



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



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2013

ORO LOMA SANITARY DISTRICT

Comprehensive Annual Financial Report Year Ended June 30, 2013

Presented by:



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Prepared by:



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ORO LOMA SANITARY DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2013

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ORO LOMA SANITARY DISTRICT

November 30, 2013

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, 2013.

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, 2013. 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 fairly stable over the last ten years and is predominantly residential. As of July 1, 2013, sewage collection and treatment services are provided to 47,069 customers, comprised of: residential 45,832 units (97.3%), commercial and light industrial 1,234 units (2.6%), and, 3 significant industrial customers (0.01%). The population served within the District's boundaries is approximately 135,204.

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 12.2 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. In 2011, the District achieved compliance with the 75% diversion goals of Measure D for the first time.

ECONOMIC CONDITION

Local Economy

Oro Loma Sanitary District's service area crosses over several political jurisdictions. Of the 47,069 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 2007-2011 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, \$73,053 with 3.22 persons per household; for the City of San Leandro, \$61,857 with 2.82 persons per household; and, for the City of Hayward, \$62,115 with 3.18 persons per household. The region has not yet recovered fully from the last economic downturn. The average unemployment rate in 2011 was 9.1%, compared to 3.5% in 2006. Median housing value in 2011 was \$404,900, compared to \$590,000 in 2006. However, based on economic forecasts by the U.S. Census Bureau, it is anticipated that the County's employment rate will grow 2.8% per year; population growth will be 1.2% per year; inflation adjusted average salaries are expected to rise by 1.2% annually; and, inflation adjusted per capita income is forecasted to increase by 2.2% per year.

Despite unfavorable economic conditions, the Board has 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. Major accomplishments during the past five years were as follows:

- The District maintains the lowest sewer service rates in Alameda County. As of July 1, 2013, the annual residential sewer rate of \$195 is 62% below the average of \$516 within the County.
- As of September 1, 2013, the monthly garbage and recycling rate for a 35-gallon container in unincorporated Alameda is \$20.04, 33% less than the average of \$30.07 within the County.
- In January 2008, the Board passed a resolution which authorized the District to prefund its Other Post-Employment Benefits (OPEB) through the California Public Employee Retirement System. A Trust was established for this purpose, to which the District had made a \$5 million contribution. The most recent actuarial valuation as of July 1, 2013 indicates that the District is 105% funded for its OPEB obligations.
- On September 21, 2009, the District redeemed its sewer revenue bonds and is debt free.
- 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 rate for FY 2011-12 from 19.695% to 14.256%, saving \$214,500 in the first year. Future rates for the remaining seven-year life of the Side Fund were reduced by approximately 5% per year.
- The District achieved 544 days without a sanitary sewer overflow, the longest period in its history.
- The District has been operating for over 2,100 days without a lost-time injury.

- 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 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.
- Programs for mercury thermostat recycling, dental amalgam, and safe disposal of medication were implemented or expanded. The programs, combined with treatment plant improvements, have led to an 81% reduction in annual average effluent mercury concentration over the past years.

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 \$5 million annually for the next five years in renewal and replacement projects and capital improvements. Of this total, about \$3.25 million per year are allocated to renewing existing collection system piping. Other major long-range plans include completing the construction of two additional digesters, 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 Financial Reserve Policy establishes minimum reserve levels, currently at \$14.25 million. \$5.60 million are reserved to provide funds during the six months between payments from the County. \$7.45 million is reserved for renewal and replacement projects and capital items. The policy is reviewed annually by the Board, in conjunction with the Five-Year Cash Flow Projections prepared by management. It is also utilized during the preparation of the District's Two-Year Budget.

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, 2013, the District's cash and investments balance was \$28.76 million in a well diversified portfolio. Approximately \$11 million were in liquid assets. The remaining \$18 million were held in federal agency securities, corporate bonds, or certificates of deposits with maturities ranging from 8 months to 4.5 years.

The District is not required by statute to adopt a budget. However, in its commitment to maintain fiscal responsibility, the Board adopts a Two-Year 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 San Francisco Bay Area. If approved, this project will begin construction in July 2014 and is expected to complete within three years. The total cost of the project is projected to be \$6.7 million, and will be funded partly by a grant from the State of California.

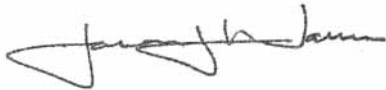
AWARDS AND ACKNOWLEDGMENTS

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, 2012. This was the 18th 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, 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

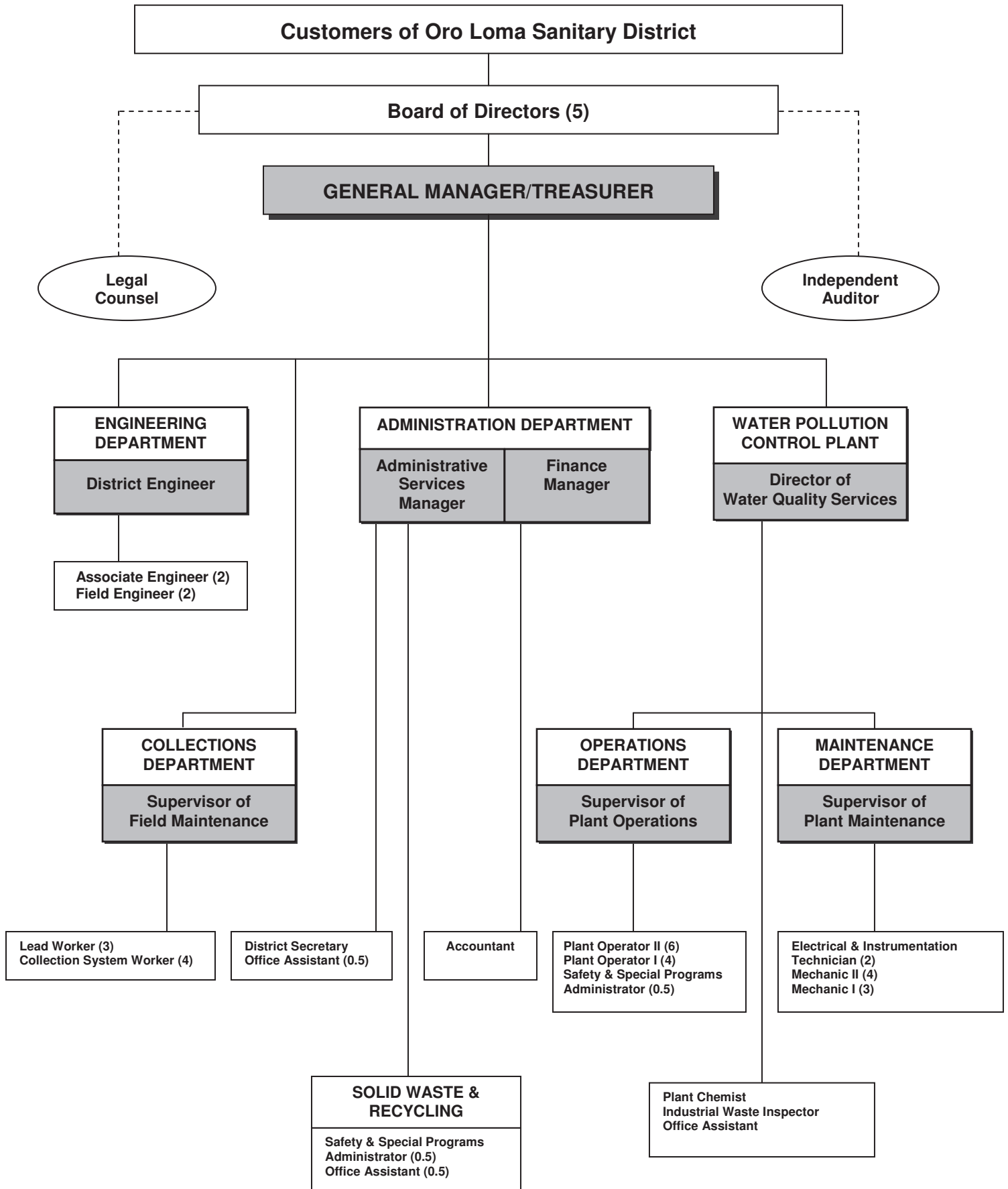


Arlene Wong
Finance Manager



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 2014

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 2014

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 Expires 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



Paul J. Zolfarelli, Director of Water Quality Services (from 2006)

Directs the Operations and Maintenance of the District's wastewater plant. Ensures that wastewater treatment regulations and laboratory functions are achieved. Oversees the District's pretreatment programs.



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.

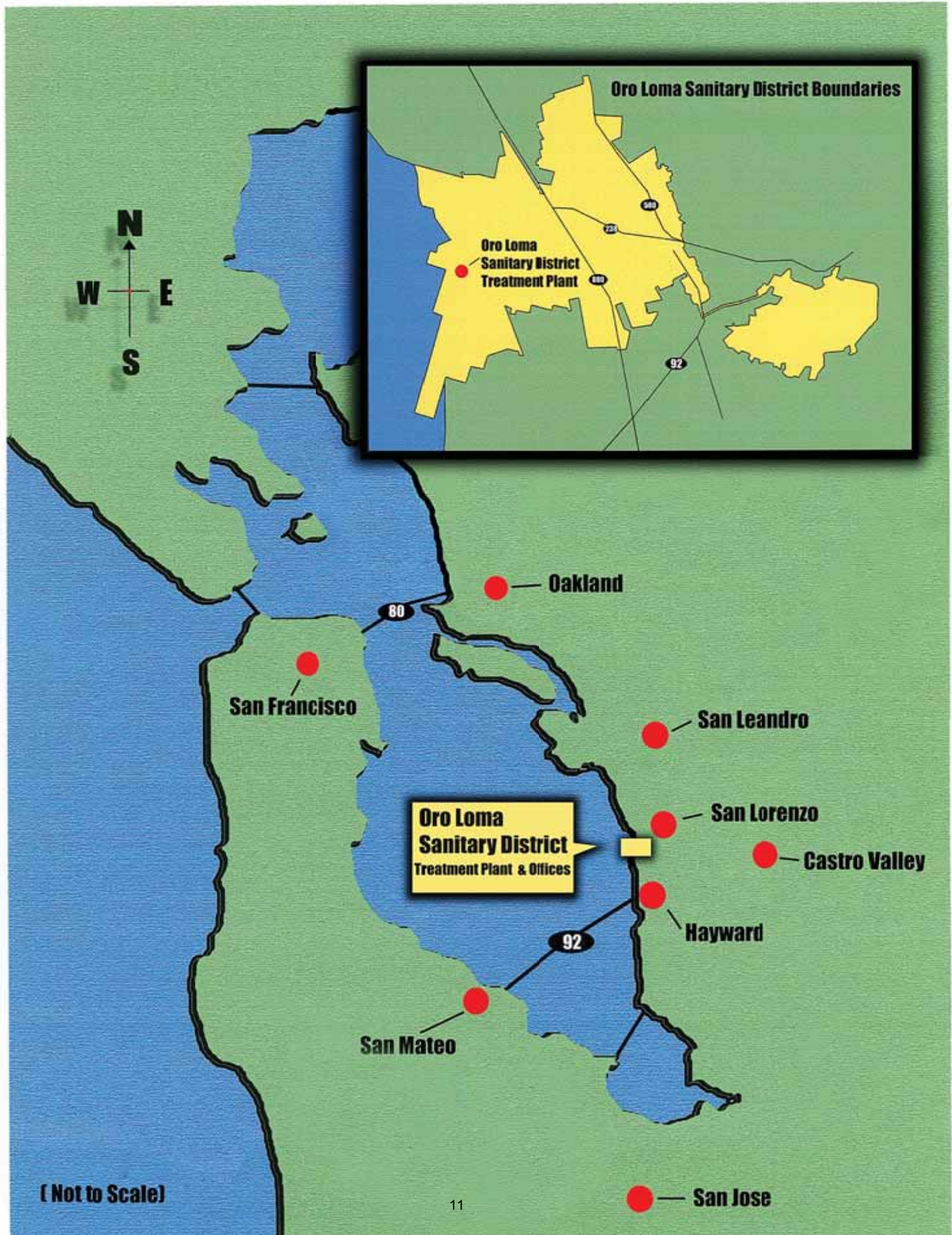
Proactive communication is essential to providing the best service. We will identify issues of public concern and communicate our approach to addressing these issues well in advance of any requirement for significant action.

