$ 1,377,091
Net position			
Net investment in capital assets	\$ 60,390,687	\$ -	\$ 6,352,012
Unrestricted	16,160,649	6,358,237	6,405,225
Total net position	\$ 76,551,336	\$ 6,358,237	\$ 12,757,237

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION
ALL DISTRICT SERVICES
AS OF JUNE 30, 2014
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2013
SCHEDULE 1 (continued)

Solid Waste Services		Recycling Services								
Garbage		Residential, Green Waste, Commercial & Industrial Recycling		Combined June 30,		\$ Change	% Change			
				2014	2013					
\$	2,867	\$	195	\$	1,613,146	\$	193,337	\$	1,419,809	734.4%
	-		-		95,376		81,833		13,543	16.5%
	-		-		374,916		278,499		96,417	34.6%
	-		-		62,000		55,000		7,000	12.7%
	-		-		250,000		250,000		-	0.0%
	2,867		195		2,395,438		858,669		1,536,769	179.0%
	-		-		350,481		339,983		10,498	3.1%
	-		-		560,488		748,127		(187,639)	-25.1%
	-		-		910,969		1,088,110		(177,141)	-16.3%
\$	2,867	\$	195	\$	3,306,407	\$	1,946,779	\$	1,359,628	69.8%
\$	-	\$	-	\$	66,742,699	\$	61,334,894	\$	5,407,805	8.8%
	995,117		1,607,353		31,526,581		35,048,431		(3,521,850)	-10.0%
\$	995,117	\$	1,607,353	\$	98,269,280	\$	96,383,325	\$	1,885,955	2.0%

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ALL DISTRICT SERVICES FOR THE FISCAL YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 SCHEDULE 2

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
Operating revenues			
District service charges	\$ 8,433,176	\$ 3,150,000	\$ -
Agency treatment charges	2,148,183	58,276	-
Permits and inspection fees	126,143	-	-
Sanitary truck waste charges	48,815	-	-
Grease receiving charges	120,927	-	-
Contract fees	-	-	-
Recycling charges - residential and green waste	-	-	-
Recycling charges - commercial and industrial	-	-	-
Landfills fees - Measure D	-	-	-
Other	763,138	-	-
Total operating revenues	11,640,382	3,208,276	-
Operating expenses			
Engineering	702,788	10,071	-
Sewage collections	1,531,395	1,195,704	-
Sewage treatment operations	3,642,221	126,247	-
Sewage treatment maintenance	1,841,461	110,047	-
Sewage disposal - EBDA	539,786	106,000	-
Administration and general	1,196,341	10,109	-
Depreciation	3,176,833	-	-
Decrease in carrying value of sewage discharge facilities - EBDA	95,162	-	-
Solid waste	-	-	-
Recycling - residential, green waste, commercial and industrial	-	-	-
Total operating expenses	12,725,987	1,558,178	-
Operating income (loss)	(1,085,605)	1,650,098	-
Nonoperating revenues			
Interest income	20,694	62,143	121,795
Unrealized gains on investments	-	24,314	28,965
Rents, leases and personal license fees	84,856	-	-
Gain on disposal of capital assets	14,643	-	-
Recovery of uncollectible accounts	-	-	-
Other miscellaneous revenues	154,470	3,100	275
EBDA and other agreement refunds	-	-	79,371
Grant revenues	-	-	-
Total nonoperating revenues	274,663	89,557	230,406
Nonoperating expenses			
Grant expenses	-	-	-
Write-off of plant and equipment	-	-	78
Write-off of uncollectible accounts	-	-	-
Total nonoperating expenses	-	-	78
Income (loss) before contributions and transfers	(810,942)	1,739,655	230,328
Connection and other developers' fees	-	-	135,600
Transfers in (out) of capital assets	5,778,947	-	(5,778,947)
Contributions from Castro Valley Sanitary District for transferred vehicle	-	-	637
Equity transfers in (out)	(3,500,000)	(7,500,000)	13,000,000
Change in net position	1,468,005	(5,760,345)	7,587,618
Net position - beginning	75,083,331	12,118,582	5,169,619
Net position - ending	\$ 76,551,336	\$ 6,358,237	\$ 12,757,237

ORO LOMA SANITARY DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2013
SCHEDULE 2 (continued)**

<u>Solid Waste Services</u>		<u>Recycling Services</u>					
Garbage		Residential, Green Waste, Commercial & Industrial Recycling		Combined June 30,		Change \$	Change %
				2014	2013		
\$	-	\$	-	\$ 11,583,176	\$ 11,368,931	\$ 214,245	1.9%
	-		-	2,206,459	2,341,562	(135,103)	-5.8%
	-		-	126,143	105,122	21,021	20.0%
	-		-	48,815	44,614	4,201	9.4%
	-		-	120,927	113,397	7,530	6.6%
755,676	-		-	755,676	728,946	26,730	3.7%
	-	2,286,977		2,286,977	2,285,768	1,209	0.1%
	-	87,783		87,783	71,686	16,097	22.5%
	-	327,570		327,570	342,132	(14,562)	-4.3%
	-		-	763,138	719,682	43,456	6.0%
755,676		2,702,330		18,306,664	18,121,840	184,824	1.0%
	-		-	712,859	694,142	18,717	2.7%
	-		-	2,727,099	2,375,275	351,824	14.8%
	-		-	3,768,468	3,961,746	(193,278)	-4.9%
	-		-	1,951,508	2,100,408	(148,900)	-7.1%
	-		-	645,786	682,807	(37,021)	-5.4%
	-		-	1,206,450	1,405,494	(199,044)	-14.2%
	-	2,604		3,179,437	3,133,447	45,990	1.5%
	-		-	95,162	92,055	3,107	3.4%
296,535	-		-	296,535	330,769	(34,234)	-10.3%
	-	2,599,618		2,599,618	2,682,645	(83,027)	-3.1%
296,535		2,602,222		17,182,922	17,458,788	(275,866)	-1.6%
459,141		100,108		1,123,742	663,052	460,690	69.5%
4,062		8,673		217,367	194,227	23,140	11.9%
	-		-	53,279	19,345	33,934	175.4%
	-		-	84,856	132,159	(47,303)	-35.8%
	-		-	14,643	-	14,643	100.0%
11,702	-		-	11,702	9,821	1,881	19.2%
123		19,095		177,063	220,500	(43,437)	-19.7%
	-		-	79,371	79,371	-	0.0%
	-		-	-	36,948	(36,948)	-100.0%
15,887		27,768		638,281	692,371	(54,090)	-7.8%
	-	10,725		10,725	444	10,281	2315.5%
	-		-	78	-	78	100.0%
1,502	-		-	1,502	8,757	(7,255)	-82.8%
1,502		10,725		12,305	9,201	3,104	33.7%
473,526		117,151		1,749,718	1,346,222	403,496	30.0%
	-		-	135,600	69,759	65,841	94.4%
	-		-	-	-	-	0.0%
	-		-	637	-	637	100.0%
(1,000,000)		(1,000,000)		-	-	-	0.0%
(526,474)		(882,849)		1,885,955	1,415,981	469,974	33.2%
1,521,591		2,490,202		96,383,325	94,967,344	1,415,981	1.5%
\$ 995,117		\$ 1,607,353		\$ 98,269,280	\$ 96,383,325	\$ 1,885,955	2.0%

ORO LOMA SANITARY DISTRICT
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
JUNE 30, 2014

Budgetary Information

The District is not required by statute to adopt a budget. However, in its commitment to maintain fiscal responsibility, the District adopts a biennial budget as follows:

- Prior to June 30 of a budget year, the General Manager submits a proposed budget to the Board of Directors.
- Prior to June 30 of a budget year, the Board conducts a budget work session, open to the public, and adopts the budget through resolution.
- The budget is used as a management control tool during the year. A transfer of funds, not to exceed \$50,000, may be approved by the General Manager. However, the General Manager may not over-expend a departmental or fund budget without obtaining Board approval. Any revision that increases the total budget must be approved by the Board of Directors by resolution.

The Two-Year Budget for Fiscal Years 2013-14 and 2014-15 was approved by Resolution No. 3575, dated May 7, 2013, and was subsequently amended by the following Board actions:

The budget for FY 2013-14 was amended by:

- Resolution No. 3583 – Amendment No. 1, dated September 17, 2013, with a net increase to Renewal & Replacement and Capital Improvement Program of \$1,256,800.
- Resolution No. 3594 – Amendment No. 2, dated March 18, 2014, with a net increase to Renewal & Replacement and Capital Improvement Program of \$592,500, and a decrease to Operations & Maintenance of \$157,000.
- Subsequent funding allocations by Board motion on April 15, 2014 and May 20, 2014, authorizing a total increase to Renewal & Replacement and Capital Improvement Program of \$150,000.

These adjustments were necessary due to newly identified needs and reprioritization of projects in the Renewal and Replacement and Capital Improvement Program.

Budget Accounting

- The budget provides annual provisions of revenue and expenses for the District's sewer, solid waste, and recycling services.
- The budget includes operating costs to repair and maintain District's facilities through Renewal & Replacement, as well as capital expenditures in the Capital Improvement Program. Capital expenditures have an effect on the District's net position but does not affect net income.

Budgetary Comparisons

The following schedules present the District's budgetary comparison with actual revenues, expenses, and changes in net position for the year ended June 30, 2014 for each service.

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER SERVICES - OPERATIONS AND MAINTENANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE 3

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
Operating revenues			
District service charges	\$ 7,900,000	\$ 8,433,176	\$ 533,176
Agency treatment charges	2,370,000	2,148,183	(221,817)
Permits and inspection fees	120,000	126,143	6,143
Sanitary truck waste charges	50,000	48,815	(1,185)
Grease receiving charges	110,000	120,927	10,927
Other	600,000	763,138	163,138
Total operating revenues	11,150,000	11,640,382	490,382
Operating expenses			
Engineering	847,200	702,788	144,412
Sewage collections	1,741,200	1,531,395	209,805
Sewage treatment operations	4,309,700	3,642,221	667,479
Sewage treatment maintenance	2,278,300	1,841,461	436,839
Sewage disposal - EBDA	665,000	539,786	125,214
Administration and general	1,563,700	1,196,341	367,359
Depreciation	3,400,000	3,176,833	223,167
Decrease in carrying value of sewage discharge facilities - EBDA	110,000	95,162	14,838
Total operating expenses	14,915,100	12,725,987	2,189,113
Operating income (loss)		(1,085,605)	
Nonoperating revenues			
Interest income	50,000	20,694	(29,306)
Rents and leases	90,000	84,856	(5,144)
Gain on disposal of capital assets	-	14,643	14,643
Other miscellaneous revenues	150,000	154,470	4,470
Total nonoperating revenues	290,000	274,663	(15,337)
Nonoperating expenses			
Write-off of uncollectible accounts	10,000	-	10,000
Other miscellaneous expenses	40,000	-	40,000
Total nonoperating expenses	50,000	-	50,000
Income (loss) before contributions and transfers	\$ (3,525,100)	\$ (810,942)	\$ 2,714,158
Transfers of plant and equipment from Capital Improvement Program		5,778,947	
Equity transfers in (out)		(3,500,000)	
Change in net position		1,468,005	
Net position - beginning		75,083,331	
Net position - ending		\$ 76,551,336	

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL EXPENSES
SEWER SERVICES - OPERATIONS AND MAINTENANCE
BY ACCOUNT CATEGORIES AND DEPARTMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
SCHEDULE 4**

	Budgeted Amounts	Actual Amounts by Account Category	Variance with Final Budget Favorable (Unfavorable)
Operating expenses			
Salaries	\$ 4,197,500	\$ 3,806,117	\$ 391,383
Employee benefits	2,547,000	2,078,803	468,197
Directors' benefits and fees	210,000	157,936	52,064
Gasoline, oil and fuel	100,000	79,610	20,390
Insurance	553,500	380,311	173,189
Office expenses	47,400	38,616	8,784
Operating supplies	762,500	618,080	144,420
Safety supplies	34,600	17,772	16,828
Contractual services	943,000	833,906	109,094
Professional services	140,800	74,885	65,915
Membership and publications	69,000	51,801	17,199
Rents and leases	28,000	10,284	17,716
Repairs and maintenance	456,000	321,887	134,113
Research and monitoring	82,500	61,514	20,986
Travel, meetings and training	106,800	61,249	45,551
Recognition program	34,000	30,381	3,619
Utilities	427,500	291,054	136,446
Departmental expenses	10,740,100	8,914,206	1,825,894
Sewage disposal - EBDA	665,000	539,786	125,214
Depreciation	3,400,000	3,176,833	223,167
Decrease in carrying value of sewage discharge facilities - EBDA	110,000	95,162	14,838
Non-departmental expenses	4,175,000	3,811,781	363,219
Total operating expenses	14,915,100	12,725,987	2,189,113
Nonoperating expenses:			
Write-off of uncollectible accounts	10,000	-	10,000
Other miscellaneous expenses	40,000	-	40,000
Total nonoperating expenses	50,000	-	50,000
Total expenses	\$ 14,965,100	\$ 12,725,987	\$ 2,239,113

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL EXPENSES
SEWER SERVICES - OPERATIONS AND MAINTENANCE
BY ACCOUNT CATEGORIES AND DEPARTMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
SCHEDULE 4 (continued)**