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



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, 2012



Executive Director/CEO

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, 2013 and 2012, 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.

Opinions

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, 2013 and 2012, 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* on pages 3 – 11 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 *introductory and statistical sections*, as well as the *budgetary comparison information* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *introductory and statistical sections*, as well as the *budgetary comparison information* are the responsibility of management and were 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 *introductory and statistical sections*, as well as 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
August 30, 2013



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, 2013, as compared to June 30, 2012. 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, 2013 was \$96,383,325, as compared to \$94,967,344 in 2012. Of these amounts, \$61,334,894 (2013) and \$60,137,540 (2012) represent net investment in capital assets, and \$35,048,431 (2013) and \$34,829,804 (2012) represent unrestricted net position, which may be used to meet the District's on-going financial obligations.
- As a result of annual operation, the District's net position increased by \$1,415,981 (1.5%) in 2013 and \$1,008,099 (1.1%) in 2012.
- The District does not have 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 \$1,415,981 (1.5%) during 2013, and \$1,008,099 (1.1%) during 2012. 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	2013	2012	Change in 2013		2011	Change in 2012	
			\$	%		\$	%
Current and other assets	36,995,210	37,472,692	(477,482)	-1.3%	36,578,408	894,284	2.4%
Capital assets	61,334,894	60,137,540	1,197,354	2.0%	59,660,781	476,759	0.8%
Total assets	98,330,104	97,610,232	719,872	0.7%	96,239,189	1,371,043	1.4%
Current liabilities	608,669	1,340,385	(731,716)	-54.6%	965,877	374,508	38.8%
Noncurrent liabilities	1,338,110	1,302,504	35,606	2.7%	1,314,068	(11,564)	-0.9%
Total liabilities	1,946,779	2,642,889	(696,110)	-26.3%	2,279,945	362,944	15.9%
Net position							
Net investment in capital assets	61,334,894	60,137,540	1,197,354	2.0%	59,660,781	476,759	0.8%
Unrestricted	35,048,431	34,829,804	218,627	0.6%	34,298,464	531,340	1.5%
Total net position	96,383,325	94,967,344	1,415,981	1.5%	93,959,245	1,008,099	1.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of fiscal year 2013, the District's net position was \$96,383,325. This amount is comprised of the following components:

- \$61,334,894 – 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 to its customers. 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%.
- \$35,048,431 – Unrestricted category. This amount is comprised of:
 - \$6,681,850 – 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. The reserve level for this category was changed from \$14,804,000. The reduction of \$7,354,000 represents the funds reserved for the construction of additional digester facilities. The District began work on this project in FY 2012-13, and thus removed these funds from reserves to pay for the construction.
 - \$500,000 reserved for self-insurance and catastrophic events.
 - \$400,000 reserved for solid waste activities.
 - \$14,114,081 – 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	2013	2012	Change in 2013		2011	Change in 2012	
			\$	%		\$	%
Operating revenues							
District service charges	\$11,368,931	\$10,539,022	\$829,909	7.9%	\$10,183,687	\$355,335	3.5%
Agency treatment charges	2,341,562	2,356,508	(14,946)	-0.6%	2,113,496	243,012	11.5%
Permits and inspection fees	105,122	105,501	(379)	-0.4%	118,649	(13,148)	-11.1%
Sanitary truck waste charges	44,614	34,119	10,495	30.8%	33,369	750	2.2%
Grease receiving charges	113,397	100,964	12,433	12.3%	47,248	53,716	113.7%
Contract fees	728,946	1,014,122	(285,176)	-28.1%	1,177,161	(163,039)	-13.9%
Recycling charges – residential	2,285,768	2,285,609	159	0.0%	2,281,257	4,352	0.2%
Recycling charges-commercial/industrial	71,686	96,011	(24,325)	-25.3%	99,721	(3,710)	-3.7%
Landfills fees – Measure D	342,132	322,360	19,772	6.1%	337,996	(15,636)	-4.6%
Others	719,682	761,461	(41,779)	-5.5%	834,272	(72,811)	-8.7%
Total operating revenues	18,121,840	17,615,677	506,163	2.9%	17,226,856	388,821	2.3%
Operating expenses							
Engineering	694,142	585,037	109,105	18.6%	756,806	(171,769)	-22.7%
Sewage collections	2,375,275	2,207,219	168,056	7.6%	2,426,428	(219,209)	-9.0%
Sewage treatment operations	3,961,746	3,833,846	127,900	3.3%	3,616,626	217,220	6.0%
Sewage treatment maintenance	2,100,408	2,419,194	(318,786)	-13.2%	1,831,130	588,064	32.1%
Sewage disposal –EBDA	682,807	696,967	(14,160)	-2.0%	638,715	58,252	9.1%
Administration and general	1,405,494	1,215,432	190,062	15.6%	1,320,909	(105,477)	-8.0%
Depreciation	3,133,447	2,993,361	140,086	4.7%	3,134,347	(140,986)	-4.5%
Decrease in carrying value of sewage discharge facilities – EBDA	92,055	104,088	(12,033)	-11.6%	98,084	6,004	6.1%
Solid waste	330,769	395,554	(64,785)	-16.4%	397,390	(1,836)	-0.5%
Recycling – residential	2,599,086	2,580,642	18,444	0.7%	2,594,681	(14,039)	-0.5%
Recycling – commercial/industrial	83,559	81,523	2,036	2.5%	93,590	(12,067)	-12.9%
Total operating expenses	17,458,788	17,112,863	345,925	2.0%	16,908,706	204,157	1.2%
Operating income (loss)	663,052	502,814	160,238	31.9%	318,150	184,664	58.0%
Nonoperating revenues							
Interest income	194,227	157,237	36,990	23.5%	190,115	(32,878)	-17.3%
Unrealized gains (losses)	19,345	(157,399)	176,744	112.3%	-	(157,399)	-100.0%
Rents, leases and personal license fees	132,159	394,141	(261,982)	-66.5%	375,087	19,054	5.1%
Castro Valley side fund reimbursement	-	-	-	0.0%	297,151	(297,151)	-100.0%
Recovery of uncollectible accounts	9,821	16,172	(6,351)	-39.3%	69,587	(53,415)	-76.8%
Other miscellaneous revenues	220,500	200,510	19,990	10.0%	150,456	50,054	33.3%
EBDA and other agreement refunds	79,371	79,371	-	0.0%	79,371	-	0.0%
Grants (net of expenses)	36,504	(34,623)	71,127	205.4%	466,938	(501,561)	-107.4%
Total nonoperating revenues	691,927	655,409	36,518	5.6%	1,628,705	(973,296)	-59.8%
Nonoperating expenses							
Write-off of plant and equipment	-	260,034	(260,034)	-100.0%	389	259,645	66746.8%
Write-off of uncollectible accounts	8,757	2,217	6,540	295.0%	466	1,751	375.8%
CalPERS side fund contribution	-	-	-	0.0%	1,640,762	(1,640,762)	-100.0%
Total nonoperating expenses	8,757	262,251	(253,494)	-96.7%	1,641,617	(1,379,366)	-84.0%
Income before contributions and transfers	1,346,222	895,972	450,250	50.3%	305,238	590,734	193.5%
Connection and other developers' fees	69,759	112,127	(42,368)	-37.8%	99,905	12,222	12.2%
Change in net position	1,415,981	1,008,099	407,882	40.5%	405,143	602,956	148.8%
Total net position – beginning	94,967,344	93,959,245	1,008,099	1.1%	93,554,102	405,143	0.4%
Total net position – ending	\$96,383,325	\$94,967,344	\$1,415,981	1.5%	\$93,959,245	\$1,008,099	1.1%

As presented in Table 2:

Total Operating Revenues \$18.1 million (2013) and \$17.6 million (2012) – Operating revenues increased by \$506,163 (2.9%) in 2013, and \$388,821 (2.3%) in 2012. This was mainly due to changes in revenues in the following categories:

- **District sewer service charges** increased by \$829,909 (7.9%) in 2013 and \$355,355 (3.5%) in 2012. 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. 2013 is the second year of this five-year plan. Other major factors in the current year include a 13% increase in commercial sewer revenues based on water consumption, and increased revenues from five significant industrial customers, which were collectively 53% more than in 2012 due to higher water consumption and strength.
- **Agency treatment charges** decreased by \$14,946 (0.6%) in 2013 after a \$243,012 (11.5%) increase in 2012. 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. In 2013, such costs were \$111,186 (5.2%) higher than in 2012. This amount was offset by the \$126,132 (55.5%) decrease in renewal and replacement (R&R) costs for equipment and facilities repair and maintenance, which fluctuate based on the extent and nature of projects scheduled and approved for each year. In addition, the District also provides treatment and other services to the Cities of Hayward and San Leandro, and EBDA. Revenues from EBDA in 2013 were \$31,181 (17.0%) higher than in 2012 as a result of increased services provided by the District to maintain the EBDA pump station.
- **Contract fees** decreased by \$285,176 (28.1%) in 2013 and \$163,039 (13.9%) in 2012. 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% for half of 2012. The decrease in 2013 reflects a full year of revenue reduction under the new agreement.
- **All remaining operating revenue categories** for 2013 and 2012 showed various fluctuations. Permits and Inspection Fees decreased slightly by \$379 (0.4%) in 2013, stabilizing from the economic downturn which had caused a steep decline of \$13,148 (11.1%) in 2012. Landfill Fees – Measure D increased by \$19,772 (6.1%) in 2013 and decreased by \$15,636 (4.6%) in 2012. These were offset by revenues derived from Sanitary Truck Waste Charges which increased by \$10,495 (30.8%) in 2013 and \$750 (2.2%) in 2012, and, Grease Receiving Charges which produced \$12,433 (12.3%) and \$53,716 (113.7%) more in 2013 and 2012 respectively.

Total Operating Expenses \$17.5 million (2013) and \$17.1 million (2012) – Operating expenses increased by \$345,925 (2.0%) in 2013 and \$204,157 (1.2%) in 2012. The increases were a combination of factors including a proactive approach of asset management, increases in costs of materials and employee benefits, addition of in-house and contractual staffing, and one-time payments of accumulated time-off to retiring employees. In 2012, there was a \$588,064 increase in maintenance expenses, largely due to a significant painting project within the treatment facility.

Total Nonoperating Revenues \$0.69 million (2013) and \$0.66 million (2012) – Nonoperating revenues increased by \$36,518 (5.6%) in 2013 and decreased by \$973,296 (59.8%) in 2012. The 2013 increase was due to a \$176,744 (112.3%) increase in Unrealized Gains on Investments, a \$71,127 (205.4%) increase of Grants from timing differences of recycling grant activities, and a \$36,990 (23.5%) increase in Interest Income due to a

MANAGEMENT'S DISCUSSION AND ANALYSIS

more diversified and higher yielding investment portfolio. These were almost totally offset by a \$261,982 (66.5%) decrease in Personal License Fees, as a result of its expiration under the prior WMAC agreement. The 2012 decrease is mainly attributed to a \$501,561 decrease in Grants from 2011 to 2012, of which \$386,732 was a one-time grant reimbursement in 2011 for the Underground Storage Tank Remediation project from the California State Water Resources Control Board, a \$297,151 one-time reimbursement in 2011 from CVSD for its portion of the CalPERS side-fund paid off by OLSD, and, a \$157,399 Unrealized Loss on Investments.

Total Nonoperating Expenses \$0.09 million (2013) and \$0.26 million (2012) – Nonoperating expenses decreased by \$253,494 (96.7%) in 2013 and \$1,379,366 (84.0%) in 2012. In 2013, the only nonoperating expense was a \$8,757 write-off of uncollectible accounts, primarily by the Alameda County tax collector. The decrease was due to a write-off of equipment for \$260,034 recorded in 2012, when the District replaced an old filter belt press that has not been fully depreciated. In 2012, the significant drop was from the District's 2011 CalPERS side-fund payoff of \$1,640,762, which reduced the Employer Contribution rate by more than 5% of total payroll, and eliminated the 7.75% interest component of the side-fund.

Capital Assets & Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$61,334,894 (net of accumulated depreciation) invested in a broad range of capital assets, as compared to \$60,137,540 at the end of 2012. 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, WMAC purchased the 14 one-pass garbage and green waste trucks that it had been leasing from the District. The value of these vehicles (\$1,831,381) have been removed from the District's assets and accumulated depreciation. In addition, several construction projects were completed and 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 \$2,264,288 increase in 2013, and a \$1,851,833 decrease in 2012.

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

Period Ended June 30	2013	2012	2011
Land	\$ 846,034	\$ 846,034	\$ 846,034
Construction in progress	3,543,716	2,648,036	3,119,686
Sewer subsurface lines	53,002,054	51,849,904	50,985,495
Engineering equipment	58,170	71,945	71,945
Sewage collections lift station and equipment	6,616,705	5,021,885	4,894,717
Treatment plant buildings, systems, equipment	48,342,660	47,968,203	46,587,521
Machinery and equipment maintenance	2,853,018	2,836,788	3,390,836
Administration buildings and equipment	2,086,673	2,096,577	2,127,233
District vehicles	2,019,399	1,933,389	1,862,022
Subtotal – Sewer Services	114,978,679	111,778,691	109,919,769
Subtotal – Solid Waste equipment	2,177	917,867	1,989,330
Subtotal – Recycling equipment	35,977	951,667	3,119,309
Total capital assets	\$ 119,406,583	\$ 117,142,295	\$ 118,994,128
Increase (decrease) over prior year	\$ 2,264,288	\$ (1,851,833)	\$ 4,174,218

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 \$1,197,354 (2.0%) in 2013 and \$476,759 (0.8%) in 2012. 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,	2013	2012	2011
Balance at beginning of year	\$ 117,142,295	\$ 118,994,128	\$ 114,819,910
Additions	6,875,026	6,865,038	4,451,225
Retirements, write-offs and transfers	(4,610,738)	(8,716,871)	(277,007)
Total Districts capital assets	<u>119,406,583</u>	<u>117,142,295</u>	<u>118,994,128</u>
Accumulated depreciation at beginning of year	(57,004,755)	(59,333,347)	(56,243,582)
Depreciation - retired assets	2,066,513	5,321,953	44,582
Annual depreciation	<u>(3,133,447)</u>	<u>(2,993,361)</u>	<u>(3,134,347)</u>
Accumulated depreciation at end of year	<u>(58,071,689)</u>	<u>(57,004,755)</u>	<u>(59,333,347)</u>
Capital assets at end of year, net of depreciation	\$ 61,334,894	\$ 60,137,540	\$ 59,660,781
Increase (decrease) over prior year	\$ 1,197,354	\$ 476,759	\$ 1,084,453

Debt Administration

On August 4, 2009, the Board approved Resolution #3502, which authorized full payoff of all outstanding bonds. The District is currently 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 in the State of California. Our single family residential sewer rate during FY 2012-13 was \$189, or 62% less than the average rate of \$497 in the Alameda County. As of July 1, 2013, the annual sewer service rate is \$195.

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 planned for the digester facilities, and overall economical factors, staff projects that available reserves may fall below Board-approved levels in FY 2015-16. At that time, the Board will need to take action to delay planned improvements, lower established reserve levels, raise rates, or a combination of the three.

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

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 2012-13

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

35 Years



Glenn Bachelder
Plant Operator II

15 Years



Tim Cravalho
Lead Worker

10 Years



Christopher Brown
Collection System Worker



Sally Green
District Secretary



Larry Olivan
Safety/Special Programs Administrator



Andreea Simion
Administrative Services Manager



Scott von der Lieth
Supervisor of Plant Maintenance

5 Years



Ronnie McClure
Plant Operator II

BASIC FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

**ORO LOMA SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013 AND 2012**

EXHIBIT A

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 10,887,316	\$ 14,419,911
Investments	17,874,789	14,847,790
Interest receivable	52,613	52,507
Accounts receivable	1,408,045	1,302,776
Prepaid and other items	90,597	75,803
Total current assets	<u>30,313,360</u>	<u>30,698,787</u>
Noncurrent assets		
Investment in sewage discharge facilities - EBDA	<u>6,681,850</u>	<u>6,773,905</u>
Capital assets		
Land	846,034	846,034
Buildings, machinery, equipment	114,978,679	111,778,691
Solid waste assets	2,177	917,867
Recycling assets	35,977	951,667
Construction in progress	3,543,716	2,648,036
Less: accumulated depreciation	<u>(58,071,689)</u>	<u>(57,004,755)</u>
Total capital assets (net of accumulated depreciation)	<u>61,334,894</u>	<u>60,137,540</u>
Total noncurrent assets	<u>68,016,744</u>	<u>66,911,445</u>
Total assets	<u>\$ 98,330,104</u>	<u>\$ 97,610,232</u>

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013 AND 2012**

EXHIBIT A (continued)

LIABILITIES

	<u>2013</u>	<u>2012</u>
Current liabilities		
Accounts payable	\$ 193,337	\$ 865,930
Accrued salaries and wages	81,833	77,158
Customers deposit payable	278,499	342,297
Accrued compensated absences (current)	<u>55,000</u>	<u>55,000</u>
Total current liabilities	<u>608,669</u>	<u>1,340,385</u>
Noncurrent liabilities		
Compensated absences liabilities	339,983	320,388
Other postemployment benefits (OPEB) - medical premium liabilities	<u>998,127</u>	<u>982,116</u>
Total noncurrent liabilities	<u>1,338,110</u>	<u>1,302,504</u>
Total liabilities	<u>1,946,779</u>	<u>2,642,889</u>
NET POSITION		
Net investment in capital assets	61,334,894	60,137,540
Unrestricted	<u>35,048,431</u>	<u>34,829,804</u>
Total net position	<u>\$ 96,383,325</u>	<u>\$ 94,967,344</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, 2013 AND 2012**

EXHIBIT B

	<u>2013</u>	<u>2012</u>
Operating revenues		
District service charges	\$ 11,368,931	\$ 10,539,022
Agency treatment charges	2,341,562	2,356,508
Permits and inspection fees	105,122	105,501
Sanitary truck waste charges	44,614	34,119
Grease receiving charges	113,397	100,964
Contract fees	728,946	1,014,122
Recycling charges - residential	2,285,768	2,285,609
Recycling charges - commercial	71,686	96,011
Landfills fees - Measure D	342,132	322,360
Other	719,682	761,461
Total operating revenues	<u>18,121,840</u>	<u>17,615,677</u>
Operating expenses		
Engineering	694,142	585,037
Sewage collections	2,375,275	2,207,219
Sewage treatment operations	3,961,746	3,833,846
Sewage treatment maintenance	2,100,408	2,419,194
Sewage disposal - EBDA	682,807	696,967
Administration and general	1,405,494	1,215,432
Depreciation	3,133,447	2,993,361
Decrease in carrying value of sewage discharge facilities - EBDA	92,055	104,088
Solid waste	330,769	395,554
Recycling - residential	2,599,086	2,580,642
Recycling - commercial	83,559	81,523
Total operating expenses	<u>17,458,788</u>	<u>17,112,863</u>
Operating income (loss)	<u>663,052</u>	<u>502,814</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, 2013 AND 2012**

EXHIBIT B (continued)

	<u>2013</u>	<u>2012</u>
Nonoperating revenues		
Interest income	\$ 194,227	\$ 157,237
Unrealized gains (losses)	19,345	(157,399)
Rents, leases and personal license fees	132,159	394,141
Recovery of uncollectible accounts	9,821	16,172
Other miscellaneous revenues	220,500	200,510
EBDA and other agreement refund	79,371	79,371
Grants (net of expenses)	36,504	(34,623)
Total nonoperating revenues	<u>691,927</u>	<u>655,409</u>
Nonoperating expenses		
Write-off of plant and equipment	-	260,034
Write-off of uncollectible accounts	8,757	2,217
Total nonoperating expenses	<u>8,757</u>	<u>262,251</u>
Income before contributions	1,346,222	895,972
Connection and other developer fees	69,759	112,127
Change in net position	<u>1,415,981</u>	<u>1,008,099</u>
Net position - beginning	<u>94,967,344</u>	<u>93,959,245</u>
Net position - ending	<u><u>\$ 96,383,325</u></u>	<u><u>\$ 94,967,344</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, 2013 AND 2012**

EXHIBIT C

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$18,016,572	\$17,743,177
Payments to suppliers	(8,272,490)	(7,544,552)
Rents, leases, and personal license fees	352,659	594,651
Payments to employees and employee benefit plans	(6,680,457)	(6,349,871)
Net cash provided by (used for) operating activities	<u>3,416,284</u>	<u>4,443,405</u>
Cash Flows From Noncapital Financing Activities		
EBDA agreement refund	79,371	79,371
Grants, net of expenses	36,504	(34,623)
Recovery of uncollectible accounts	9,821	16,172
Net cash provided by (used for) noncapital and related financing activities	<u>125,696</u>	<u>60,920</u>
Cash Flows From Capital And Related Financing Activities		
Connection and other developers' fees	69,759	112,127
Additions to property, plant and equipment	(4,330,801)	(3,470,120)
Net cash used by capital and related financing activities	<u>(4,261,042)</u>	<u>(3,357,993)</u>
Cash Flows From Investing Activities		
Interest on investments	194,121	136,976
Purchase of investments	(3,026,999)	(7,784,820)
Unrealized gain (loss) on investments	19,345	(157,399)
Net cash provided by (used for) investing activities	<u>(2,813,533)</u>	<u>(7,805,243)</u>
Net increase (decrease) in cash and cash equivalents	(3,532,595)	(6,658,911)
Cash and cash equivalents, beginning of year	<u>14,419,911</u>	<u>21,078,822</u>
Cash and cash equivalents, end of year	<u>\$10,887,316</u>	<u>\$14,419,911</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, 2013 AND 2012**

EXHIBIT C (Continued)

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income (loss)	\$ 663,052	\$ 502,814
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation expense	3,133,447	2,993,361
(Increase) decrease in accounts receivables	(105,268)	127,499
(Increase) decrease in other current assets	(14,794)	20,299
Increase (decrease) in accounts payable	(672,593)	362,320
Increase (decrease) in deposits payable	(63,798)	6,996
Write off of plant and equipment	-	(260,034)
Write off of uncollectible accounts	(8,757)	(2,217)
Decrease in EBDA discharge facilities	92,055	104,088
Reclassification of line item from nonoperating to operating revenues on the Statement of Cash Flows	352,659	594,651
Increase in accrued salaries and compensated absences	24,270	6,889
Increase (decrease) in other postemployment benefit liability	16,011	(13,261)
Net cash provided by (used for) operating activities	<u>\$ 3,416,284</u>	<u>\$ 4,443,405</u>
End of Period		
Unrestricted cash and equivalents	\$ 10,887,316	\$ 14,419,911
Restricted assets	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 10,887,316</u>	<u>\$ 14,419,911</u>

The accompanying notes are integral part of these financial statements

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, treatment, and recycling 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 the 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 the 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, 2013**

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 cost centers. These cost centers 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 cost centers 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, 2013**

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 biannual 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. Every two years, prior to the end of the budget year, the General Manager submits a proposed budget to the Board of Directors, which is then enacted by the Board. 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. Since budgets are prepared every other year, amendments are prepared by management and approved by the Board.

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, 2013. 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, 2013

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 3 to 80 years. It is the District's policy to depreciate assets following the year of acquisition and/or capitalization.

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, 2012	\$ 375,388
Addition for employees with accrued compensated absences earned	72,005
Deduction for employees with accrued compensated absences used	<u>(52,410)</u>
Net change in accrued compensated absences	19,595
Balance at June 30, 2013	<u>\$ 394,983</u>

The current portion of the compensated absences liability to be used within the next year is estimated by management to be approximately \$55,000 or 14%.

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, as applicable.