	Annual Departmental Expenses vs. Budget				
	Engineering Department	Sewage Collections Department	Sewage Treatment Operations Department	Sewage Treatment Maintenance Department	Administration and General Department
Operating expenses					
Salaries	\$ 298,255	\$ 793,276	\$ 1,550,244	\$ 800,090	\$ 364,252
Employee benefits	279,655	357,527	708,522	404,862	328,237
Directors' benefits and fees	-	-	-	-	157,936
Gasoline, oil and fuel	3,290	42,375	25,688	7,691	566
Insurance	22,308	117,386	138,378	72,414	29,825
Office expenses	3,296	2,188	8,944	4,894	19,294
Operating supplies	2,565	47,338	533,205	34,972	-
Safety supplies	641	5,075	3,940	7,584	532
Contractual services	57,118	50,150	386,664	191,063	148,911
Professional services	2,355	2,130	13,484	2,782	54,134
Memberships and publication	9,548	1,622	4,189	5,835	30,607
Rents and leases	-	-	-	8,463	1,821
Repairs and maintenance	3,661	29,339	2,634	281,949	4,304
Research and monitoring	-	-	60,367	1,147	-
Travel, meetings and training	6,487	9,138	15,935	8,959	20,730
Recognition program	1,425	4,828	3,808	2,044	18,276
Utilities	12,184	69,023	186,219	6,712	16,916
Departmental expenses FY 2013-14	\$ 702,788	\$ 1,531,395	\$ 3,642,221	\$ 1,841,461	\$ 1,196,341
Departmental budget	\$ 847,200	\$ 1,741,200	\$ 4,309,700	\$ 2,278,300	\$ 1,563,700
% of budget used	83%	88%	85%	81%	77%
Departmental expenses FY 2012-13	\$ 687,661	\$ 1,533,578	\$ 3,678,583	\$ 2,002,078	\$ 1,389,309
Change in FY 2013-14 (\$)	\$ 15,127	\$ (2,183)	\$ (36,362)	\$ (160,617)	\$ (192,968)
Change in FY 2013-14 (%)	2.2%	-0.1%	-1.0%	-8.0%	-13.9%

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER SERVICES - RENEWAL AND REPLACEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
SCHEDULE 5**

		Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
		Original	Final	Amounts	
Operating revenues					
	District service charges	\$ 3,150,000	\$ 3,150,000	\$ 3,150,000	\$ -
	Agency treatment charges	109,800	73,635	58,276	(15,359)
	Total operating revenues	3,259,800	3,223,635	3,208,276	(15,359)
Project #	Project costs				
	<u>Collections system</u>				
104.00	Collections Asset Management - Lift Stations	30,000	30,000	21,710	8,290
141.00	Collections Asset Repair and Maintenance	1,250,000	1,250,000	823,679	426,321
144.10	Collections System GIS Updates and Maintenance	25,000	27,500	33,679	(6,179)
144.20	Collections System Model Calibration	75,000	75,000	58,047	16,953
151.10	Easement Clearing and Road Maintenance	50,000	55,000	43,570	11,430
100.00	Lift Stations General	30,000	14,700	-	14,700
108.00	Lift Station Electrical	35,000	35,000	1,342	33,658
101.00	Lift Station Painting	25,000	25,000	-	25,000
107.00	Lift Station Landscaping and Paving	10,000	1,500	1,330	170
102.00	Lift Station Roof Maintenance	5,000	3,000	2,876	124
100.16	Ralston Court Lift Station	-	300	300	-
144.00	Source Detection/Hydraulic Model Update	80,000	150,000	121,993	28,007
100.01	Trojan Lift Station Wetwell Repairs	80,000	160,000	87,178	72,822
		1,695,000	1,827,000	1,195,704	631,296
	<u>Treatment plant</u>				
204.00	Asset Management - Treatment Plant	30,000	30,000	2,986	27,014
213.00	Anammox Pilot Study		63,400	62,823	577
226.02	Belt Filter Press Soak Tank		7,500	7,418	82
323.01	Building and Roadway Lighting Repair	30,000	30,000	7,136	22,864
264.03	Fueling Facilities-Gasoline Tank Remediation		17,700	17,163	537
305.00	Gate and Valve Replacements		30,000	23,244	6,756
284.01	Inline Grinder Repairs	25,000	9,000	8,369	631
395.06	Recurring Maintenance - Landscaping and Grounds	25,000	10,000	10,417	(417)
395.07	Recurring Maintenance - Paving	20,000	22,000	21,960	40
395.02	Recurring Maintenance - Roof Repairs	125,000	5,000	1,800	3,200
239.00	Safety Improvements	30,000	23,000	19,445	3,555
289.00	Treatment Unit Concrete Repair		9,000	8,043	957
900.93	Critical Renewal and Replacements	70,000	50,000	45,490	4,510
	Projects Postponed or Transferred to CIP	25,000	-	-	-
		380,000	306,600	236,294	70,306
	<u>Administration & Engineering</u>				
595.40/45	Computers and Network Maintenance	20,000	18,500	10,071	8,429
524.00	Fiscal Agent Fees	-	8,000	10,109	(2,109)
900.95	Critical Renewal and Replacements	30,000	-	-	-
626.00	EBDA replacement assessment	100,000	106,000	106,000	-
		150,000	132,500	126,180	6,320
	Total project costs	2,225,000	2,266,100	1,558,178	707,922
	Project costs assigned to category of operating expenses:				
	Operating expenses				
	Engineering			10,071	
	Sewage collections			1,195,704	
	Sewage treatment operations			126,247	
	Sewage treatment maintenance			110,047	
	Sewage disposal - EBDA			106,000	
	Administration			10,109	
	Total operating expenses			1,558,178	
	Operating income (loss)			1,650,098	
	Nonoperating revenues (expenses)				
	Interest income	50,000	50,000	62,143	12,143
	Unrealized gains on investments	-	-	24,314	24,314
	Other miscellaneous revenues	-	-	3,100	3,100
	Total nonoperating revenues	50,000	50,000	89,557	39,557
	Income (loss) before contributions and transfers	\$ 1,084,800	\$ 1,007,535	\$ 1,739,655	\$ 732,120
	Equity transfers in (out)			(7,500,000)	
	Change in net position			(5,760,345)	
	Net position - beginning			12,118,582	
	Net position - ending			\$ 6,358,237	

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER SERVICES - CAPITAL IMPROVEMENT PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30 , 2014
SCHEDULE 6**

Project #	Project costs	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
		Original	Final		
	<u>Collections system</u>				
161.00	Collections CCTV Camera Replacement	\$ -	\$ 30,000	\$ 29,651	\$ 349
162.00	Collections CCTV Van Replacement	-	15,100	15,050	50
163.00	Collections Hydro Replacement	185,000	190,000	187,782	2,218
166.00	Collections Truck Replacement	35,000	30,000	35,457	(5,457)
165.00	Lift Station Truck Replacement	65,000	65,000	62,589	2,411
100.14	Canyon Drive Lift Station Rehabilitation	-	47,000	46,659	341
100.06	Monika Lane Lift Station Rehabilitation	100,000	211,000	203,652	7,348
100.00	Lift Stations General	50,000	7,500	-	7,500
141.03	Pipeline Replacements FY 2012-13 Construction	-	400,000	399,964	36
143.01	Pipeline Replacements FY 2013-14 Design/Construction	2,000,000	2,070,000	2,110,129	(40,129)
143.02	Pipeline Replacements FY 2014-15 Design	-	50,000	51,945	(1,945)
900.91	Critical Equipment - Collections	15,000	15,000	7,085	7,915
	Postponed or cancelled projects	25,000	-	-	-
		2,475,000	3,130,600	3,149,963	(19,363)
	<u>Treatment plant</u>				
220.00	Aerator Rebuild	60,000	20,000	13,901	6,099
213.00	Anammox Tank and Heating System	20,000	38,600	37,931	669
226.01	Belt Filter Press Sludge Pump Flush Piping	-	25,000	21,948	3,052
299.00	Cogeneration Engines Overhaul	175,000	175,000	160,320	14,680
298.01	Cogeneration Fire Detection	60,000	18,000	17,153	847
298.02	Cogeneration Short Block Engine	-	110,000	107,603	2,397
281.00	Digester Facilities Improvements	7,250,000	7,618,000	5,415,656	2,202,344
293.02	Equalization and Wetland Treatment/Ecotone	250,000	1,060,000	670,106	389,894
258.00	Headworks Bypass Channel Gate Automation	100,000	70,000	69,774	226
284.00	Influent Grinder Rebuild	-	25,000	-	25,000
283.00	Operations Building HVAC Replacement	-	12,000	11,802	198
292.00	Plant Flow Attenuation	-	30,000	13,758	16,242
316.00	Plant Vehicle Replacements	70,000	47,000	46,879	121
317.00	Pond #3 Decant Pump	-	247,000	246,996	4
395.02	Roofing	-	100,000	96,835	3,165
239.00	Safety Improvements	-	32,000	31,735	265
319.00	SCADA System Upgrades	30,000	55,000	56,945	(1,945)
222.01	Secondary Clarifier Improvements	250,000	180,000	174,283	5,717
900.93	Critical Equipment - Plant	70,000	70,000	56,186	13,814
	Postponed or reclassified projects	265,000	-	-	-
		8,600,000	9,932,600	7,249,811	2,682,789
	<u>Administration & Engineering</u>				
595.40/45	Computer and Network Upgrades	20,000	-	-	-
900.95	Critical Equipment	10,000	-	-	-
		30,000	-	-	-
	Total project costs	11,105,000	13,063,200	10,399,774	2,663,426
	Less:				
	Additions to plant and equipment			(3,928,344)	
	Additions to construction in progress			(4,658,977)	
	Castro Valley Sanitary District capital assets			(1,812,453)	
	Operating income (loss)			-	
	Nonoperating revenues (expenses)				
	Interest income	-	-	121,795	121,795
	Unrealized gains on investments	-	-	28,965	28,965
	EBDA agreement refund	80,000	80,000	79,371	(629)
	Other miscellaneous revenues	-	-	275	275
	Total nonoperating revenues (expenses)	80,000	80,000	230,406	150,406
	Income (loss) before contributions and transfers	\$ 80,000	\$ 80,000	\$ 230,406	\$ 150,406
	Connection and other developer fees			135,600	
	Transfer of plant and equipment to Operations and Maintenance			(5,778,947)	
	Write off of prior year work in process			(78)	
	Contributions from Castro Valley Sanitary District for transferred vehicle			637	
	Equity transfers in (out)			13,000,000	
	Change in net position			7,587,618	
	Net position - beginning			5,169,619	
	Net position - ending			\$ 12,757,237	

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
SOLID WASTE SERVICES - GARBAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
SCHEDULE 7**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
Operating revenues			
Contract fees	\$ 800,000	\$ 755,676	\$ (44,324)
Total operating revenues	<u>800,000</u>	<u>755,676</u>	<u>(44,324)</u>
Operating expenses			
Salaries	146,000	123,251	22,749
Overhead	179,800	151,115	28,685
Directors' fees	9,000	7,020	1,980
Office expenses	4,000	1,917	2,083
Safety supplies	500	-	500
Contractual services	4,000	1,398	2,602
Professional services	30,000	580	29,420
Memberships, printing and publications	22,000	9,859	12,141
Repairs and maintenance	500	-	500
Travel, meetings and training	1,000	889	111
Recognition program	600	131	469
Utilities	1,000	375	625
Depreciation	500	-	500
Contingency and other reserves	53,000	-	53,000
Total operating expenses	<u>451,900</u>	<u>296,535</u>	<u>155,365</u>
Operating income (loss)		<u>459,141</u>	
Nonoperating revenues (expenses)			
Interest income	5,600	4,062	(1,538)
Recovery of uncollectible accounts	10,000	11,702	1,702
Other miscellaneous revenues	-	123	123
Write-off of uncollectible accounts	(5,000)	(1,502)	3,498
	<u>10,600</u>	<u>14,385</u>	<u>3,785</u>
Income (loss) before contributions and transfers	<u>\$ 358,700</u>	<u>\$ 473,526</u>	<u>\$ 114,826</u>
Equity transfers in (out)		<u>(1,000,000)</u>	
Change in net position		<u>(526,474)</u>	
Net position - beginning		<u>1,521,591</u>	
Net position - ending		<u>\$ 995,117</u>	

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
RECYCLING SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
SCHEDULE 8**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Operating revenues			
Recycling charges - residential and green waste	\$ 2,288,000	\$ 2,286,977	\$ (1,023)
Recycling charges - commercial and industrial	72,000	87,783	15,783
Landfill fees - Measure D	340,000	327,570	(12,430)
Total operating revenues	<u>2,700,000</u>	<u>2,702,330</u>	<u>2,330</u>
Operating expenses			
Salaries	191,000	147,030	43,970
Overhead	221,600	170,555	51,045
Office expenses	4,600	103	4,497
Contractual services	2,350,000	2,208,805	141,195
Professional services	2,000	-	2,000
Memberships, printing and publications	45,000	37,082	7,918
Travel, meetings and training	500	10	490
San Leandro Measure D	40,000	36,033	3,967
Depreciation	3,000	2,604	396
Contingency reserve	30,000	-	30,000
Total operating expenses	<u>2,887,700</u>	<u>2,602,222</u>	<u>285,478</u>
Operating income (loss)		<u>100,108</u>	
Nonoperating revenues (expenses)			
Interest income	9,200	8,673	(527)
Other miscellaneous revenues	5,000	19,095	14,095
Grant expenses	-	(10,725)	(10,725)
Write-off of uncollectible accounts	(200)	-	200
Total nonoperating revenues (expenses)	<u>14,000</u>	<u>17,043</u>	<u>3,043</u>
Income (loss) before contributions and transfers	<u>\$ (173,700)</u>	<u>\$ 117,151</u>	<u>\$ 290,851</u>
Equity transfers in (out)		<u>(1,000,000)</u>	
Change in net position		<u>(882,849)</u>	
Net position - beginning		<u>2,490,202</u>	
Net position - ending		<u>\$ 1,607,353</u>	

DIGESTER FACILITIES IMPROVEMENT PROJECT

The District is in the last phase in constructing two new \$1-million gallon concrete digesters. The project costs \$9.5 million and will provide for the ability to reliably meet the 15-day retention time target, and expand the District's grease receiving program.