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 and 2011 to determine the District's annual required contributions (ARC) and unfunded liabilities. In addition, the District set up an OPEB trust 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, 2013**

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 November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). The District has no known SCAs that would require disclosure or have a material effect on the financial statements of the District.

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

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The District is required to implement the provisions of this Statement for the current fiscal year (effective for periods beginning after June 15, 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, 2013**

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

New Accounting Pronouncements (continued)

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

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

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

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

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District is required to implement the provisions of this Statement for the current fiscal year (effective for periods beginning after December 15, 2011). 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, 2013

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

New Accounting Pronouncements (continued)

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

In March of 2012, GASB issued GASBS No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 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 year ended June 30, 2014 (effective for periods beginning after December 31, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In 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.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

New Accounting Pronouncements (continued)

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 year ended June 30, 2014 (effective for periods beginning after June 15, 2013). This Statement will result in a change in current practice, but will most likely not have a material effect on the financial statements of the District.

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

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

New Accounting Pronouncements (continued)

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.

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.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

New Accounting Pronouncements (continued)

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 will most likely not 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.

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 year ended June 30, 2014 (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.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. Cash and Cash Equivalents and Investments

The following cash and investments at June 30, 2013 agree to Exhibit A in the financial statements:

Assets:

Cash and cash equivalents	\$ 10,887,316
Investments	<u>17,874,789</u>
Total cash, deposits, and investments	<u>\$ 28,762,105</u>

Cash, deposits, and investments as of June 30, 2013, consist of the following:

Petty cash	\$ 2,500
Deposits with financial institutions:	
Checking account – US Bank	(527,666)
Money market account – Wells Fargo IRT*	49,978
California Local Agency Investment Fund (LAIF)	<u>11,362,504</u>
Subtotal cash and deposits	<u>10,887,316</u>
Investments:	
U.S. Treasury Obligations (TN)	1,000,742
U.S. Government Securities (Bonds) – Wells Fargo IRT*	5,253,397
Certificates of Deposit – Wells Fargo IRT*	8,588,890
Corporate Bonds	<u>3,031,760</u>
Subtotal investments	<u>17,874,789</u>
Total cash, deposits, and investments	<u>\$ 28,762,105</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, 2013**

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	State of California Limits			District Policy
	Maximum Remaining Maturity	Maximum Amount or Percentage of Portfolio	Maximum Investment in One Issuer	Maximum Percentage of Portfolio
U.S. Treasury Obligations	5 years	None	None	100%
U.S. Government Securities (a)	5 years	None	None	30%
Banker's Acceptance	180 days	40%	30%	20%
Commercial Papers (min. A-1 rating)	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	N/A	20%	10%	20%
Local Agency Investment Fund (LAIF) (c)	N/A	\$50 million	None	\$50 million
Bank deposits	N/A	None	10%	20%
Corporate notes (A or better)	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) LAIF investments have a minimum balance of \$4 million.

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

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013 for each investment type.

Investment Type	Maturities of Instruments			Rating as of June 30, 2013	Total	Percentage of Portfolio
	12 months or less	12 – 24 months	25 months or longer			
U.S. Treasury Notes	\$ 1,000,742	\$ -	\$ -	Aaa	\$ 1,000,742	4%
U.S. Government Securities						
FFCB	-	-	992,730	Aaa	992,730	3%
FHLMC	-	-	1,506,140	Aaa	1,506,140	5%
FNMA	-	-	2,754,527	Aaa	2,754,527	9%
Corporate Bonds	-	-	3,031,760	A1 - Aaa	3,031,760	11%
Certificate of Deposit	1,002,650	2,010,842	5,575,398	FDIC insured	8,588,890	30%
Total Investments	2,003,392	2,010,842	13,860,555		17,874,789	62%
Cash and money market	(475,188)	-	-	Not required	(475,188)	(2%)
LAIF State Investment Pool	11,362,504	-	-	Not required	11,362,504	40%
Total cash and investments	<u>\$12,890,708</u>	<u>\$ 2,010,842</u>	<u>\$13,860,555</u>		<u>\$28,762,105</u>	<u>100%</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, 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, 2013, the District's U.S. Bank balance of \$987,110 (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, 2013 was \$11,362,504.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. Capital Assets

Capital assets activity for the year ended June 30, 2013 are summarized as follows:

	Estimated life	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Non-depreciable capital assets:					
Land		\$ 846,034	\$ -	\$ -	\$ 846,034
Construction in progress		2,648,036	3,439,905	(2,544,225)	3,543,716
Total non-depreciable capital assets		3,494,070	3,439,905	(2,544,225)	4,389,750
Depreciable capital assets:					
<u>Sewer services</u>					
Subsurface Lines	20-80yrs	51,849,904	1,152,150	-	53,002,054
Engineering	5-20 yrs	71,945	10,875	(24,650)	58,170
Sewage collections	5-20 yrs	5,021,885	1,613,511	(18,691)	6,616,705
Sewage treatment operations	5-20 yrs	47,968,203	377,495	(3,038)	48,342,660
Sewage treatment maintenance	5-20 yrs	2,836,788	35,527	(19,297)	2,853,018
Administration and general	5-20 yrs	2,096,577	-	(9,904)	2,086,673
District vehicles	5-10 yrs	1,933,389	245,563	(159,553)	2,019,399
Subtotal - Sewer services		111,778,691	3,435,121	(235,133)	114,978,679
<u>Solid waste services</u>					
Subtotal - Solid waste services	5 yrs	917,867	-	(915,690)	2,177
<u>Recycling services</u>					
Residential recycling equipment	5-10 yrs	916,828	-	(915,690)	1,138
Commercial recycling equipment	5-10 yrs	34,839	-	-	34,839
Subtotal - Recycling services		951,667	-	(915,690)	35,977
Total depreciable capital assets		113,648,225	3,435,121	(2,066,513)	115,016,833
Total District capital assets		\$ 117,142,295	\$ 6,875,026	\$ (4,610,738)	\$ 119,406,583

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. Capital Assets (continued)

	Balance <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2013</u>
Less: accumulated depreciation:				
<u>Sewer services</u>				
Subsurface Lines	\$ (24,684,527)	\$ (725,026)	\$ -	\$ (25,409,553)
Engineering	(64,582)	(3,011)	24,650	(42,943)
Sewage collections	(3,265,994)	(208,217)	18,691	(3,455,520)
Sewage treatment operations	(21,676,746)	(1,955,420)	3,038	(23,629,128)
Sewage treatment maintenance	(1,955,368)	(134,706)	19,297	(2,070,777)
Administration and general	(2,049,410)	(15,050)	9,904	(2,054,556)
District vehicles	(1,444,238)	(88,978)	159,553	(1,373,663)
Subtotal - Sewer services	<u>(55,140,865)</u>	<u>(3,130,408)</u>	<u>235,133</u>	<u>(58,036,140)</u>
<u>Solid waste services</u>				
Subtotal - Solid waste services	<u>(917,432)</u>	<u>(435)</u>	<u>915,690</u>	<u>(2,177)</u>
<u>Recycling services</u>				
Residential recycling equipment	(916,828)	-	915,690	(1,138)
Commercial recycling equipment	(29,630)	(2,604)	-	(32,234)
Subtotal - Recycling services	<u>(946,458)</u>	<u>(2,604)</u>	<u>915,690</u>	<u>(33,372)</u>
Total accumulated depreciation	<u>(57,004,755)</u>	<u>(3,133,447)</u>	<u>2,066,513</u>	<u>(58,071,689)</u>
Net depreciable capital assets	<u>56,643,470</u>	<u>301,674</u>	<u>-</u>	<u>56,945,144</u>
Net capital assets	\$ <u>60,137,540</u>	\$ <u>3,741,579</u>	\$ <u>(2,544,225)</u>	\$ <u>61,334,894</u>

Depreciation expenses were charged by function as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Sewer services	\$ 3,130,408	\$ 2,990,322	\$ 3,131,307
Solid waste services	435	435	435
Recycling services	<u>2,604</u>	<u>2,604</u>	<u>2,605</u>
Total depreciation expense by function	\$ <u>3,133,447</u>	\$ <u>2,993,361</u>	\$ <u>3,134,347</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

3. Capital Assets (continued)

Construction commitments:

The District has active construction projects as of June 30, 2013. The projects include sewage pipes replacements and capital improvements of the wastewater treatment plant. These commitments are for wastewater treatment facilities and being financed from available reserves.

At year-end, the commitments and/or anticipated costs of completion were as follows:

Project #	Project	Spent to date	Remaining Commitments & Anticipated Costs of Completion
Capital Improvement Program			
45-100.06	Monika Lift Station Rehabilitation	\$ 23,908	\$ 100,000
45-141.03	Pipeline Replacements FY2012 – 13	1,642,629	311,257
45-162.00	Collections CCTV Van Replacement	115,637	15,050
45-222.01	Secondary Clarifier Enhancements	11,710	66,255
45-226.02	Belt Filter Press Soak Tank	78	60,000
45-281.00	Digester Facilities Improvements	1,693,036	6,016,466
45-292.00	Plant Flow Attenuation Study	32,932	4,591
45-298.01	Cogeneration Fire Detection	234	60,000
45-317.00	Pond #3 Decant Pump	23,552	200,000
Total construction commitments		\$ 3,543,716	\$ 6,833,619

4. Pollution Remediation Commitment

The parking lot on the west side of the administration building once housed an underground 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 State Water Resources Control Board now recommends that the case be closed.

Ongoing testing shows that the contaminants are on a slow 'glide slope' down to levels that the County will deem acceptable. Subsequent to year end, the case was closed with the understanding that the District will continue to pay for monitoring, which is estimated to be \$5,000 over three months, after which no further costs will be incurred.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 \$6,681,850 for 2013 and \$6,773,905 for 2012. The annual changes of \$92,055 and \$104,088, 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 \$682,807 and \$696,967 respectively during the fiscal years ended 2013 and 2012.
3. The District received from EBDA \$79,371 per year in 2013 and 2012 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, 2013**

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, 2012 and 2011 (latest available) is as follows:

	Fiscal Year Ended June 30	
	<u>2012</u>	<u>2011</u>
Net position at beginning of year	\$ 35,088,861	\$ 35,628,043
Net income before depreciation	420,752	360,472
Depreciation	<u>(897,595)</u>	<u>(899,654)</u>
Changes in net position	<u>(476,843)</u>	<u>(539,182)</u>
Net position at end of year	<u>\$ 34,612,018</u>	<u>\$ 35,088,861</u>
Comprised of		
Total assets	35,636,575	35,438,503
Less: total liabilities	<u>(1,024,557)</u>	<u>(349,642)</u>
Total net position	<u>\$ 34,612,018</u>	<u>\$ 35,088,861</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	6,773,905	6,877,993
Decrease in carrying value of sewage discharge facilities of EBDA	<u>(92,055)</u>	<u>(104,088)</u>
Investment in sewage discharge facilities (EBDA) - end of year (listed as a noncurrent asset on the Statement of Net Position)	<u>\$ 6,681,850</u>	<u>\$ 6,773,905</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, 2013**

6. Long Term Debt

All outstanding revenue bonds were paid in full on September 21, 2009. As of June 30, 2013 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 2013 and 2012 is set forth below:

	<u>2013</u>	<u>2012</u>
Oro Loma Sanitary District No. 2	\$ 3,033,240,871	\$ 3,054,183,247
Oro Loma Sanitary District No. 5	6,810,687,283	6,690,787,603
Oro Loma Sanitary District Castro Valley Annex	72,243,523	71,287,023
Total asset valuation at full value	<u>\$ 9,916,171,677</u>	<u>\$ 9,816,257,873</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>2013</u>	<u>2012</u>
Total asset valuation at full value	<u>\$ 9,916,171,677</u>	<u>\$ 9,816,257,873</u>
Assessed valuation at 25% of full value	<u>\$ 2,479,042,919</u>	<u>\$ 2,454,064,468</u>
Limit (15% thereof)	371,856,438	368,109,670
Bonds authorized and unissued General Obligation Bonds	<u>(600,000)</u>	<u>(600,000)</u>
Bonding capacity	<u>\$ 371,256,438</u>	<u>\$ 367,509,670</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, 2013**

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 PEPR).