STATISTICAL SECTION OVERVIEW

This part of the Oro Loma Sanitary District's Comprehensive Annual Financial Report provides a context for interpreting the contents in the financial statements, note disclosures, and required supplementary information. It gives readers an understanding of the District's business activities and economic condition. Information presented herein aims to achieve the following objectives.

- To provide **Financial Trends** on how the District's financial performance have changed over time.
- To provide information on **Revenue Capacity and Expenses**.
 - **Revenue Capacity** schedules demonstrate the District's ability to generate revenues from various sources. In addition, revenue rates and principal payers are also presented.
 - **Expense** schedules are presented by category and service type.
- To provide **Debt Capacity Information** on the District's historical debt limitations, debt per customer, and debt coverage ratios.
- To provide **Demographic and Economic Information**, by service area, on population, per capita income, unemployment statistics, and ethnic distribution. In addition, major employers within the District are listed.
- To provide **Operating Information**, such as staffing trends, service indicators, and an overview of the District's capital assets.

The contents presented in this section are based on the audited financial statements, general information available from the Alameda County, water consumption reports from East Bay Municipal Utility District, statistics from the United States Census Bureau, the State of California, and East Bay Economic Development Alliance.

ORO LOMA SANITARY DISTRICT

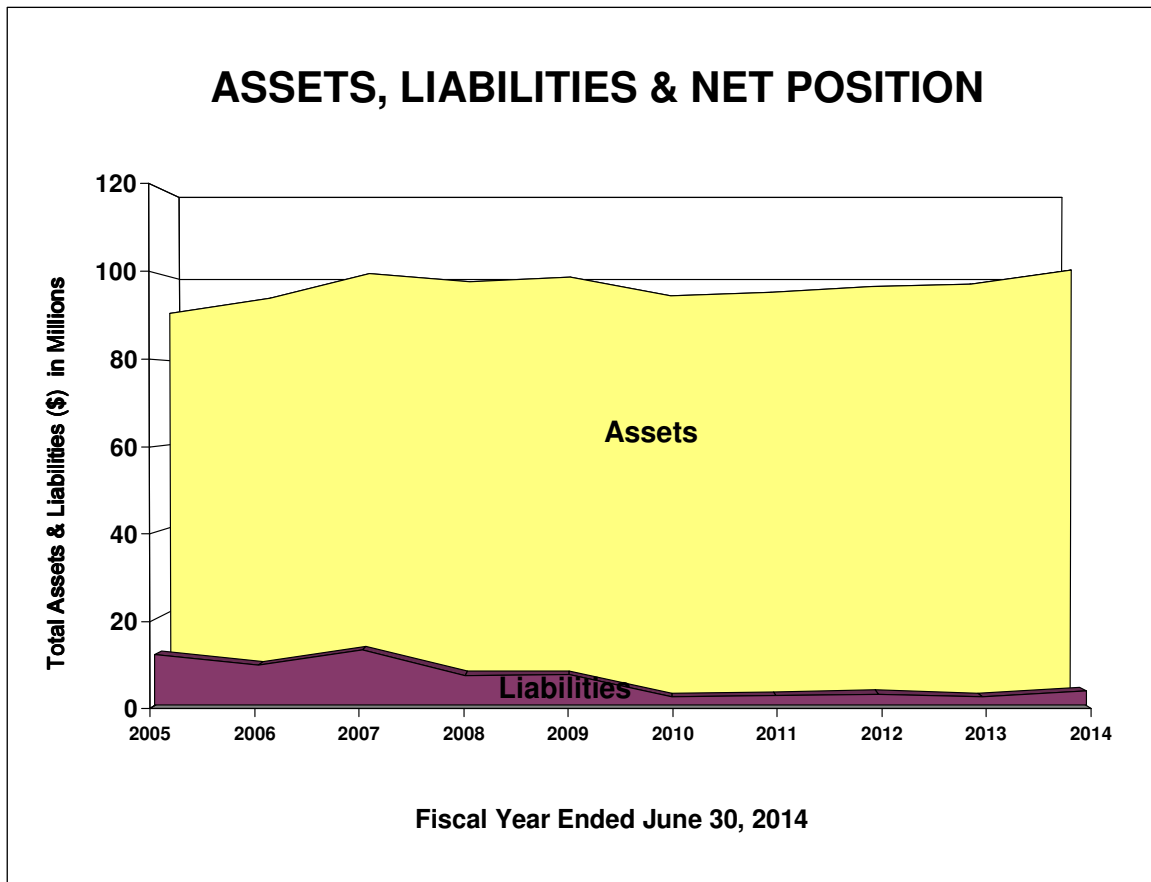
FINANCIAL TRENDS

TABLE 1

Assets, Liabilities & Net Position

Fiscal Year Ended June 30	Assets	Liabilities	Net Position			
			Net Investment in Capital Assets	Restricted for for Debt Service	Unrestricted	Total Net Position
2014	\$101,575,687	\$3,306,407	\$66,742,699	\$ -	\$31,526,581	\$98,269,280
2013	98,330,104	1,946,779	61,334,894	-	35,048,431	96,383,325
2012	97,610,232	2,642,889	60,137,540	-	34,829,803	94,967,343
2011	96,239,189	2,279,945	66,538,774	-	27,420,470	93,959,244
2010	95,474,012	1,919,911	65,552,405	-	28,001,696	93,554,101
2009	99,769,503	7,100,005	63,311,493	907,320	28,450,685	92,669,498
2008	98,695,805	7,014,053	62,187,754	909,189	28,584,809	91,681,752
2007	100,654,725	12,764,767	59,534,814	916,755	27,438,389	87,889,958
2006	94,850,097	9,332,983	58,153,562	922,137	26,441,415	85,517,114
2005	91,172,299	11,721,955	49,680,971	922,921	28,846,452	79,450,344

GRAPH A



ORO LOMA SANITARY DISTRICT

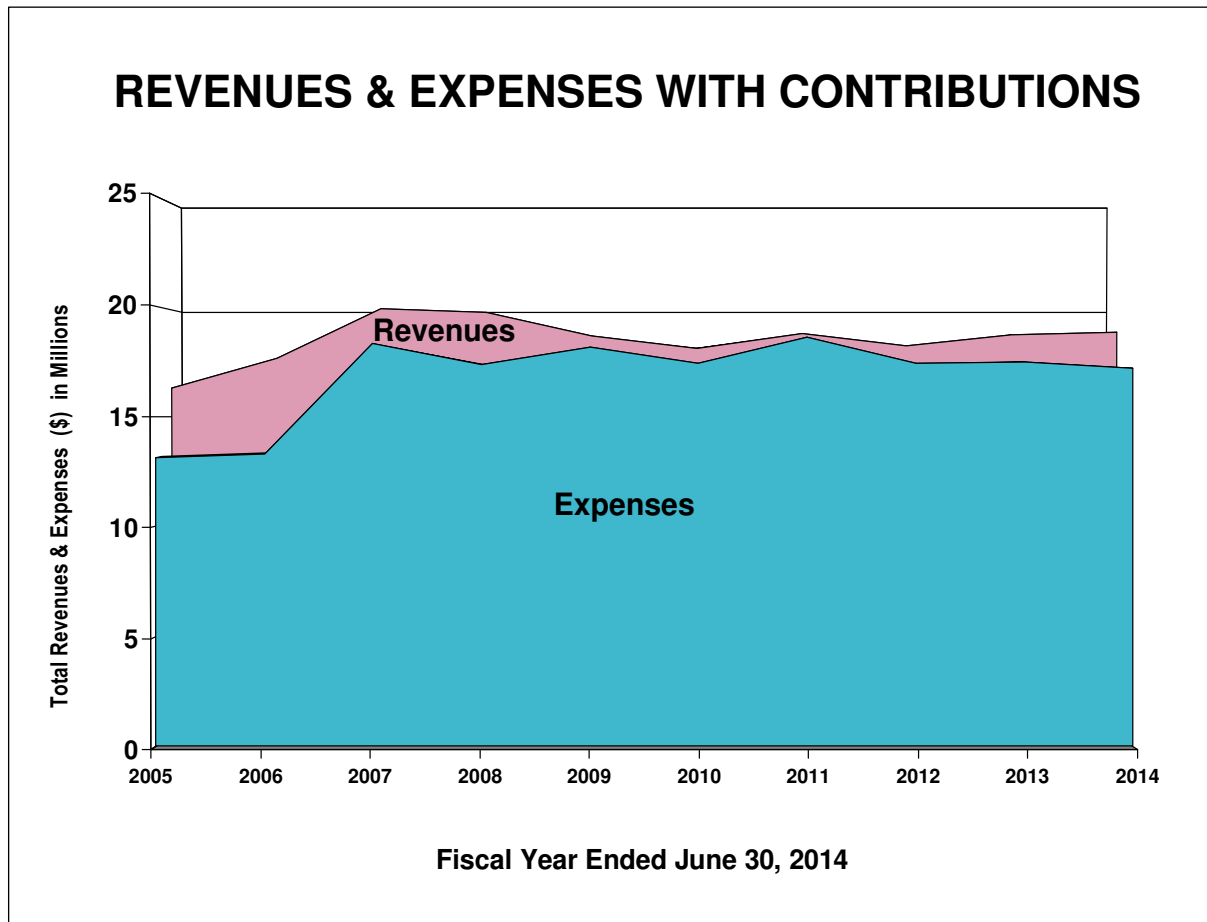
FINANCIAL TRENDS

TABLE 2

Revenues, Expenses & Changes in Net Position

Fiscal Year Ended June 30	Revenues	Expenses	Income before Contributions	Contributions		Change in Net Position
				Connection & Upsizing Fees	Other Contributions	
2014	\$18,944,945	\$17,195,227	\$1,749,718	\$ 135,600	\$ 637	\$1,885,955
2013	18,814,211	17,467,989	1,346,222	69,759	-	1,415,981
2012	18,305,709	17,409,737	895,972	112,127	-	1,008,099
2011	18,885,829	18,580,591	305,238	99,905	-	405,143
2010	18,214,645	17,379,995	834,650	49,953	-	884,603
2009	18,754,862	18,134,727	620,135	367,611	-	987,746
2008	19,862,126	17,371,992	2,490,134	1,198,135	103,525	3,791,794
2007	20,038,505	18,290,053	1,748,452	624,392	-	2,372,844
2006	17,718,340	13,317,517	4,400,823	1,665,947	-	6,066,770
2005	16,327,973	13,139,933	3,188,040	572,082	152,850	3,912,972

GRAPH B



ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3

Statement of Revenues and Expenses & Changes in Net Position (2014 - 2010)