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 ending 2013, 2012, and 2011 were 14.822%, 14.256%, and 16.859% for Tier 1, and 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, 2013**

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, 2013, 2012, and 2011:

		<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>Employer Contributions</u>			
Tier 1	Covered payroll for fiscal year ended	\$ 4,005,755	\$ 3,943,797	\$ 3,883,148
	Actuarially required employer contribution rate*	14.822%	14.256%	16.859%
	Annual employer required contribution (ARC)	593,733	562,228	654,660
	District exercised prepayment option	-	-	(23,732)
	Annual employer contribution paid	593,733	562,228	630,928
Tier 2	Covered payroll for fiscal years ended	203,859	37,600	-
	Actuarially required employer contribution rate	8.552%	8.438%	N/A
	Annual employer required contribution (ARC) paid	17,434	3,172	-
Tier 3	Covered payroll for fiscal years ended	8,350	-	-
	Actuarially required employer contribution rate	6.700%	N/A	N/A
	Annual employer required contribution (ARC) paid	559	-	-
	Annual employer contributions paid for all tiers	611,726	565,400	630,928
	<u>Employee Contributions</u>			
Tier 1	8.00% based on payroll – picked up by Employer	320,461	315,503	310,651
Tier 2	7.00% based on payroll – paid by Employee	14,270	2,632	-
Tier 3	6.50% based on payroll – paid by Employee	543	-	-
	Annual employee contributions paid for all tiers	335,274	318,135	310,651
	Annual pension cost (APC)	947,000	883,535	941,579
	Actual contributions made	(947,000)	(883,535)	(941,579)
	Net pension obligation	\$ -	\$ -	\$ -
	Percentage of APC contributed	100%	100%	100%

*Side Fund Contribution – the Employer rate for fiscal year 2011 – 12 was set by CalPERS at 19.695%. On May 12, 2011, the District exercised its option to pay off the side fund by making a one-time contribution of \$1,640,742 to the system. As a result, the Employer rate for fiscal year 2011 – 12 was reduced to 14.256% and had a significant effect on lowering rates in subsequent years.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

**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 risk pools were established for plans containing 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 Retirement Plan 2.5% at 55. Subsequently, in July 2011 and January 2013, the District joined two new risk pools - Miscellaneous Retirement Plan 2.0% at 60 and Miscellaneous Retirement Plan 2.0% at 62. In the latest Annual Valuation Report as of June 30, 2011, the CalPERS Board approved certain principal assumptions and methods used to determine the contractually required contributions for the cost sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Period/Method	Open 10-year period, Level Percent of Payroll
Average Remaining Period	21 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 Schedule of Funding Progress below shows the recent history of the Miscellaneous Retirement Plan 2.5% at 55 risk pool’s actuarial value of assets, accrued liability, and the relationship of the unfunded liability (UL) to payroll for the risk pool. The following schedule was quoted from the CalPERS annual valuation dated June 30, 2011 in compliance with GASB 27, and is required supplementary information:

Risk Pool History of Funded Status and Funding Progress

Valuation Date	Accrued Liabilities (AL)	Actuarial Value Of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL as a % of Payroll
June 30, 2008	\$ 1,537,909,933	\$ 1,337,707,835	\$ 200,202,098	87.00%	\$ 333,307,600	60.1%
June 30, 2009	\$ 1,834,424,640	\$ 1,493,430,831	\$ 340,993,809	81.40%	\$ 355,150,151	96.0%
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%

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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, with the exception of gains and losses in fiscal years 2009, 2010, and 2011, in which each year’s gains or losses will be isolated and amortized over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization). 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.

It should be noted that the actuary may choose to use a fresh start under certain circumstances. In all cases, the period of the fresh start is chosen by the actuary according to his or her best judgment, and will not be less than 5 years, nor greater than 30 years.

Asset Valuation Method

All actuarial calculations are based on a number of assumptions about the future. In order to dampen the adverse 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.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

In June 2009, the CalPERS Board adopted changes to the asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experienced by CalPERS in fiscal year 2008-09. The following changes were adopted:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market value to 60%-140% of market value on June 30, 2009
- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market value on June 30, 2010
- Return to the 80%-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter

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 intent of the changes was to redefine 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 Other Post-employment Employee Benefits (OPEB) medical premium 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 balance of the account was \$998,127 and \$982,116 in 2013 and 2012, respectively.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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 that reflect the broad investment performance. The Fund utilizes the concept of diversification through asset allocation. 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.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Market value – beginning of year	\$ 5,450,529	\$ 5,448,769	\$ 4,366,404
Contributions	-	-	-
Gain (loss) on investment	641,852	8,079	1,088,829
Administrative expenses	(8,906)	(6,319)	(6,464)
Market value – end of year	<u>\$ 6,083,475</u>	<u>\$ 5,450,529</u>	<u>\$ 5,448,769</u>
Change	<u>12%</u>	<u>.03%</u>	<u>25%</u>

Actuarial Value of Assets

The CERBT trust requires biannual valuation. In order to comply with the above requirements, an Actuarial Analysis of the Retiree Health Benefits for the District, as of July 1, 2011, was performed by actuary Steven T. Itelson. Based on that analysis, the ARC for fiscal years 2012 and 2013 were established.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

The actuary used the following actuarial method and assumption:

Valuation date:	July 1, 2011
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	3.25% of covered payroll
Inflation	General-3.00% per year; Medical Premium increases declining (by 0.5% per year) from 8% in 2013 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:	38

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 163,400	\$ 158,300	\$ 236,000
Interest on net OPEB obligation	1,100	1,100	1,000
Adjustment to annual required contribution	(1,700)	(1,700)	(2,000)
Annual OPEB cost (AOC)	<u>162,800</u>	<u>157,700</u>	<u>235,000</u>
Contribution made – payment of benefits	<u>(223,578)</u>	<u>(247,315)</u>	<u>(228,900)</u>
Increase (decrease) in net OPEB obligation	<u>(60,778)</u>	<u>(89,615)</u>	<u>6,100</u>
OPEB liability (asset), beginning of period	<u>(75,738)</u>	<u>13,877</u>	<u>7,777</u>
OPEB liability (asset) end of period (NOO)	<u>\$ (136,516)</u>	<u>\$ (75,738)</u>	<u>\$ 13,877</u>

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

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Fiscal Year Ended	Annual OPEB Costs (AOC)	Employer Contribution	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
June 30, 2011	\$ 235,000	\$ 228,900	97.4%	\$ 13,877
June 30, 2012	\$ 157,700	\$ 247,315	156.8%	\$ (75,738)
June 30, 2013	\$ 162,800	\$ 223,578	137.3%	\$ (136,516)

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%

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, 2013 and will be used for fiscal years 2013 – 14 and 2014 – 15, per CERBT requirements.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 payable 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, 2013 and 2012 are summarized as follows:

Lincoln – 457(b)	2013	2012
Plan assets – beginning of year	\$ 6,524,137	\$ 6,349,027
Contributions by:		
Employer	39,445	38,153
Employee (pre-tax)	353,511	300,126
Investment earnings	569,246	8,204
Withdrawals and fees	(811,428)	(171,373)
Plan assets – end of year	<u>\$ 6,674,911</u>	<u>\$ 6,524,137</u>

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

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.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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, 2013 and 2012 are summarized as follows:

PARS – 457(b)	2013	2012
Plan assets – beginning of year	\$ 56,137	\$ 40,847
Contributions by:		
Employer	3,514	3,691
Employee (pre-tax)	9,903	10,243
Investment earnings	3,655	1,640
Withdrawals and fees	(924)	(284)
Plan assets – end of year	<u>\$ 72,285</u>	<u>\$ 56,137</u>

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

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, 2013 and 2012 are summarized as follows:

ICMA – 401(a)	2013	2012
Plan assets – beginning of year	\$ 1,063,384	\$ 928,792
Contributions by:		
Employer	90,106	85,649
Employee (pre-tax)	39,944	41,637
Investment earnings	111,355	12,068
Withdrawals and fees	(75,779)	(4,762)
Plan assets – end of year	<u>\$ 1,229,010</u>	<u>\$ 1,063,384</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, 2013**

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 \$175, \$2,443, and \$92,562 in insurance claims during fiscal years ended June 30, 2013, 2012, and 2011, 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>2013</u>	<u>2012</u>	<u>2011</u>
Administration	\$ 166,169	\$ 165,183	\$ 140,364
Insurance premiums	222,876	200,772	204,567
Losses and settlements	175	2,443	92,562
	<u>\$ 389,220</u>	<u>\$ 368,398</u>	<u>\$ 437,493</u>

Since no liabilities for claims has been provided in the financial statements as of June 30, 2013, 2012, and 2011, 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, 2013**

10. Risk Management and Insurance (continued)

In the normal course of business, the District is a defendant in various lawsuits. As of June 30, 2013, there was no current or anticipated litigation involving the District.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Engineering	\$ 19,848	\$ 26,024	\$ 135,061
Sewage collections	119,133	105,355	102,454
Sewage treatment operations	140,616	124,405	102,877
Sewage treatment maintenance	74,210	64,126	54,482
Administration and general	29,150	35,531	30,798
Solid waste	6,263	12,957	11,821
	<u>\$ 389,220</u>	<u>\$ 368,398</u>	<u>\$ 437,493</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:

- It is WMAC's current intention not to increase residential recycling and green waste rates 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: $[0.5 \times (\text{April CPI-U for all urban consumer items in San Francisco, Oakland, and San Jose, as published by the US Department of Labor, Bureau of Statistics – Series CUURA422SA0})] + [0.5 \times (\text{Weighted average of Teamsters Wage, benefits and pension contract increases for the following year})]$.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013 was \$136,924.

12. Subsequent Events

Management has evaluated subsequent events through August 30, 2013, the date on which the financial statements were available to be issued. There are no known material violations of finance-related legal and contractual provisions.

SUPPLEMENTARY INFORMATION

ORO LOMA SANITARY DISTRICT



Oro Loma Sanitary District Employees - September 2012



Oro Loma Sanitary District Board of Directors

**ORO LOMA SANITARY DISTRICT
DESCRIPTION OF COST CENTERS UTILIZED
JUNE 30, 2013**

In order to facilitate management and budgetary control, and to account for various activities in different functions conducted by the District, cost centers are established. These cost centers 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 cost centers 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

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

Commercial Recycling – accounts for commercial recycling programs required by California's Assembly Bill 939 (AB939) and certain grant provisions.