	2014	2013	2012	2011	2010
OPERATING REVENUES:					
District service charges	\$11,583,176	\$11,368,931	\$10,539,022	\$10,183,687	\$10,120,561
Agency treatment charges	2,206,459	2,341,562	2,356,508	2,113,496	2,213,303
Sanitary truck waste charges	48,815	44,614	34,119	33,369	43,921
Grease receiving facilities	120,927	113,397	100,964	47,248	7,135
Permits & inspection fees	126,143	105,122	105,501	118,649	132,534
Contract fees-Waste Mgmt	755,676	728,946	1,014,122	1,177,161	1,231,477
Recycling residential charges	2,286,977	2,285,768	2,285,609	2,281,257	2,277,284
Recycling commercial charges	87,783	71,686	96,011	99,721	80,824
Landfill fees-Measure D	327,570	342,132	322,360	337,996	358,386
Others	763,138	719,682	761,461	812,882	753,313
Total operating revenues	18,306,664	18,121,840	17,615,677	17,205,466	17,218,738
OPERATING EXPENSES:					
Engineering	712,859	694,142	585,037	756,806	637,505
Sewage collections	2,727,099	2,375,275	2,207,219	2,426,428	2,350,901
Sewage treatment operations	3,768,468	3,961,746	3,833,846	3,616,626	4,405,258
Sewage treatment maintenance	1,951,508	2,100,408	2,419,194	1,831,130	1,846,305
Sewage disposal-EBDA	645,786	682,807	696,967	638,715	478,693
Administration and general	1,206,450	1,405,494	1,215,432	1,320,909	1,168,674
Depreciation	3,179,437	3,133,447	2,993,361	3,134,347	3,148,568
Decrease in EBDA equity	95,162	92,055	104,088	98,084	78,973
Solid waste	296,535	330,769	395,554	397,390	435,618
Recycling	2,599,618	2,682,645	2,662,165	2,688,271	2,657,699
Total operating expenses	17,182,922	17,458,788	17,112,863	16,908,706	17,208,194
OPERATING INCOME (LOSS)	1,123,742	663,052	502,814	296,760	10,544
NONOPERATING REVENUES:					
Interest income	217,367	194,227	157,237	190,115	197,078
Realized/unrealized gains (losses)	53,279	19,345	(157,399)	-	-
Rents, leases & license fees	84,856	132,159	394,141	375,087	382,120
Castro Valley side fund reimbursement	-	-	-	297,151	-
Gain on disposal of capital assets	14,643	-	-	-	-
Recovery of uncollectable accounts	11,702	9,821	16,172	69,587	-
Other miscellaneous revenues	177,063	220,500	200,510	171,846	203,125
EBDA agreement and other refunds	79,371	79,371	79,371	79,371	79,371
Grant revenues	-	36,948	-	497,206	134,213
Total nonoperating revenues	638,281	692,371	690,032	1,680,363	995,907
NONOPERATING EXPENSES:					
Interest on bonds payable	-	-	-	-	4,367
CalPERS side fund contribution	-	-	-	1,640,762	-
Grant expenses	10,725	444	34,623	30,268	19,240
Write-off plant & equipment	78	-	260,034	389	-
Write-off uncollectable accounts	1,502	8,757	2,217	466	8,824
Other miscellaneous expenses	-	-	-	-	139,370
Total nonoperating expenses	12,305	9,201	296,874	1,671,885	171,801
INCOME BEFORE CONTRIBUTIONS	1,749,718	1,346,222	895,972	305,238	834,650
Connection fees	135,600	69,759	112,127	99,905	49,953
Sewer upsizing fees	-	-	-	-	-
Developers' contributions	-	-	-	-	-
CVSD contrib. for transferred vehicle	637	-	-	-	-
CHANGES IN NET POSITION	1,885,955	1,415,981	1,008,099	405,143	884,603
NET POSITION-BEGINNING	96,383,324	94,967,343	93,959,244	93,554,101	92,669,498
NET POSITION-ENDING	98,269,279	96,383,324	94,967,343	93,959,244	93,554,101

ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3 (continued)

Statement of Revenues and Expenses & Changes in Net Position (2009 - 2005)

	2009	2008	2007	2006	2005
OPERATING REVENUES:					
District service charges	\$10,098,745	\$10,739,082	\$10,651,466	\$9,202,424	\$8,238,310
Agency treatment charges	2,321,971	2,065,201	2,018,058	1,741,473	1,619,527
Sanitary truck waste charges	48,960	63,160	56,752	61,847	41,286
Grease receiving facilities	-	-	-	-	-
Permits & inspection fees	138,888	209,411	174,584	213,158	113,296
Contract fees-Waste Mgmt	1,249,130	1,205,948	1,198,607	1,142,866	1,120,814
Recycling residential charges	2,272,570	2,266,025	2,257,179	2,252,303	2,245,508
Recycling commercial charges	59,895	37,731	36,958	36,313	36,251
Landfill fees-Measure D	311,732	452,342	496,637	467,607	430,456
Others	828,072	848,235	672,065	695,383	675,878
Total operating revenues	17,329,963	17,887,135	17,562,306	15,813,374	14,521,326
OPERATING EXPENSES:					
Engineering	631,004	813,103	723,286	679,844	685,267
Sewage collections	2,880,750	2,076,666	1,667,692	1,348,268	1,549,052
Sewage treatment operations	4,262,868	4,470,520	3,761,510	3,024,097	2,597,738
Sewage treatment maintenance	1,895,607	1,705,618	1,903,645	1,461,440	1,409,782
Sewage disposal-EBDA	501,112	543,574	511,412	522,603	376,332
Administration and general	1,246,174	1,247,944	1,354,111	1,070,921	1,176,449
Depreciation	3,079,226	3,053,867	2,131,024	2,009,381	2,106,241
Decrease in EBDA equity	13,365	41,273	68,875	87,079	101,622
Solid waste	516,185	503,793	215,554	202,821	154,757
Residential recycling	2,656,868	2,601,130	2,567,667	2,593,569	2,579,703
Total operating expenses	17,683,159	17,057,488	14,904,776	13,000,023	12,736,943
OPERATING INCOME (LOSS)	(353,196)	829,647	2,657,530	2,813,351	1,784,383
NONOPERATING REVENUES:					
Interest income	584,497	1,122,335	1,452,998	778,659	833,285
Realized/unrealized gains (losses)	-	-	-	-	-
Rents, leases & license fees	364,982	395,427	565,367	564,132	566,604
Castro Valley side fund reimbursement	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Recovery of uncollectable accounts	-	-	-	-	-
Other miscellaneous revenues	232,112	316,738	313,146	405,621	236,158
EBDA agreement and other refunds	89,138	82,010	87,011	78,673	78,672
Grant revenues	154,170	58,481	57,677	77,881	91,928
Total nonoperating revenues	1,424,899	1,974,991	2,476,199	1,904,966	1,806,647
NONOPERATING EXPENSES:					
Interest on bonds payable	150,926	173,576	195,626	217,076	237,776
CalPERS side fund contribution	-	-	-	-	-
Grant expenses	244,863	48,988	56,114	32,550	77,451
Write-off plant & equipment	8,837	51,020	92,303	33,934	39,094
Write-off uncollectible accounts	31,398	25,376	25,590	18,490	33,125
Other miscellaneous expenses	15,544	15,544	3,015,644	15,444	15,544
Total nonoperating expenses	451,568	314,504	3,385,277	317,494	402,990
INCOME BEFORE CONTRIBUTIONS	620,135	2,490,134	1,748,452	4,400,823	3,188,040
Connection fees	367,611	1,198,135	455,873	1,459,278	456,621
Sewer upsizing fees	-	-	168,519	206,669	115,461
Developers' contributions	-	103,525	-	-	152,850
CVSD contrib. for transferred vehicle	-	-	-	-	-
CHANGES IN NET POSITION	987,746	3,791,794	2,372,844	6,066,770	3,912,972
NET POSITION-BEGINNING	91,681,752	87,889,958	85,517,114	79,450,344	75,537,372
NET POSITION-ENDING	92,669,498	91,681,752	87,889,958	85,517,114	79,450,344

ORO LOMA SANITARY DISTRICT

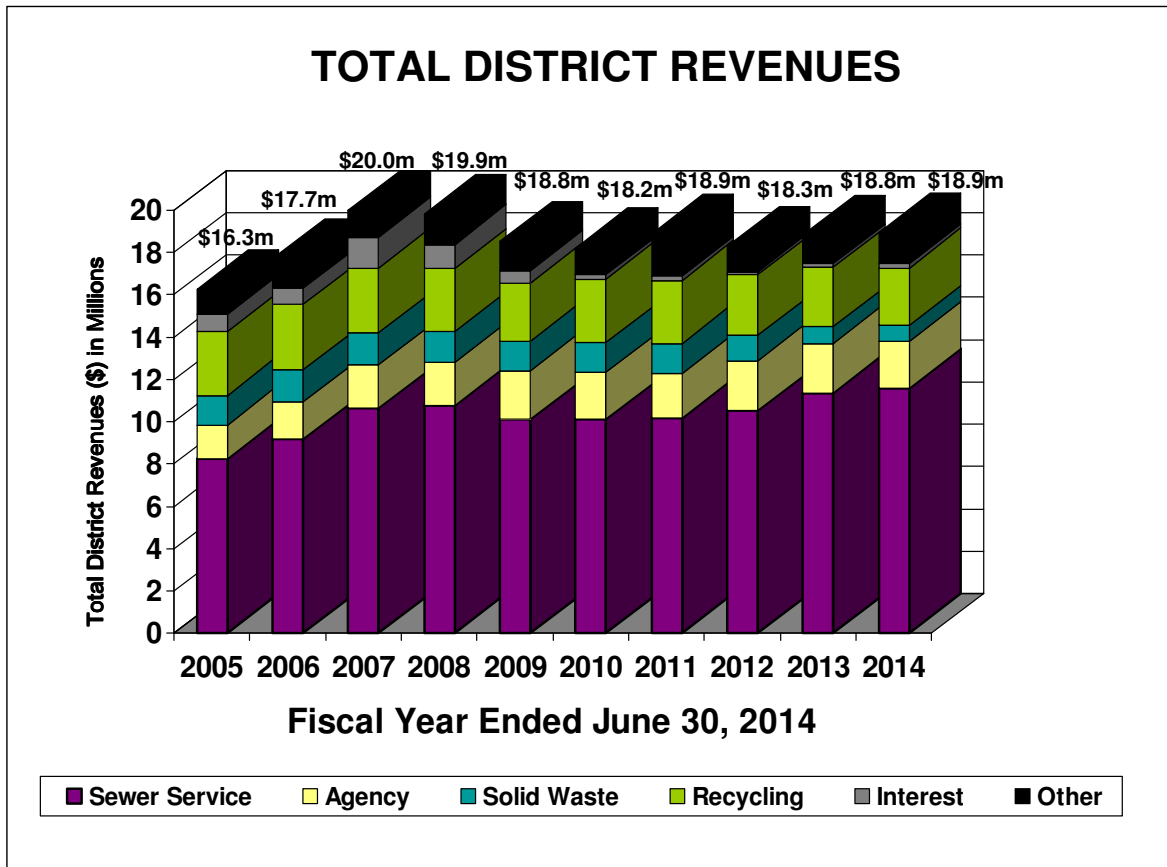
REVENUE CAPACITY

TABLE 4

Major Revenue Components

Fiscal Year Ended June 30	Sewer Service Revenues	Agency Service Revenues	Solid Waste Service Revenues	Recycling Service Revenues	Interest Income	Other Revenues	Total Revenues
% of 2014 Total	61.1%	11.6%	4.1%	14.4%	1.1%	7.6%	100.0%
2014	\$11,583,176	\$2,206,459	\$767,501	\$2,721,425	\$217,367	\$1,449,017	\$18,944,945
2013	11,368,931	2,341,562	765,379	2,805,924	194,227	1,338,188	18,814,211
2012	10,539,022	2,356,508	1,199,728	2,869,376	157,237	1,183,838	18,305,709
2011	10,183,687	2,113,496	1,405,010	3,009,099	190,115	1,984,422	18,885,829
2010	10,120,561	2,213,303	1,390,374	3,039,228	197,078	1,254,101	18,214,645
2009	10,098,745	2,321,971	1,407,685	2,983,776	584,497	1,358,188	18,754,862
2008	10,739,082	2,065,201	1,469,998	3,024,376	1,122,335	1,441,134	19,862,126
2007	10,651,466	2,018,058	1,527,112	3,123,992	1,452,998	1,264,879	20,038,505
2006	9,202,424	1,741,473	1,523,589	3,109,515	778,659	1,362,680	17,718,340
2005	8,238,310	1,619,527	1,393,272	3,085,920	833,285	1,157,659	16,327,973

GRAPH C



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

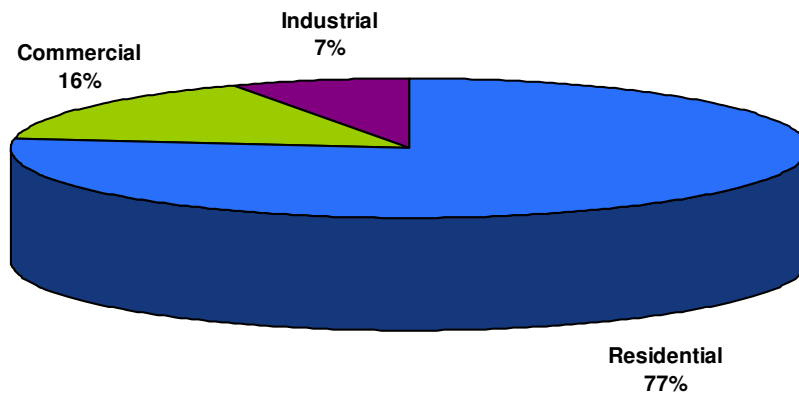
TABLE 5

Sewer Service Revenues by Customer Type

Fiscal Year Ended June 30	Customer Type						Total Sewer Service Revenues
	Residential	% of Total	Commercial	% of Total	Industrial	% of Total	
2014	\$8,959,561	77%	\$1,782,630	16%	\$840,985	7%	\$11,583,176
2013	8,677,340	76%	1,771,964	16%	919,627	8%	11,368,931
2012	8,394,231	80%	1,541,786	15%	603,005	5%	10,539,022
2011	8,163,543	80%	1,422,552	14%	597,591	6%	10,183,686
2010	8,148,938	81%	1,432,635	14%	538,988	5%	10,120,561
2009	8,146,161	81%	1,485,963	15%	466,621	4%	10,098,745
2008	8,588,078	80%	1,643,004	15%	508,000	5%	10,739,082
2007	8,547,142	80%	1,629,825	15%	474,499	5%	10,651,466
2006	7,493,077	81%	1,398,952	15%	310,395	4%	9,202,424
2005	6,550,350	80%	1,275,982	15%	411,978	5%	8,238,310

GRAPH D

SEWER SERVICE REVENUES BY CUSTOMER TYPE FY 2013-14



The District's customer base is predominantly residential customers.

ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ REVENUE RATES ~

TABLE 6

Annual Sewer Service Rates & Customer Base

1996 to Present

Ordinance 37 with Resolution #3536

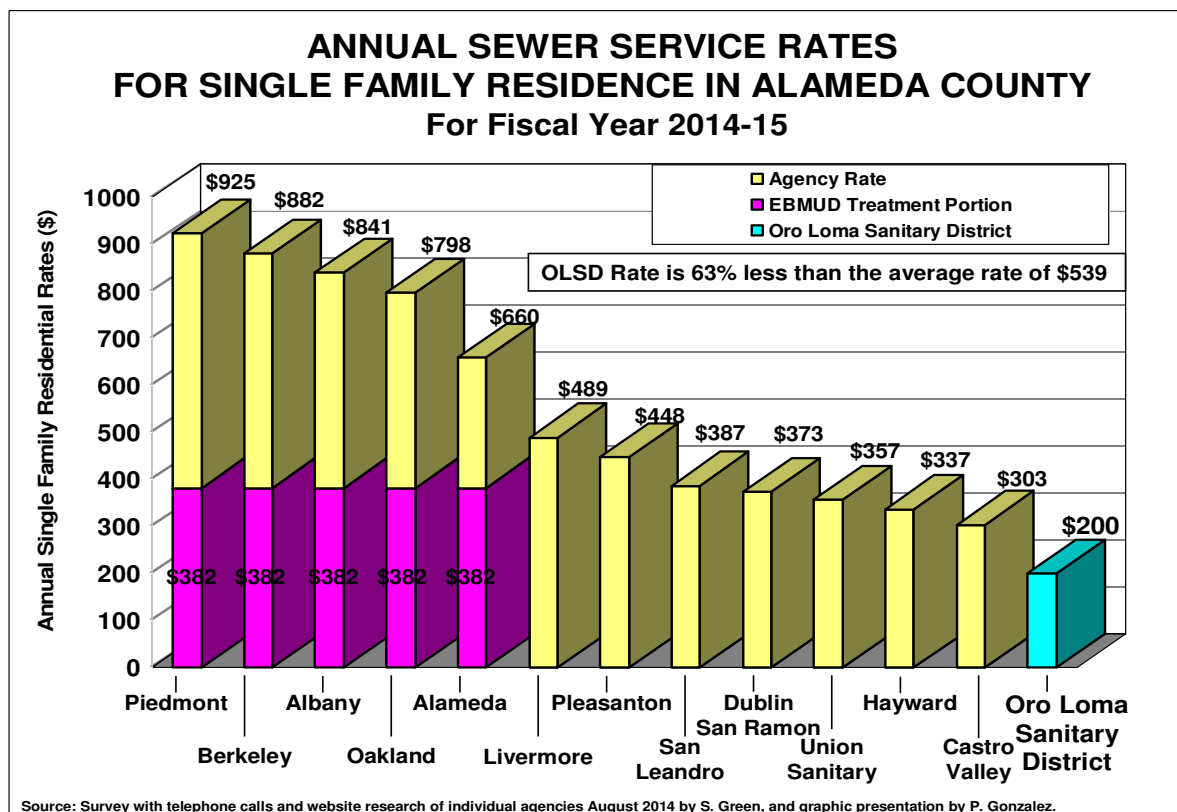
Fiscal Year Ended June 30	Ord. #	Residential						Commercial & Significant Industrial Users		Total Customer Base
		Single Family Dwellings		Apartment Units		Mobile Homes		# of customers	per 100 cf of water used	
		# of units	Annual Rate	# of units	Annual Rate	# of units	Annual Rate			
2015	R#3536	29,762	\$200.00	14,845	\$200.00	1,229	\$163.00	1,271	\$2.956	47,107
2014	R#3536	29,739	195.00	14,848	195.00	1,245	158.00	1,237	2.870	47,069
2013	R#3536	29,742	189.00	14,849	189.00	1,261	153.00	1,160	2.786	47,012
2012	37-27	29,696	183.00	14,773	183.00	1,311	149.00	1,141	2.705	46,921
2011	37-26	29,632	178.00	14,862	178.00	1,261	145.00	1,149	2.626	46,904
2010	37-26	29,632	178.00	14,785	178.00	1,264	145.00	1,156	2.626	46,837
2009	37-26	29,560	178.00	14,819	178.00	1,264	145.00	1,160	2.626	46,803
2008	37-25	29,222	193.00	15,023	178.78	1,278	146.58	1,173	2.626	46,696
2007	37-23	29,165	193.00	14,863	178.78	1,278	146.58	1,201	2.626	46,507
2006	37-23	28,963	173.00	15,006	148.78	1,277	124.58	1,217	2.297	46,463
2005	37-22	28,820	153.00	15,026	128.78	1,277	104.58	1,216	1.968	46,339
2004	37-22	28,727	133.00	15,001	108.78	1,278	84.58	1,205	1.968	46,211
2003	37-21	28,645	113.00	14,937	88.78	1,264	64.58	1,193	1.968	46,039
2002	37-21	28,629	113.00	14,720	88.78	1,264	64.58	1,192	1.968	45,805
2001	37-21	28,502	113.00	14,706	88.78	1,264	64.58	1,175	1.968	45,647
2000	37-21	28,165	113.00	14,710	88.78	1,264	64.58	1,167	1.968	45,306
1999	37-21	27,688	113.00	14,604	88.78	1,264	64.58	1,167	1.968	44,723
1998	37-21	27,153	113.00	14,598	88.78	1,300	64.58	1,406	1.968	44,457
1997	37-21	26,703	113.00	14,587	88.78	1,300	64.58	1,406	1.968	43,996
1996	37-20	26,408	113.00	14,618	88.78	1,300	64.58	1,406	1.968	43,732

Residential sewer services charges are collected annually through the County of Alameda property tax roll.

Commercial and light industrial customers are charged bi-monthly on their water bills through East Bay Municipal Utility District.

In 2007 and 2009, unit counts reflect reclassifications among single family dwellings and apartments categories.

GRAPH E



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY ~ PRINCIPAL REVENUE PAYERS ~

Commercial and Industrial Sewer Service Customers

- Residential sewer customers are billed on the Alameda County tax roll, using flat rates per residential category.
 - Commercial sewer customers are billed through East Bay Municipal Utility District, based on water consumption.
 - Significant industrial users are billed by the District, based on water consumption, suspended solids and biochemical oxygen demand.
- Below are some vital statistics on revenues derived from commercial and industrial customers in Fiscal Year 2013-14.

22.7% ← **\$2,623,615** out of **\$11,583,176** total sewer service revenues were derived from commercial (\$1,782,630) and industrial (\$840,985) customers

14.5% ← **\$1,680,806** out of **\$11,583,176** total sewer service revenues were derived from the twenty largest commercial and industrial customers

64.1% ← **\$1,680,806** out of **\$2,623,615** total commercial and industrial sewer service revenues were derived from the twenty largest commercial and industrial customers.

TABLE 7 **Twenty Largest Commercial Customers**

Source: 2013 East Bay Municipal Utility District water consumption and billing report and 2013 significant industrial users invoices.

Customer	Type of Business	Sewer Charges	% of Total Sewer Service Revenue
Santini Foods	Food manufacturing	\$ 541,079	4.7%
Ghirardelli Chocolate	Food manufacturing	184,550	1.6%
Hayward Area Recreation & Park District	Recreation and parks	141,244	1.2%
Bayfair Development LLC	Shopping mall	141,043	1.2%
Fairmont Hospital Complex	Hospital, medical clinics and correctional facilities	112,213	1.0%
San Lorenzo Unified School District	School District	107,381	0.9%
Hillshire Brands	Food manufacturing	96,105	0.8%
County of Alameda General Services	Government services	61,821	0.5%
Hayward Unified School District	School district	61,318	0.5%
Greenhouse Marketplace	Retail businesses	39,287	0.3%
San Leandro Hospital (SLCO)	Hospital	31,036	0.3%
Kantilal Solanki	Hotel	26,014	0.2%
Save Mart Supermarket	Grocery store	21,487	0.2%
Kaiser Foundation Health Plan	Medical clinics	18,853	0.2%
Mercy Housing	Senior housing and assisted living	17,336	0.1%
Washington Manor Convalescent Hospital	Convalescent home	16,833	0.1%
Guadalajara Enterprises	Retail businesses	16,259	0.1%
Nadaq	Laundromat	15,684	0.1%
Ramesh Pitamber	Hotel	15,632	0.1%
Hometown Buffet	Restaurant	15,631	0.1%
Total		\$1,680,806	14.5%

Note: Due to a very stable customer/revenue base, there were no significant changes in the information provided for the Twenty Largest Commercial Customers. Therefore, data from the previous nine years are not presented.

ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

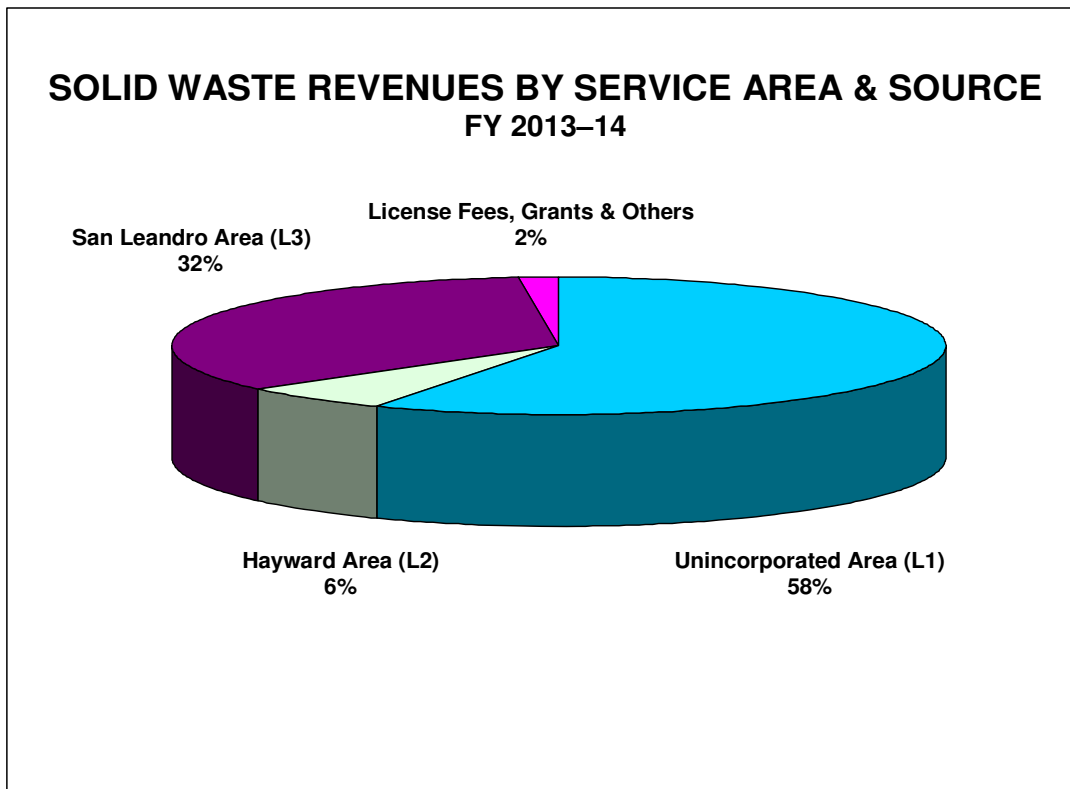
TABLE 8

Solid Waste Revenues by Service Area & Source

Fiscal Year Ended June 30	Unincorporated Area (L1)	Hayward Area (L2)	San Leandro Area (L3)	License Fees, Grants & Others	Total
2014	\$442,829	\$49,122	\$263,393	\$12,157	\$767,501
2013	437,719	38,856	252,371	36,433	765,379
2012	612,959	56,455	344,708	185,606	1,199,728 *
2011	726,120	68,902	408,818	201,170	1,405,010
2010	751,591	65,919	413,967	158,897	1,390,374
2009	764,607	67,553	416,970	158,555	1,407,685
2008	735,235	65,217	405,496	264,050	1,469,998
2007	710,704	59,323	428,580	328,505	1,527,112
2006	673,211	46,283	423,372	380,723	1,523,589
2005	661,577	45,201	414,036	272,458	1,393,272

*Franchise fees reduced from 10% to 5% beginning January 1, 2012.