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2013

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012

SCHEDULE 1

ASSETS	Sewer Services			Solid Waste Services
	Operations and Maintenance	Renewal and Replacement	Capital Improvement	Garbage
Current assets				
Cash and cash equivalents	\$ 11,004,921	\$ (3,494,414)	\$ 714,156	\$ 1,494,449
Investments at Fair Market Value (FMV)	-	15,619,902	1,000,742	-
Interest receivable	6,596	42,575	547	804
Accounts receivable	1,253,243	22,326	41,054	28,265
Prepaid and other items	90,597	-	-	-
Total current assets	12,355,357	12,190,389	1,756,499	1,523,518
Noncurrent assets				
Investment in sewage discharge facilities - EBDA	6,681,850	-	-	-
Total investment in EBDA	6,681,850	-	-	-
Capital assets				
Land	846,034	-	-	-
Buildings, machinery, equipment	114,978,679	-	-	-
Solid waste assets	-	-	-	2,177
Recycling assets	-	-	-	-
Construction in progress	-	-	3,543,716	-
Less: accumulated depreciation	(58,036,140)	-	-	(2,177)
Total capital assets	57,788,573	-	3,543,716	-
Total noncurrent assets	64,470,423	-	3,543,716	-
Total assets	\$ 76,825,780	\$ 12,190,389	\$ 5,300,215	\$ 1,523,518

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2013

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012

SCHEDULE 1 (continued)

<u>Recycling Services</u>					
<u>Residential</u>	<u>Commercial & Industrial</u>	<u>Combined June 30,</u>		<u>\$</u>	<u>%</u>
		<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Change</u>
\$ 864,796	\$ 303,408	\$ 10,887,316	\$ 14,419,911	\$ (3,532,595)	-24.5%
1,254,145	-	17,874,789	14,847,790	3,026,999	20.4%
1,918	173	52,613	52,507	106	0.2%
63,157	-	1,408,045	1,302,776	105,269	8.1%
-	-	90,597	75,803	14,794	19.5%
<u>2,184,016</u>	<u>303,581</u>	<u>30,313,360</u>	<u>30,698,787</u>	<u>(385,427)</u>	<u>-1.3%</u>
-	-	6,681,850	6,773,905	(92,055)	-1.4%
-	-	6,681,850	6,773,905	(92,055)	-1.4%
-	-	846,034	846,034	-	0.0%
-	-	114,978,679	111,778,691	3,199,988	2.9%
-	-	2,177	917,867	(915,690)	-99.8%
1,138	34,839	35,977	951,667	(915,690)	-96.2%
-	-	3,543,716	2,648,036	895,680	33.8%
(1,138)	(32,234)	(58,071,689)	(57,004,755)	(1,066,934)	1.9%
-	2,605	61,334,894	60,137,540	1,197,354	2.0%
-	2,605	68,016,744	66,911,445	1,105,299	1.7%
<u>\$ 2,184,016</u>	<u>\$ 306,186</u>	<u>\$ 98,330,104</u>	<u>\$ 97,610,232</u>	<u>\$ 719,872</u>	<u>0.7%</u>

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2013

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012

SCHEDULE 1 (continued)

LIABILITIES	Sewer Services			Solid Waste Services
	Operations and Maintenance	Renewal and Replacement	Capital Improvement	Garbage
Current liabilities				
Accounts payable	\$ 104,312	\$ 70,809	\$ 16,289	\$ 1,927
Accrued salaries and wages	81,833	-	-	-
Customers deposits payable	163,194	998	114,307	-
Accrued compensated absences (current)	55,000	-	-	-
Total current liabilities	404,339	71,807	130,596	1,927
Noncurrent liabilities				
Compensated absences liabilities	339,983	-	-	-
Other postemployment benefits (OPEB)				
medical premium liabilities	998,127	-	-	-
Total noncurrent liabilities	1,338,110	-	-	-
Total liabilities	\$ 1,742,449	\$ 71,807	\$ 130,596	\$ 1,927
Net position				
Net investment in capital assets	57,788,573	-	3,543,716	-
Unrestricted	17,294,758	12,118,582	1,625,903	1,521,591
Total net position	\$ 75,083,331	\$ 12,118,582	\$ 5,169,619	\$ 1,521,591

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2013

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012

SCHEDULE 1 (continued)

Recycling Services		Combined June 30,		\$	%
Residential	Commercial & Industrial	2013	2012	Change	Change
\$ -	\$ -	\$ 193,337	\$ 865,930	\$ (672,593)	-77.7%
-	-	81,833	77,158	4,675	6.1%
-	-	278,499	342,297	(63,798)	-18.6%
-	-	55,000	55,000	-	0.0%
-	-	608,669	1,340,385	(731,716)	-54.6%
-	-	339,983	320,388	19,595	6.1%
-	-	998,127	982,116	16,011	1.6%
-	-	1,338,110	1,302,504	35,606	2.7%
\$ -	\$ -	\$ 1,946,779	\$ 2,642,889	\$ (696,110)	-26.3%
-	2,605	61,334,894	60,137,540	1,197,354	2.0%
2,184,016	303,581	35,048,431	34,829,804	218,627	0.6%
\$ 2,184,016	\$ 306,186	\$ 96,383,325	\$ 94,967,344	\$ 1,415,981	1.5%

ORO LOMA SANITARY DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2012
SCHEDULE 2**

	Sewer Services			Solid Waste Services
	Operations and Maintenance	Renewal and Replacement	Capital Improvement	Garbage
Operating revenues				
District service charges	\$ 8,368,931	\$ 3,000,000	\$ -	\$ -
Agency treatment charges	2,240,308	101,254	-	-
Permits and inspection fees	105,122	-	-	-
Sanitary truck waste charges	44,614	-	-	-
Grease receiving charges	113,397	-	-	-
Contract fees	-	-	-	728,946
Recycling charges - residential	-	-	-	-
Recycling charges - commercial	-	-	-	-
Landfills fees - Measure D	-	-	-	-
Other	719,682	-	-	-
Total operating revenues	11,592,054	3,101,254	-	728,946
Operating expenses				
Engineering	687,661	6,481	-	-
Sewage collections	1,533,578	841,697	-	-
Sewage treatment operations	3,678,583	283,163	-	-
Sewage treatment maintenance	2,002,078	98,330	-	-
Sewage disposal - EBDA	590,057	92,750	-	-
Administration and general	1,389,309	16,185	-	-
Depreciation	3,130,408	-	-	435
Decrease in carrying value of sewage discharge facilities - EBDA	92,055	-	-	-
Solid waste	-	-	-	330,769
Recycling - residential	-	-	-	-
Recycling - commercial	-	-	-	-
Total operating expenses	13,103,729	1,338,606	-	331,204
Operating income (loss)	(1,511,675)	1,762,648	-	397,742
Nonoperating revenues				
Interest income	23,378	120,833	34,893	3,554
Unrealized gains (losses)	-	25,216	(25,196)	-
Rents, leases and personal license fees	79,405	-	-	26,377
Recovery of uncollectible accounts	-	-	-	9,821
Other miscellaneous revenues	179,349	16,268	961	235
EBDA and other agreement refunds	-	-	79,371	-
Grants (net of expenses)	-	-	-	-
Total nonoperating revenues	282,132	162,317	90,029	39,987
Nonoperating expenses				
Write-off of plant and equipment	-	-	-	-
Write-off of uncollectible accounts	8,292	-	-	225
Total nonoperating expenses	8,292	-	-	225
Income (loss) before contributions and transfers	(1,237,835)	1,924,965	90,029	437,504
Connection and other developers' fees	-	-	69,759	-
Transfers in and out capital assets	3,435,121	-	(3,435,121)	-
Transfers in and out other resources	-	-	-	-
Change in net position	2,197,286	1,924,965	(3,275,333)	437,504
Net position - beginning	72,886,045	10,193,617	8,444,952	1,084,087
Net position - ending	\$ 75,083,331	\$ 12,118,582	\$ 5,169,619	\$ 1,521,591

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2012
SCHEDULE 2 (continued)

Recycling Services					
Residential Green Waste	Commercial & Industrial	Combined June 30,		Change \$	Change %
2013	2012				
\$ -	\$ -	\$ 11,368,931	\$ 10,539,022	\$ 829,909	7.9%
-	-	2,341,562	2,356,508	(14,946)	-0.6%
-	-	105,122	105,501	(379)	-0.4%
-	-	44,614	34,119	10,495	30.8%
-	-	113,397	100,964	12,433	12.3%
-	-	728,946	1,014,122	(285,176)	-28.1%
2,285,768	-	2,285,768	2,285,609	159	0.0%
-	71,686	71,686	96,011	(24,325)	-25.3%
342,132	-	342,132	322,360	19,772	6.1%
-	-	719,682	761,461	(41,779)	-5.5%
2,627,900	71,686	18,121,840	17,615,677	506,163	2.9%
-	-	694,142	585,037	109,105	18.6%
-	-	2,375,275	2,207,219	168,056	7.6%
-	-	3,961,746	3,833,846	127,900	3.3%
-	-	2,100,408	2,419,194	(318,786)	-13.2%
-	-	682,807	696,967	(14,160)	-2.0%
-	-	1,405,494	1,215,432	190,062	15.6%
-	2,604	3,133,447	2,993,361	140,086	4.7%
-	-	92,055	104,088	(12,033)	-11.6%
-	-	330,769	395,554	(64,785)	-16.4%
2,599,086	-	2,599,086	2,580,642	18,444	0.7%
-	83,559	83,559	81,523	2,036	2.5%
2,599,086	86,163	17,458,788	17,112,863	345,925	2.0%
28,814	(14,477)	663,052	502,814	160,238	31.9%
10,763	806	194,227	157,237	36,990	23.5%
19,325	-	19,345	(157,399)	176,744	112.3%
26,377	-	132,159	394,141	(261,982)	-66.5%
-	-	9,821	16,172	(6,351)	-39.3%
23,687	-	220,500	200,510	19,990	10.0%
-	-	79,371	79,371	-	0.0%
-	36,504	36,504	(34,623)	71,127	205.4%
80,152	37,310	691,927	655,409	36,518	5.6%
-	-	-	260,034	(260,034)	-100.0%
240	-	8,757	2,217	6,540	295.0%
240	-	8,757	262,251	(253,494)	-96.7%
108,726	22,833	1,346,222	895,972	450,250	50.3%
-	-	69,759	112,127	(42,368)	-37.8%
-	-	-	-	-	-
108,726	22,833	1,415,981	1,008,099	407,882	40.5%
2,075,290	283,353	94,967,344	93,959,245	1,008,099	1.1%
\$ 2,184,016	\$ 306,186	\$ 96,383,325	\$ 94,967,344	\$ 1,415,981	1.5%

**ORO LOMA SANITARY DISTRICT
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
JUNE 30, 2013**

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 biannual budget as follows:

- Prior to June 30 of a budget preparation 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 the passage of a 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 cost center 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 2011-12 (Year 1) and 2012-13 (Year 2) was approved by Resolution No. 3535, dated April 19, 2011, and was subsequently amended by the following resolutions:

FY 2011-12 (Year 1) was amended by:

- Resolution No. 3544, dated September 6, 2011 – Amendment No. 1 – a net increase to the CIP and R&R cost centers of \$1,423,000.
- Resolution No. 3552, dated January 17, 2012 – Amendment No. 2 – a net increase to the CIP and R&R cost centers of \$23,000.

FY 2012-13 (Year 2) was amended by:

- Resolution No. 3565, dated August 21, 2012– Amendment No. 3 – a net increase to CIP and R&R cost centers of \$3,053,000.
- Resolution No. 571, dated February 19, 2013 – Amendment No. 4 – a net decrease to CIP and R&R cost centers of \$863,000.

These adjustments were necessary due to project postponements or cancellations, and/or reprioritization of certain projects in the Renewal and Replacement and Capital Improvement Program cost centers.

Budget Accounting

- The budget provides annual provisions of revenue and expenses for each cost center of the District's sewer, solid waste, and recycling services.
- The budget includes renewal and replacement, capital improvement program, and capital outlays and expenses. This necessitates the deduction of capital expenditures in order to reconcile to expenses used in the accrual basis of accounting, which excludes capital additions.

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, 2013 by cost center.