GRAPH F



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

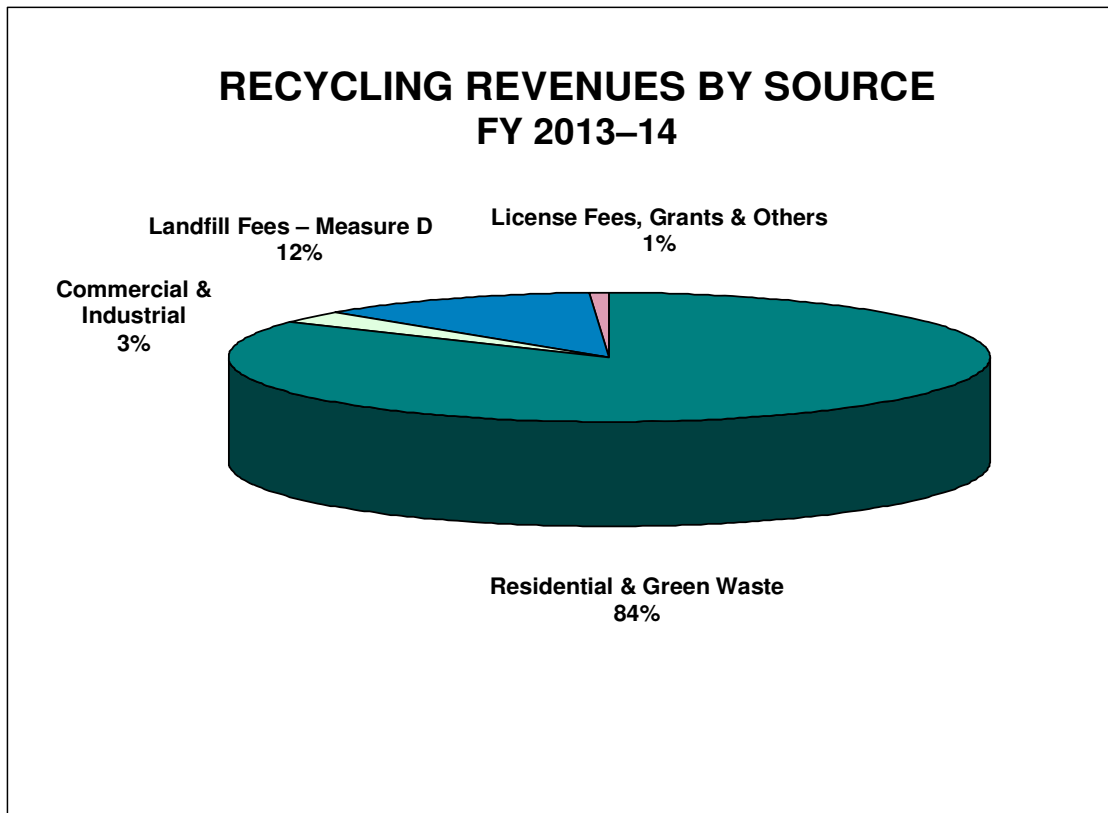
~ SIGNIFICANT SINGLE SOURCE REVENUES ~

TABLE 9

Recycling Revenues by Source

Fiscal Year Ended June 30	Recycling Charges		Landfill Fees Measure D	License Fees, Grants & Others	Total
	Residential & Green Waste	Commercial & Industrial			
2014	\$2,286,977	\$87,783	\$327,570	\$19,095	\$2,721,425
2013	2,285,768	71,686	342,132	106,337	2,805,924
2012	2,285,609	96,011	322,360	165,396	2,869,376
2011	2,281,257	99,721	337,996	290,125	3,009,099
2010	2,277,284	80,824	358,386	322,734	3,039,228
2009	2,272,570	59,895	311,732	339,579	2,983,776
2008	2,266,025	37,731	452,342	268,278	3,024,376
2007	2,257,179	36,958	496,637	333,218	3,123,992
2006	2,252,303	36,313	467,607	353,292	3,109,515
2005	2,245,508	36,251	430,456	373,705	3,085,920

GRAPH G



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ REVENUE RATES ~

TABLE 10

Solid Waste (Garbage) & Recycling Rates

Ordinance 34

Rate Change Effective *	Ord. #	Garbage Rates								Recycling Rates			
		Residential (Monthly)						Commercial ** (Monthly)		Residential (Monthly)		Commercial *** (Monthly)	
		20-gallon can		35-gallon can		64-gallon can		1-cubic yard bin		Single Family	Multi-Family / Mobile Home	1-cubic yard bin	
		L1 & L2	L3	L1 & L2	L3	L1 & L2	L3	L1 & L2	L3			L1 & L2	L3
2014	34-39	\$8.02	\$9.25	\$15.99	\$18.55	\$32.02	\$37.04	\$104.63	\$121.01	\$4.60	\$4.32	\$44.98	\$47.23
2013	34-38	7.75	8.94	15.44	17.91	30.93	35.78	101.05	116.87	4.60	4.32	43.44	45.62
Sep 1, 2012	34-37	7.56	8.72	15.07	17.48	30.18	34.91	98.59	114.04	4.60	4.32	42.39	44.51
Jan 1, 2012	34-36	7.26	8.37	14.47	16.78	28.98	33.52	94.66	109.49	4.60	4.32	40.70	42.74
2011	34-35	6.31	7.17	12.58	14.38	25.20	28.72	81.93	93.41	4.60	4.32	35.25	36.46
2010	34-34	6.09	6.92	12.15	13.87	24.34	27.71	79.12	90.11	4.60	4.32	34.03	35.16
2009	34-33	5.98	6.80	11.94	13.62	23.91	27.22	77.72	88.49	4.60	4.32	33.45	34.54
2008	34-32	5.88	6.68	11.75	13.38	23.52	26.75	76.48	86.96	4.60	4.32	33.93	33.94
2007	34-31	5.70	6.48	11.40	12.97	22.81	25.94	74.18	84.31	4.60	4.32	32.91	-
2006	34-30	5.46	6.20	10.92	12.41	21.84	24.82	71.99	81.77	4.60	4.32	32.91	-
2005	34-29	5.25	5.25	10.50	10.50	21.00	21.00	69.28	-	4.60	4.32	-	-
2004	34-28	5.00	5.00	10.00	10.00	20.00	20.00	68.74	-	4.60	4.32	-	-

L1 is the unincorporated area within the District's boundaries, and receives both garbage and recycling services from the District.

L2 is the area in the City of Hayward within the District's boundaries. This area receives only garbage services from the District.

L3 is the area in the City of San Leandro within the District's boundaries, and receives both garbage and recycling services from the District.

* All rate changes are effective September 1 of each year, except where noted otherwise.

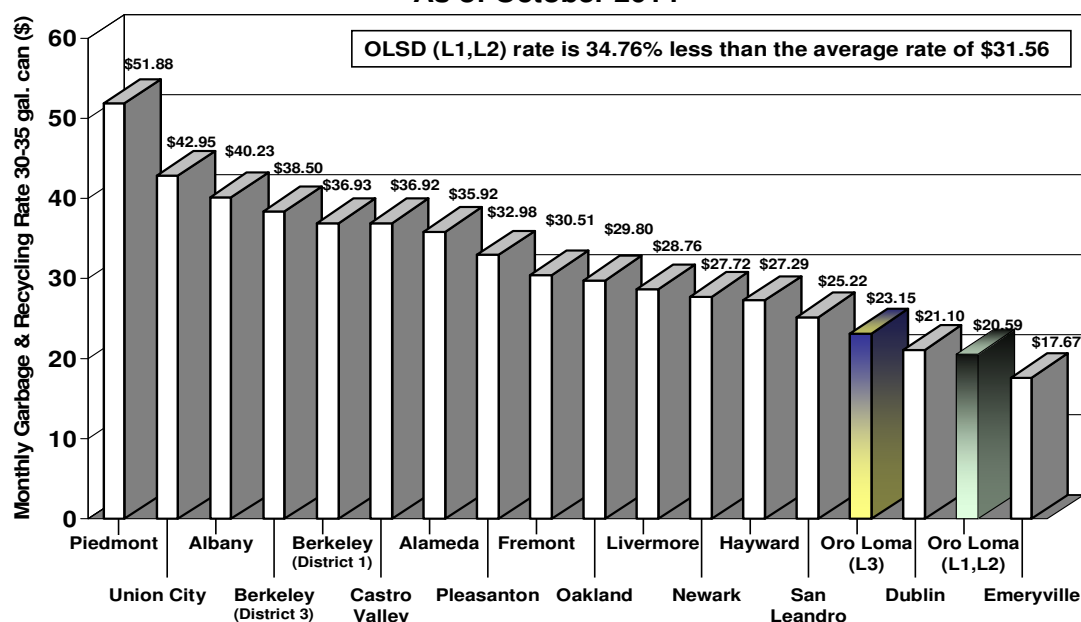
** Commercial garbage rates shown are based on a 1-cubic yard bin with 1 weekly pickup. Charges for other volume levels and pickup frequencies are listed in full in Ordinance 34, Exhibits A and B, which may be viewed on the District's website on www.oroloma.org.

*** Commercial recycling rates shown are based on a 1-cubic yard bin with 1 weekly pickup. Charges for other volume levels and pickup frequencies are listed in full in Ordinance 34, Exhibit D, which may be viewed on the District's website on www.oroloma.org.

GRAPH H

MONTHLY GARBAGE & RECYCLING RATES FOR 30-35 GALLON CAN, IN ALAMEDA COUNTY

As of October 2014



Source: Survey with telephone calls and web search of individual agencies September 2014, and graphic presentation by P. Gonzalez.

ORO LOMA SANITARY DISTRICT

EXPENSES

TABLE 11

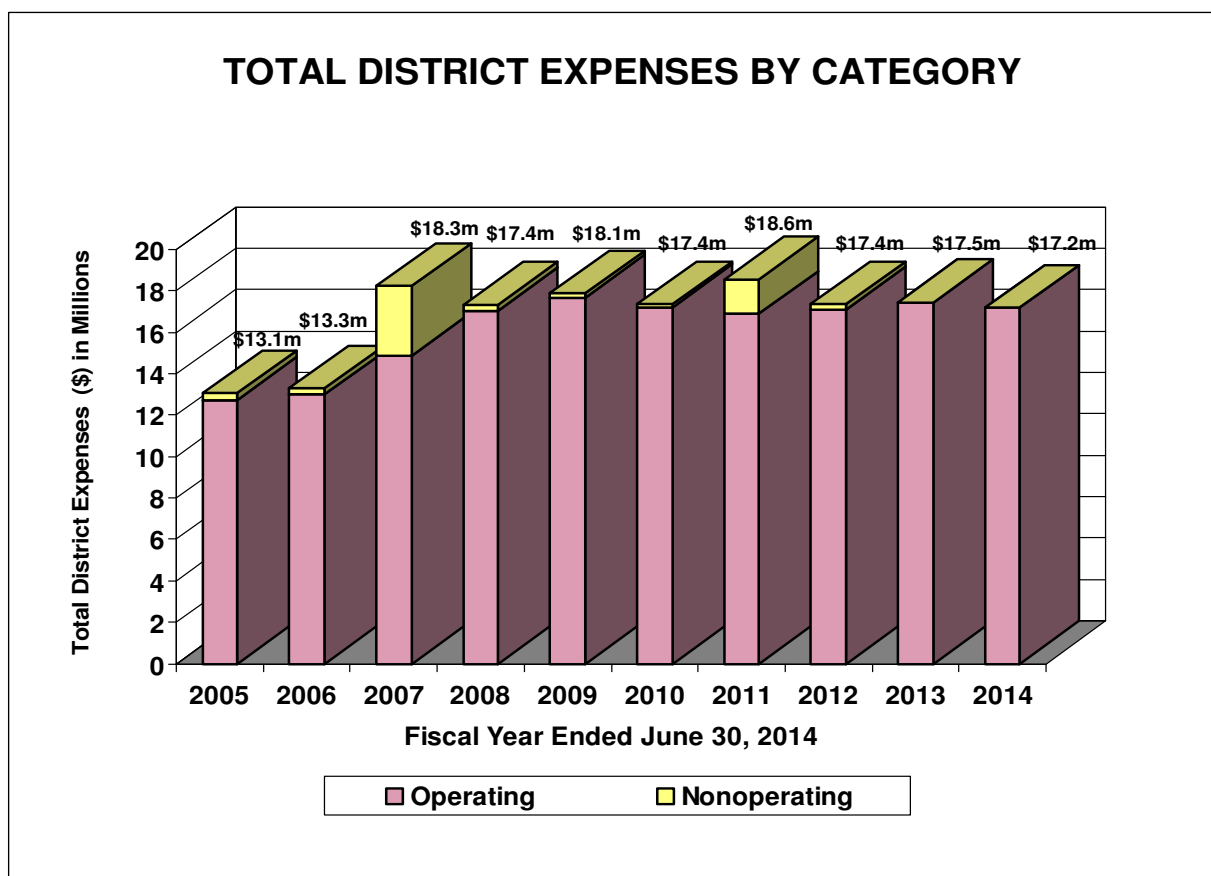
Total Expenses by Category

Fiscal Year Ended June 30	Operating Expenses	Nonoperating Expenses	Total Expenses
2014	\$17,182,922	\$12,305	\$17,195,227
2013	17,458,788	9,201	17,467,989
2012	17,112,863	296,874	17,409,737
2011	16,908,706	** 1,671,885	18,580,591
2010	17,208,194	171,801	17,379,995
2009	17,683,159	451,568	18,134,727
2008	17,057,488	314,504	17,371,992
2007	14,904,776	* 3,385,277	18,290,053
2006	13,000,023	317,494	13,317,517
2005	12,736,943	402,990	13,139,933

* Includes \$3,000,000 one-time contribution to Post-Retirement Employee Benefits account in 2007, to offset long-term unfunded liabilities.

** Includes \$1,640,762 one-time payoff to the CalPERS side fund.

GRAPH I



ORO LOMA SANITARY DISTRICT

EXPENSES

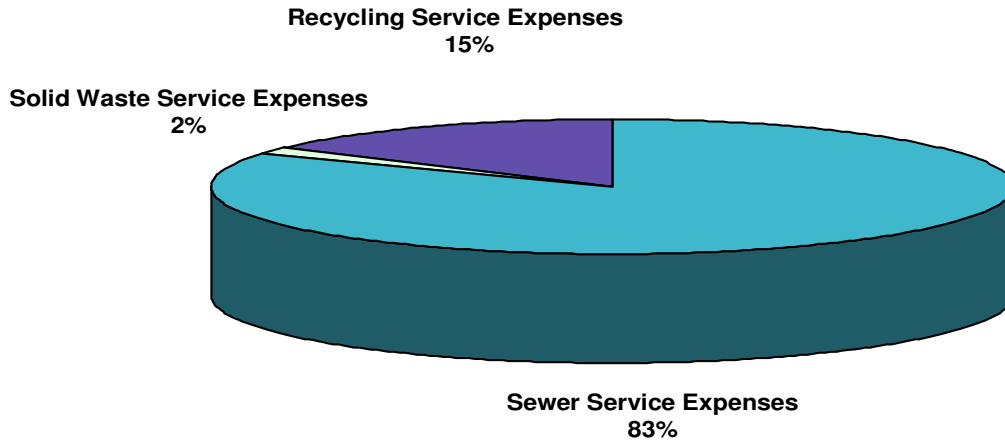
TABLE 12

Total Expenses by Service Type

Fiscal Year Ended June 30	Sewer Service Expenses	Solid Waste Service Expenses	Recycling Service Expenses	Total Expenses
2014	\$14,284,243	\$298,037	\$2,612,947	\$17,195,227
2013	14,450,627	331,429	2,685,933	17,467,989
2012	14,312,139	398,206	2,699,392	17,409,737
2011	15,461,512	397,825	2,721,254	18,580,591
2010	14,255,575	444,877	2,679,543	17,379,995
2009	14,682,373	548,018	2,904,336	18,134,727
2008	14,027,924	634,791	2,709,277	17,371,992
2007	15,119,251	441,981	2,728,821	18,290,053
2006	10,163,259	422,149	2,732,109	13,317,517
2005	9,992,720	383,374	2,763,839	13,139,933

GRAPH J

TOTAL EXPENSES BY SERVICE TYPE FY 2013–14



ORO LOMA SANITARY DISTRICT

DEBT CAPACITY

Sewer Revenue Bonds for \$12 million were issued in 1991, and subsequently refinanced by the Sewer Revenue Refunding Bonds in 2003 for \$7.665 million. These Bonds were redeemed by the District in September 2009. The District has no outstanding debt since.

The California Health and Safety Code, Section 6651 Bonded Indebtedness Limit, limits the District's maximum bonding capacity to 15% of the assessed value of the real and personal property of the District, which has been established by the County of Alameda as follows.

TABLE 13

Debt Limitations

Fiscal Year Ended June 30	Total Asset Valuation at Full Value	Assessed Valuation at 25% of Full Value	Debt Limitations (15% thereof)	Less: General Obligation Bonds Authorized and		Remaining Bonding Capacity	Tax Rate for General Oblig. Bonds
				Outstanding	Unissued		
2014	\$10,370,178,948	\$2,592,544,737	\$388,881,711	none	(\$600,000)	\$388,281,711	N/A
2013	9,916,171,677	2,479,042,919	371,856,438	none	(600,000)	371,256,438	N/A
2012	9,816,257,873	2,454,064,468	368,109,670	none	(600,000)	367,509,670	N/A
2011	9,911,332,229	2,477,833,057	371,674,959	none	(600,000)	371,074,959	N/A
2010	10,103,791,583	2,525,947,896	378,892,184	none	(600,000)	378,292,184	N/A
2009	10,950,055,952	2,737,513,988	410,627,098	none	(600,000)	410,027,098	N/A
2008	10,619,419,639	2,654,854,910	398,228,237	none	(600,000)	397,628,237	N/A
2007	9,812,042,261	2,453,010,565	367,951,585	none	(600,000)	367,351,585	N/A
2006	8,827,106,088	2,206,776,522	331,016,478	none	(600,000)	330,416,478	N/A
2005	8,082,561,459	2,020,640,365	303,096,055	none	(600,000)	302,496,055	N/A

Sewer Revenue Refunding Bonds 2003

From Issue Year 2003 to Redemption in September 2009

TABLE 14

Ratio of Outstanding Debt to Number of Sewer Service Customers

Fiscal Year Ended June 30	Total Outstanding Debt	Number of Sewer Service Customers	Debt Per Customer
2010	\$0	46,837	\$0
2009	4,085,752	46,803	87
2008	4,825,296	46,696	103
2007	5,544,840	46,507	119
2006	6,244,384	46,463	134
2005	6,918,928	46,339	149
2004	7,528,471	46,211	163
2003	7,513,016	46,039	163

TABLE 15

Debt Coverage Ratio

Fiscal Year Ended June 30	Gross Sewer Service Revenues	Sewer Service Operating Expenses (excludes depr.)	Net Revenues Available For Debt Service	Debt Service History			Coverage Ratio
				Principal	Interest/Others	Total	
2010	\$13,818,698	\$10,887,336	\$2,931,362	\$ 3,365,000	\$ 143,737	\$3,508,737	Paid Off
2009	14,670,661	11,417,515	3,253,146	780,000	123,770	903,770	3.60
2008	16,579,555	10,857,425	5,722,130	755,000	146,795	901,795	6.35
2007	15,712,019	9,921,656	5,790,363	735,000	169,145	904,145	6.40
2006	14,533,535	8,107,173	6,426,362	715,000	190,895	905,895	7.09
2005	12,300,081	7,794,620	4,505,461	690,000	211,970	901,970	5.00
2004	10,475,210	7,144,330	3,330,880	625,000	231,695	856,695	3.89
2003	11,185,953	6,855,260	4,330,693	-	166,070	166,070	26.08

ORO LOMA SANITARY DISTRICT

DEMOGRAPHIC & ECONOMIC INFORMATION

~ DEMOGRAPHIC & ECONOMIC INDICATORS ~

Oro Loma Sanitary District was formed in 1911. The District's enabling legislation is the Sanitary Act of 1923 of the State Health & Safety Code, which empowers the District to provide sewer solid waste, and recycling services as a special district of local government.

The District encompasses 13 square miles, serving the communities of unincorporated Alameda County such as San Lorenzo, Ashland, Cherryland, the Five Canyons in Castro Valley, and designated areas in the Cities of Hayward and San Leandro. It is located about 13 miles south of Oakland, and 30 miles north of San Jose, on the east shore of the San Francisco Bay.

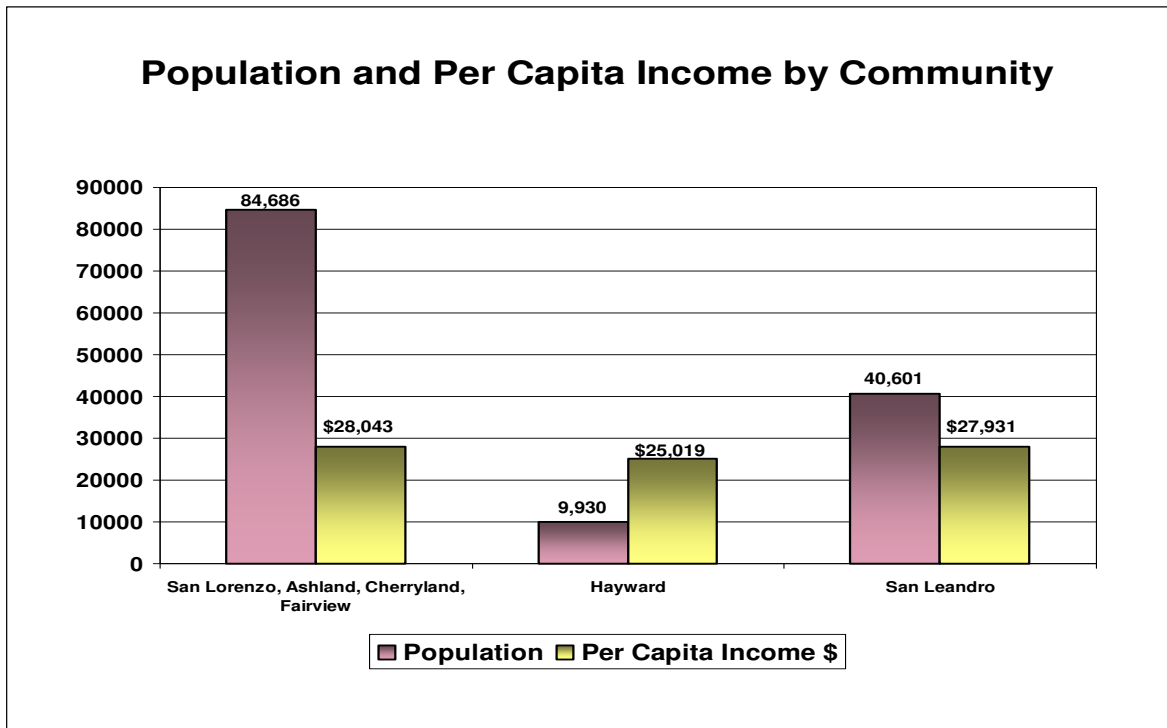
TABLE 16

Population, Per Capita Income & Unemployment Statistics

Source: U.S. Census Bureau 2008-2012; EDD Labor Market Information Division FY 2013-14

Indicator	Communities within the District's Boundaries Located in			All Areas
	San Lorenzo, Ashland, Cherryland, Fairview	Hayward	San Leandro	
Population	84,686	9,930	40,601	135,217
Per Capita Income	\$28,043	\$25,019	\$27,931	\$27,787
Unemployment rate	6.2%	7.5%	6.6%	6.4%

GRAPH K



ORO LOMA SANITARY DISTRICT

DEMOGRAPHIC & ECONOMIC INFORMATION

~ PRINCIPAL EMPLOYERS ~

TABLE 17

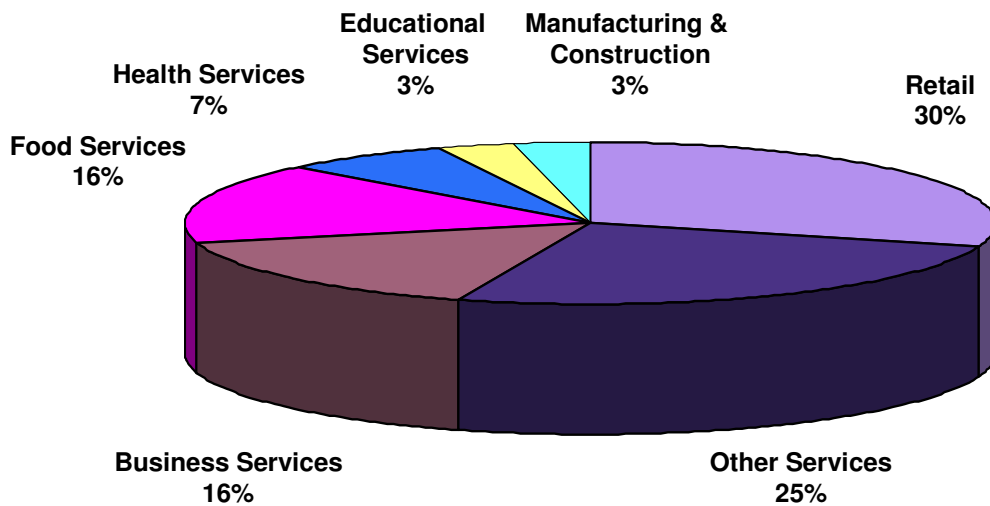
Major Employers Within the District

Source: East Bay Economic Development Alliance, 2010.

Employer	Type of Business	Number of Employees
County of Alameda	Government services and hospital complex	3105
San Lorenzo Unified School District	School district	1600
San Leandro Hospital	Hospital	475
Kraft	Food manufacturing	400
Ghirardelli Chocolate	Food manufacturing	375
Aidell's Sausage Co.	Food manufacturing	350
Kaiser Foundation Health Plan	Medical clinics	300
Target	Department store	280
Hayward Unified School District	School district	268
Safeway	Grocery store	258
Hillshire Brands	Food manufacturing	240
Walmart (Store 5434)	Department store	206

GRAPH L

MAJOR INDUSTRIES WITHIN THE DISTRICT FY 2013–14



Source: 2013 East Bay Municipal Utility District water consumption and billing report.