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, 2013

SCHEDULE 3

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Operating revenues			
District service charges	\$ 7,707,100	\$ 8,368,931	\$ 661,831
Agency treatment charges	2,350,000	2,240,308	(109,692)
Permits and inspection fees	140,000	105,122	(34,878)
Sanitary truck waste charges	50,000	44,614	(5,386)
Grease receiving charges	72,000	113,397	41,397
Other	700,000	719,682	19,682
Total operating revenues	<u>\$ 11,019,100</u>	<u>11,592,054</u>	<u>\$ 572,954</u>
Operating expenses			
Engineering	826,000	687,661	138,339
Sewage collections	1,697,400	1,533,578	163,822
Sewage treatment operations	4,512,500	3,678,583	833,917
Sewage treatment maintenance	2,271,300	2,002,078	269,222
Sewage disposal - EBDA	552,000	590,057	(38,057)
Administration and general	1,785,100	1,389,309	395,791
Depreciation	3,500,000	3,130,408	369,592
Decrease in carrying value of sewage discharge facilities - EBDA	110,000	92,055	17,945
Total operating expenses	<u>\$ 15,254,300</u>	<u>13,103,729</u>	<u>\$ 2,150,571</u>
Operating income (loss)		<u>(1,511,675)</u>	
Nonoperating revenues			
Interest income	\$ 101,000	23,378	\$ (77,622)
Rents and leases	90,000	79,405	(10,595)
Other miscellaneous revenues	151,000	179,349	28,349
Total nonoperating revenues	<u>\$ 342,000</u>	<u>282,132</u>	<u>\$ (59,868)</u>
Nonoperating expenses			
Write-off of plant and equipment	-	-	-
Write-off of uncollectible accounts	-	8,292	(8,292)
Other miscellaneous expenses	300,000	-	300,000
Total nonoperating expenses	<u>\$ 300,000</u>	<u>8,292</u>	<u>\$ 291,708</u>
Income (loss) before contributions and transfers		(1,237,835)	
Transfers in		3,435,121	
Transfers out		-	
Change in net position		2,197,286	
Net position - beginning		72,886,045	
Net position - ending		<u>\$ 75,083,331</u>	

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, 2013
SCHEDULE 4

	Budgeted Amounts	Actual Amounts by Account Category	Variance with Final Budget- Positive (Negative)
Operating expenses			
Salaries	\$ 4,029,500	\$ 3,741,668	\$ 287,832
Employee benefits	2,920,500	2,116,996	803,504
Directors' benefits and fees	246,700	180,034	66,666
Election expenses	75,000	62,981	12,019
Gasoline, oil and fuel	78,900	97,811	(18,911)
Insurance	546,200	382,956	163,244
Office expenses	44,500	51,932	(7,432)
Operating supplies	743,400	665,749	77,651
Safety supplies	32,100	28,290	3,810
Contractual services	872,000	916,711	(44,711)
Professional services	143,300	85,054	58,246
Membership and publications	82,000	48,037	33,963
Rents and leases	25,500	14,948	10,552
Repairs and maintenance	445,900	458,225	(12,325)
Research and monitoring	97,500	51,843	45,657
Travel, meetings and training	104,300	67,054	37,246
Recognition program	33,300	20,514	12,786
Utilities	571,700	300,406	271,294
Departmental expenses	11,092,300	9,291,209	1,801,091
Sewage disposal - EBDA	552,000	590,057	(38,057)
Depreciation	3,500,000	3,130,408	369,592
Decrease in carrying value of sewage discharge facilities - EBDA	110,000	92,055	17,945
Non-departmental expenses	4,162,000	3,812,520	349,480
Total operating expenses	15,254,300	13,103,729	2,150,571
Nonoperating expenses:			
Loss/gain on capital assets	-	-	-
Write-off of uncollectible accounts	-	8,292	(8,292)
Other miscellaneous expenses	300,000	-	300,000
Total nonoperating expenses	300,000	8,292	291,708
Total expenses	\$ 15,554,300	\$ 13,112,021	\$ 2,442,279

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, 2013
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	\$ 291,086	\$ 775,614	\$ 1,489,419	\$ 768,337	\$ 417,212
Employee benefits	240,632	358,463	759,601	402,290	356,010
Directors' benefits and fees	-	-	-	-	180,034
Election expenses	-	-	-	-	62,981
Gasoline, oil and fuel	3,543	47,022	37,321	9,178	747
Insurance	19,848	119,132	140,616	74,210	29,150
Office expenses	5,967	2,818	10,480	5,942	26,725
Operating supplies	10,857	49,471	526,380	79,041	-
Safety supplies	1,086	9,463	8,854	8,256	631
Contractual services	75,407	22,443	425,976	227,605	165,280
Professional services	10,073	8,055	8,972	4,842	53,112
Memberships and publication	4,125	2,912	5,633	2,499	32,868
Rents and leases	-	-	739	12,549	1,660
Repairs and maintenance	8,892	50,706	11,071	379,973	7,583
Research and monitoring	-	-	49,670	2,173	-
Travel, meetings and training	2,781	9,633	14,120	14,240	26,280
Recognition program	1,233	2,038	5,591	2,513	9,139
Utilities	12,131	75,808	184,140	8,430	19,897
Departmental expenses FY 2012-13	\$ 687,661	\$ 1,533,578	\$ 3,678,583	\$ 2,002,078	\$ 1,389,309
Departmental budget	\$ 826,000	\$ 1,697,400	\$ 4,512,500	\$ 2,271,300	\$ 1,785,100
% of budget used	83%	90%	82%	88%	78%
Departmental expenses FY 2011-12	\$ 576,118	\$ 1,385,729	\$ 3,603,813	\$ 1,789,252	\$ 1,207,068
Change in FY 2012-13 (\$)	\$ 111,543	\$ 147,849	\$ 74,770	\$ 212,826	\$ 182,241
Change in FY 2012-13 (%)	19%	11%	2%	12%	15%

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, 2013
SCHEDULE 5**

		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final	Amounts	Positive (Negative)
Operating revenues					
	District service charges	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ -
	Agency treatment charges	100,400	171,900	101,254	(70,646)
	Total operating revenues	\$ 3,100,400	\$ 3,171,900	3,101,254	\$ (70,646)
Project #	Project costs				
	<u>Collections system</u>				
104.00	Asset Management - Lift Stations	-	35,000	32,973	2,027
141.00	Asset Repair and Maintenance	850,000	835,000	663,779	171,221
151.10	Easement Clearing and Road Maintenance	50,000	50,000	14,809	35,191
144.10	GIS Updates and Maintenance	20,000	35,000	35,733	(733)
100.14	Lift Station #14 Canyon Drive	-	-	6,875	(6,875)
106.00	Lift Station Landscape and Grounds	5,000	5,000	-	5,000
101.00	Lift Station Painting	25,000	15,000	4,217	10,783
107.00	Lift Station Paving	5,000	15,000	15,167	(167)
102.00	Lift Station Roof Maintenance	5,000	5,000	-	5,000
144.00	Source Detection / Hydraulic Model Update	80,000	80,000	68,144	11,856
		1,040,000	1,075,000	841,697	233,303
	<u>Treatment plant</u>				
204.00	Asset Management - Treatment Plant	-	50,000	32,943	17,057
293.02	Equalization and Wetland Treatment	-	75,000	70,569	4,431
264.03	Fuel Facilities - Gasoline Tank Remediation	-	20,000	1,291	18,709
284.00	Influent Grinder Repairs	20,000	50,000	46,866	3,134
293.01	Parcel 7-10 Storage Yard Improvements	-	20,000	18,517	1,483
291.00	Plant and Street Lighting Repair	20,000	20,000	-	20,000
213.00	Pre-Design Studies	-	20,000	8,767	11,233
239.00	Safety Improvements	-	30,000	380	29,620
238.00	SCADA System Repairs	50,000	50,000	37,493	12,507
289.00	Treatment Unit Concrete Repair	-	80,000	54,930	25,070
395.01/02/06	Recurring Plant Maintenance	95,000	75,000	35,208	39,792
290.00	Walkway Grating Repair	50,000	50,000	11,406	38,594
900.93/96	Critical Renewal and Replacements	70,000	70,000	63,123	6,877
	Unopen/Canceled Projects	40,000	-	-	-
		345,000	610,000	381,493	228,507
	<u>Administration & Engineering</u>				
524.00	Fiscal Agent Fees	-	5,000	7,231	(2,231)
595.40/45	Computers and Network Maintenance	20,000	20,000	8,773	11,227
900.95	Critical Renewal and Replacements	30,000	30,000	6,662	23,338
626.00	EBDA replacement assessment	100,000	100,000	92,750	7,250
		150,000	155,000	115,416	39,584
	Total project costs	\$ 1,535,000	\$ 1,840,000	1,338,606	\$ 501,394
	Project costs assigned to category of operating expenses:				
	Operating expenses				
	Engineering			6,481	
	Sewage collections			841,697	
	Sewage treatment operations			283,163	
	Sewage treatment maintenance			98,330	
	Sewage disposal - EBDA			92,750	
	Administration			16,185	
	Total operating expenses			1,338,606	
	Operating income (loss)			1,762,648	
	Nonoperating revenues (expenses)				
	Interest income	\$ 70,000	\$ 70,000	120,833	\$ 50,833
	Unrealized gains (losses)	-	-	25,216	25,216
	Other miscellaneous revenues	-	-	16,268	16,268
	Total nonoperating revenues	\$ 70,000	\$ 70,000	162,317	\$ 92,317
	Income (loss) before contributions and transfers			1,924,965	
	Transfers in and out			-	
	Change in net position			1,924,965	
	Net position - beginning			10,193,617	
	Net position - ending			\$ 12,118,582	

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, 2013**

SCHEDULE 6

		Budgeted Amounts		Variance with Final Budget	
		Original	Final	Actual Amounts	Positive (Negative)
Project #	Project costs				
	<u>Collections system</u>				
162.00	CCTV Van Replacement	125,000	125,000	115,637	9,363
163.00	Hydro Replacement	-	185,000	176,311	8,689
150.00	Lewelling Boulevard Improvements	-	10,000	1,667	8,333
100.06	Monika Lane Lift Station Rehabilitation	-	40,000	23,908	16,092
141.03	Pipeline Replacements FY 2012-13	2,000,000	2,000,000	1,668,384	331,616
157.00	Ralston Court Pump Station	-	235,000	228,328	6,672
900.91	Critical Equipment	15,000	15,000	-	15,000
	Unopen/Canceled projects	100,000	-	-	-
		2,240,000	2,610,000	2,214,235	395,765
	<u>Treatment plant</u>				
220.00	Aerator Rehabilitation	60,000	20,000	-	20,000
226.00	Belt Press Electric Feeder	-	60,000	45,734	14,266
226.02	Belt Press Soak Tank	-	-	104	(104)
298.01	Cogen Fire Detection	-	-	313	(313)
281.00	Digester Facilities Improvements	1,550,000	2,500,000	2,132,711	367,289
305.00	Gate and Valve Replacements	50,000	100,000	101,594	(1,594)
314.00	Lab Equipment	15,000	15,000	5,229	9,771
292.00	Plant Flow Attenuation Study	75,000	150,000	43,909	106,091
317.00	Pond #3 Decant Pump	-	235,000	17,656	217,344
222.01	Secondary Clarifier Enhancements	-	25,000	15,613	9,387
320.00	Sludge Handling Loader	75,000	125,000	91,100	33,900
323.00	Treatment Unit Lighting Replacement	-	265,000	256,483	8,517
900.93/96	Critical Equipment	70,000	150,000	111,641	38,359
	Unopen/Canceled projects	300,000	200,000	-	200,000
		2,195,000	3,845,000	2,822,087	1,022,913
	<u>Administration & Engineering</u>				
595.40/45	Computer and Network Upgrades	20,000	20,000	-	20,000
900.95	Critical Equipment	10,000	10,000	-	10,000
		30,000	30,000	-	30,000
	Total operating expenses	\$ 4,465,000	\$ 6,485,000	5,036,322	\$ 1,448,678
	Less:				
	Additions to plant and equipment			(890,896)	
	Additions to construction in progress			(3,439,904)	
	Castro Valley Sanitary District capital assets			(705,522)	
	Operating income (loss)			-	
	Nonoperating revenues (expenses)				
	Interest income	90,000	90,000	34,893	(55,107)
	Unrealized gains (losses)	-	-	(25,196)	(25,196)
	EBDA agreement refund	80,000	80,000	79,371	(629)
	Other miscellaneous revenues	-	-	961	961
	Total nonoperating revenues (expenses)	\$ 170,000	\$ 170,000	90,029	\$ (79,971)
	Income (loss) before contributions and transfers			90,029	
	Connection and other developer fees			69,759	
	Transfer in and out			(3,435,121)	
	Change in net position			(3,275,333)	
	Net position - beginning			8,444,952	
	Net position - ending			\$ 5,169,619	