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

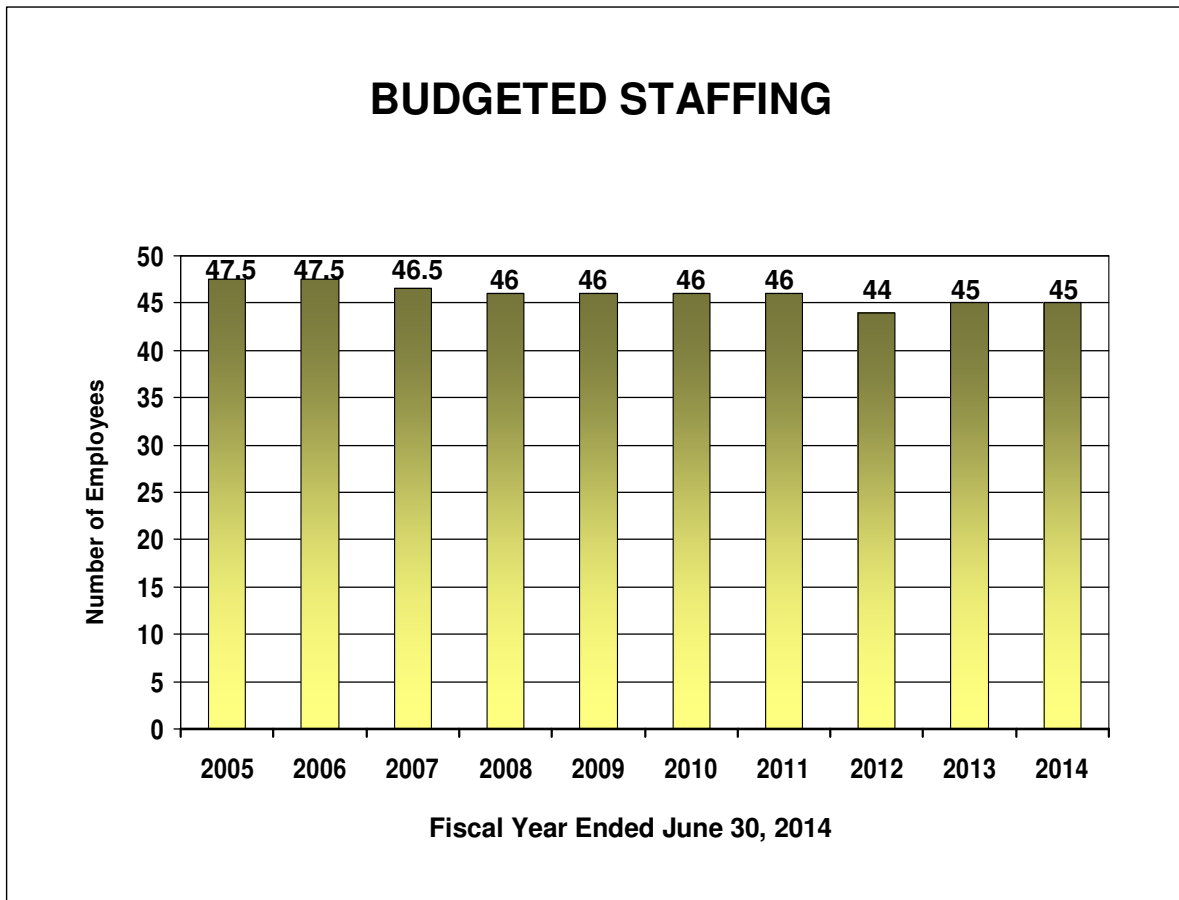
~ EMPLOYEE BASE ~

TABLE 18

Budgeted Staffing by Department

Fiscal Year Ended June 30	Engineering	Collections	Operations	Maintenance	Administration	Solid Waste	Total
2014	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2013	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2012	4.0	8.0	15.5	10.0	5.5	1.0	44.0
2011	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2010	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2009	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2008	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2007	7.0	7.0	16.0	10.0	5.5	1.0	46.5
2006	7.0	8.0	15.5	10.0	6.0	1.0	47.5
2005	7.0	8.0	15.5	10.0	6.0	1.0	47.5

GRAPH M



ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ SERVICE INDICATORS ~

TABLE 19

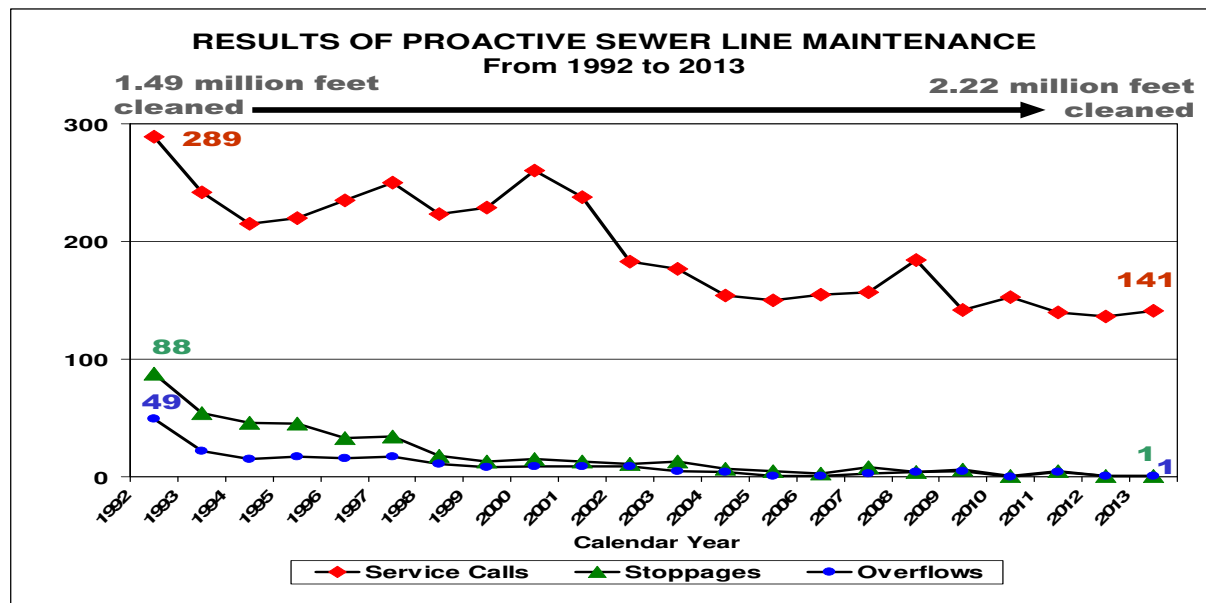
Proactive Sewer Line Maintenance and Results

1992-2013

Calendar Year	Total Cleaned & CCTV'd (ft)	Monthly Average (ft)	Service Calls	Stoppages	Overflows
2013	2,217,645	184,804	141	1	1
2012	2,103,762	175,314	136	1	1
2011	2,105,110	175,426	140	5	4
2010	2,200,451	183,371	153	1	-
2009	2,157,948	179,829	142	6	5
2008	2,170,078	180,840	*184	4	4
2007	2,092,457	174,371	157	8	3
2006	2,171,583	180,965	155	3	1
2005	2,189,737	182,478	150	5	1
2004	2,000,385	166,699	154	7	4
2003	2,092,140	174,345	177	13	5
2002	2,048,939	170,745	183	11	9
2001	2,084,782	173,732	238	13	9
2000	1,844,583	153,715	260	15	9
1999	2,126,747	177,229	229	13	8
1998	2,079,746	173,312	223	18	11
1997	1,362,872	113,573	250	34	17
1996	1,341,638	111,803	235	33	16
1995	1,084,987	90,416	220	45	17
1994	1,194,142	99,512	215	46	15
1993	1,405,929	117,161	242	54	22
1992	1,492,549	124,379	289	88	49

* 2008 service calls showed a slight increase from 2007, as a result of the District's newsletter encouraging customers to report water leaks on the street to reduce sewer overflow response time and duration.

GRAPH N



ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ SERVICE INDICATORS ~

TABLE 20

Sewer Connections & Inspection Permits

Ordinance 35

Fiscal Year Ended June 30	Ord.#	Number of Connections Made	Connection Base Fee	Connection Fee Revenues	Number of Permits Issued	Permit & Inspection Base Fee	Permit & Inspection Revenues
2014	35-14	21	\$6,555	\$135,600	257	\$280	\$75,691
2013	35-14	11	6,555	69,759	220	280	57,798
2012	35-14	17	6,555	112,127	173	280	52,186
2011	35-14	15	6,555	99,905	194	280	56,261
2010	35-14	8	6,555	49,953	233	280	66,708
2009	35-14	56	6,555	367,611	201	280	67,125
2008	35-13	183*	6,555	1,198,135	218	280	134,511
2007	35-12	63	7,261	455,873	196	225	97,208
2006	35-12	217**	6,739	1,459,278	203	225	124,675
2005	35-12	71	6,394	456,621	202	225	54,431

* More than \$983,000 or 153 units (out of 183 units) was attributed to the conversion of single residential or commercial units to a high density housing such as senior living facilities or condominiums.

** \$837,614 or 151 units (out of 217 units) is attributed to one connection of senior living facilities on Arbor Avenue.

TABLE 21

Treatment Plant Flow

Calendar Year	Annual Rainfall (inches)	Average Daily (MGD)*				Maximum Daily (MGD)*			
		Total Plant Flow	Plant Flow From OLSD	Plant Flow From CVSD**	% of Total Plant Flow From CVSD	Total Plant Flow	Plant Flow From OLSD	Plant Flow From CVSD	% of Total Plant Flow From CVSD
2013	2.71	12.3	9.1	3.2	26.0%	16.9	12.0	4.9	29.0%
2012	12.23	13.9	10.1	3.8	27.3%	42.2	27.4	14.8	35.1%
2011	13.08	14.2	10.4	3.8	26.8%	43.3	28.3	15.2	35.1%
2010	21.14	14.7	10.7	4.0	27.2%	41.0	27.8	13.2	32.2%
2009	19.62	12.6	9.3	3.4	27.0%	31.4	20.4	11.0	35.0%
2008	17.37	12.3	8.9	3.3	26.8%	36.4	22.0	14.4	39.6%
2007	17.80	13.2	9.6	3.6	27.3%	28.6	20.3	10.2	35.7%
2006	11.17	16.9	12.2	4.7	27.8%	45.5	31.2	14.3	31.4%
2005	20.82	16.8	12.4	4.4	26.2%	56.1	37.3	18.8	33.5%
2004	23.00	15.3	11.2	4.2	27.5%	38.1	25.0	13.1	34.4%

* MGD stands for millions gallons per day

** Oro Loma Sanitary District (OLSD) provides treatment services for Castro Valley Sanitary District (CVSD) based on agreement. These flows are measured separately. CVSD is billed for Agency Treatment Charges quarterly, based on the share of total plant flow it contributes.

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ SERVICE INDICATORS ~

TABLE 22

Sewage Treatment Plant Performance Measurements

Calendar Year	Effluent* Quality (Average Monthly)				Plant Electrical Demand (Average Monthly)		
	CBOD** (mg/l)	CBOD % of Removal	TSS** (mg/l)	TSS % of Removal	Generated*** (By OLSD)	Purchased (Other Sources)	% Produced
2013	5	98%	6	99%	541,967	36,158	94%
2012	4	98%	5	99%	520,182	Solar Powered	100%
2011	5	98%	5	99%	516,241	Solar Powered	100%
2010	12	94%	9	97%	489,411	52,832	90%
2009	9	96%	9	96%	497,001	42,437	92%
2008	8	97%	9	96%	469,268	113,648	81%
2007	8	97%	11	96%	458,642	179,342	72%
2006	12	93%	20	91%	446,084	108,394	80%
2005	13	94%	22	91%	462,676	81,944	85%
2004	14	92%	26	90%	370,109	145,155	72%

* Effluent is the water discharged at the end of the treatment process. Standards are mandated by the EPA and Clean Water Act, to ensure that the contents of the effluent do not pose any environmental hazards.

** CBOD = Carbonaceous Biochemical Oxygen Demand; TSS = Total Suspended Solids

*** Generated value equals Co-Gen & Solar as of 2011.

Solid Waste, Recycling & Green Waste Services

The District contracts with Waste Management of Alameda County to provide garbage, recycling and green waste services to its customers. The current contract went into effect on January 1, 2012, and will expire on August 31, 2024, with possible extensions. Highlights of the contract are included below.

TABLE 23

Highlights of Solid Waste, Recycling & Green Waste Services

Routes for Garbage Pickups (per day, every week)	8
Routes for Residential Recycling (per day, every other week)	4
Routes for Residential Green Waste (per day, every week)	6
Free Annual Bulky Waste Pickups in 2013 (maximum 2 per single family or multiple with 4 units or less)	7,734
Other Services:	
<ul style="list-style-type: none"> Residential batteries and cell phone collection programs Single stream recycling services provided to all public schools in the District at no additional cost Recycling bins for classrooms provided to all public schools at no additional cost Recycling coordinator at WMAC dedicated to commercial and industrial customers Garbage service provided to all public schools in San Leandro at no additional cost Public Education funds budgeted to promote recycling and environmental awareness 	

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ CAPITAL ASSETS ~



TABLE 24

Sewage Treatment Facilities

Sewage treatment plant with 20 mgd permitted capacity, consisting of but not limited to the following structures and equipment.

- 2 Barscreens and 1 Grit Chamber
- 2 Influent Pump Units
- 3 Primary Clarifiers
- 24 Aerators and 3 Aeration Basins
- 3 Secondary Clarifiers
- 1 Gravity Belt Thickener
- 6 Sludge Digesters
- 2 Belt Filter Presses
- 1 Cogeneration System, consisting of:
 - 2 Digester Gas Engines - 360 kW each
 - 1 Siloxane Gas Filtration System
 - 1 Heat Recovery System
- 1 Boiler
- 1 RAS/WAS Pumping Station
- 1 Disinfection System
- 1 Waste Grease Receiving System
- Solar Sludge Drying Beds
- Fleet of service vehicles and other equipment, including:
 - 1 Pretreatment Van
 - 3 Dump Trucks
 - 1 Water Truck
 - 3 Electric Carts
 - 1 Backhoe
 - 1 Wheel Loader
 - 1 Crawler
 - 1 Forklift

Sewage Collection Facilities

- 273 miles of sewer lines
- 14 remote lift stations
- 6091 manholes
- Fleet of service vehicles, consisting of:
 - 3 Hydrojetter Trucks
 - 1 Rodder
 - 1 Vacuum Truck
 - 2 CCTV Vans
 - 4 Collection Service Trucks