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, 2013
SCHEDULE 7**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Operating revenues			
Contract fees	\$ 1,310,800	\$ 728,946	\$ 581,854
Total operating revenues	<u>\$ 1,310,800</u>	<u>728,946</u>	<u>\$ 581,854</u>
Operating expenses			
Salaries	146,000	127,966	18,034
Overhead	183,000	167,757	15,243
Directors' benefits and fees	9,000	6,240	2,760
Insurance	16,900	6,263	10,637
Office expenses	4,000	743	3,257
Safety supplies	500	8	492
Contractual services	4,000	1,453	2,547
Professional services	30,000	2,521	27,479
Memberships, printing and publications	22,000	16,535	5,465
Repairs and maintenance	500	-	500
Travel, meetings and training	1,000	671	329
Recognition program	600	21	579
Utilities	1,000	591	409
Depreciation	500	435	65
Contingency reserve and others	53,000	-	53,000
Total operating expenses	<u>\$ 472,000</u>	<u>331,204</u>	<u>\$ 140,796</u>
Operating income (loss)		<u>397,742</u>	
Nonoperating revenues (expenses)			
Interest income	30,300	3,554	(26,746)
Rents, leases and personal license fees	158,000	26,377	(131,623)
Recovery of uncollectible accounts	-	9,821	9,821
Other miscellenous revenues	-	235	235
Write-off of uncollectible accounts	(50,000)	(225)	49,775
	<u>\$ 138,300</u>	<u>39,762</u>	<u>\$ (98,538)</u>
Income (loss) before contributions and transfers		437,504	
Transfers in and out		-	
Change in net position		<u>437,504</u>	
Net position - beginning		<u>1,084,087</u>	
Net position - ending		<u>\$ 1,521,591</u>	

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
RECYCLING SERVICES - RESIDENTIAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
SCHEDULE 8**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Operating revenues			
Recycling charges - residential	\$ 2,281,000	\$ 2,285,768	\$ 4,768
Landfill fees - Measure D	360,000	342,132	(17,868)
Total operating revenues	<u>\$ 2,641,000</u>	<u>2,627,900</u>	<u>\$ (13,100)</u>
Operating expenses			
Salaries	153,400	131,994	21,406
Overhead	192,000	164,992	27,008
Office expenses	4,000	1,924	2,076
Contractual services	2,397,000	2,209,239	187,761
Professional services	2,000	5,558	(3,558)
Memberships, printing and publications	45,000	47,744	(2,744)
Travel, meetings and training	500	-	500
San Leandro Measure D	50,000	37,635	12,365
Contingency reserve	30,000	-	30,000
Total operating expenses	<u>\$ 2,873,900</u>	<u>2,599,086</u>	<u>\$ 274,814</u>
Operating income (loss)		<u>28,814</u>	
Nonoperating revenues (expenses)			
Interest income	10,100	10,763	663
Unrealized gains (losses)	-	19,325	19,325
Rents, leases and personal license fees	158,000	26,377	(131,623)
Other miscellaneous revenues	-	23,687	23,687
Write-off of uncollectible accounts	(200)	(240)	(40)
Total nonoperating revenues (expenses)	<u>\$ 167,900</u>	<u>79,912</u>	<u>\$ (87,988)</u>
Income (loss) before contributions and transfers		108,726	
Transfers in and out		-	
Change in net position		<u>108,726</u>	
Net position - beginning		2,075,290	
Net position - ending		<u>\$ 2,184,016</u>	

ORO LOMA SANITARY DISTRICT

SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL REVENUES, EXPENSES AND CHANGES IN NET POSITION RECYCLING SERVICES - COMMERCIAL AND INDUSTRIAL FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SCHEDULE 9

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Positive (Negative)
Operating revenues			
Recycling charges - commerical and industrial	\$ 80,000	\$ 71,686	\$ (8,314)
Operating expenses			
Salaries	37,000	36,929	71
Overhead	46,250	46,162	88
Office expenses	550	468	82
Depreciation	3,000	2,604	396
Total operating expenses	\$ 86,800	86,163	\$ 637
Operating income (loss)		(14,477)	
Nonoperating revenues (expenses)			
Interest income	5,100	806	(4,294)
Grants revenues, net of expenses	-	36,504	36,504
Total nonoperating revenues (expenses)	\$ 5,100	37,310	\$ 32,210
Income (loss) before contributions and transfers		22,833	
Transfers in and out		-	
Change in net position		22,833	
Net position - beginning		283,353	
Net position - ending		\$ 306,186	

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

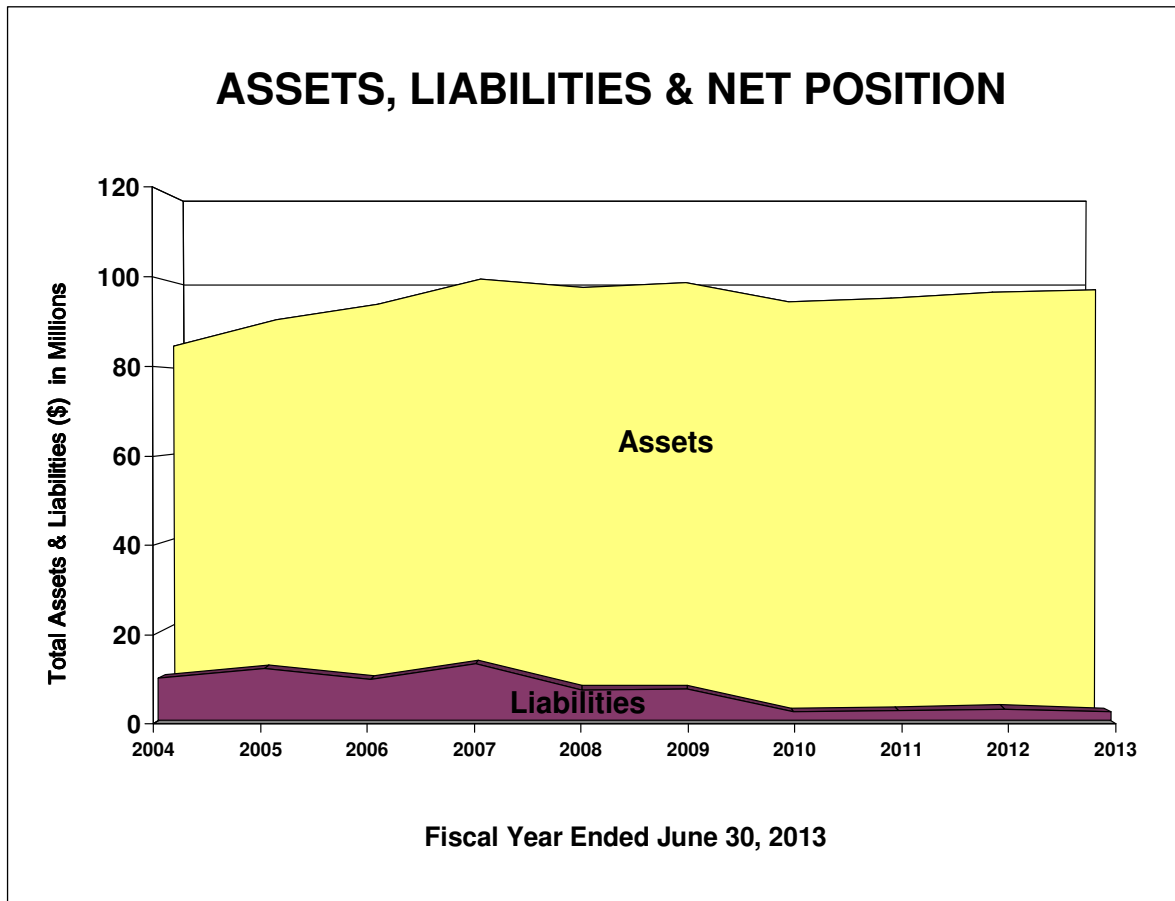
FINANCIAL TRENDS

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
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
2004	85,046,671	9,509,299	29,867,993	882,840	44,786,539	75,537,372

GRAPH A



ORO LOMA SANITARY DISTRICT

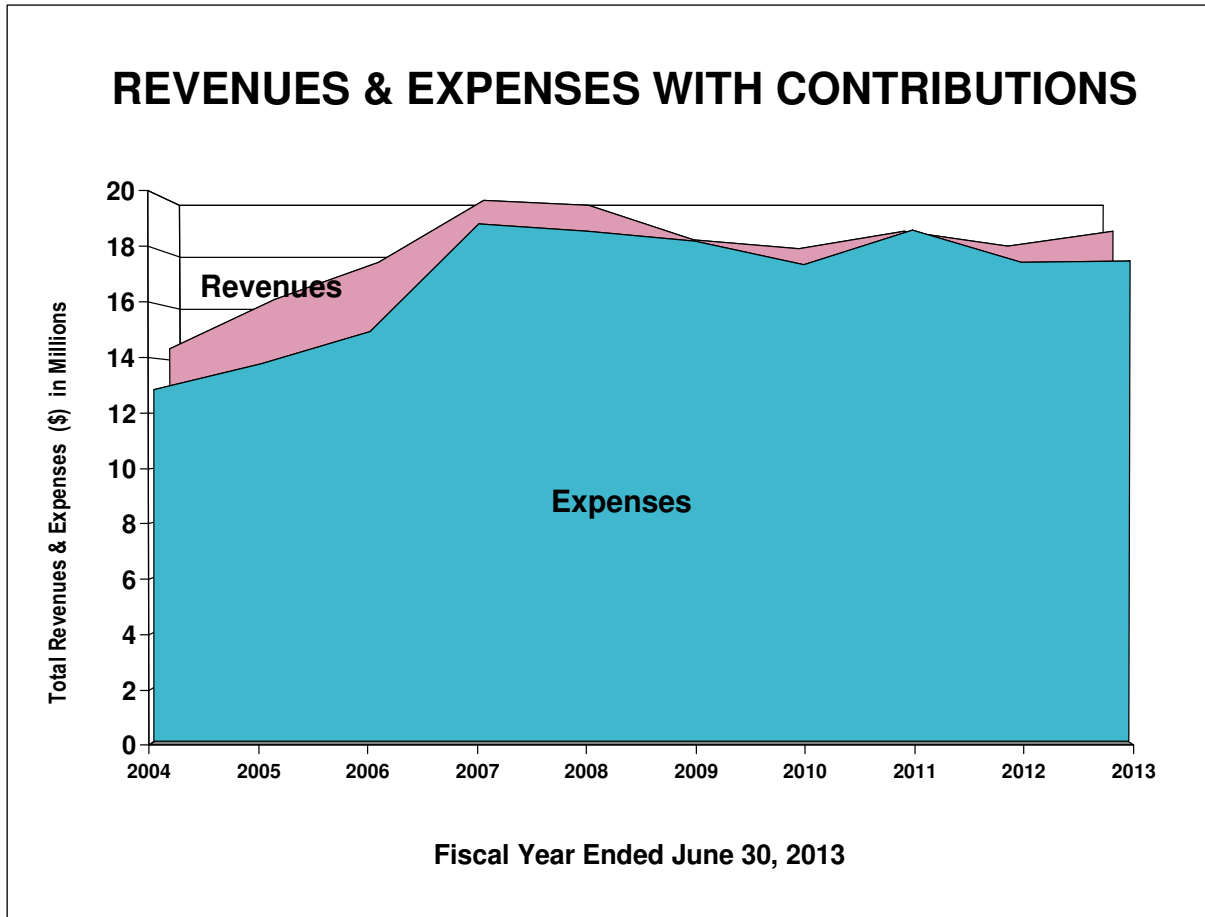
FINANCIAL TRENDS

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	
2013	\$18,813,767	\$17,467,545	\$1,346,222	\$ 69,759	\$ -	\$1,415,981
2012	18,271,086	17,375,114	895,972	112,127	-	1,008,099
2011	18,855,561	18,550,323	305,238	99,905	-	405,143
2010	18,195,405	17,360,755	834,650	49,953	-	884,603
2009	18,509,999	17,889,864	620,135	367,611	-	987,746
2008	19,813,138	17,323,004	2,490,134	1,198,135	103,525	3,791,794
2007	19,982,391	18,233,939	1,748,452	624,392	-	2,372,844
2006	17,685,790	13,284,967	4,400,823	1,665,947	-	6,066,770
2005	16,250,522	13,062,482	3,188,040	572,082	152,850	3,912,972
2004	14,427,414	12,354,548	2,072,866	461,779	26,045	2,560,690

GRAPH B



ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3

Statement of Revenues and Expenses & Changes in Net Position (2013 - 2009)

	2013	2012	2011	2010	2009
OPERATING REVENUES:					
District service charges	\$11,368,931	\$10,539,022	\$10,183,687	\$10,120,561	\$10,098,745
Agency treatment charges	2,341,562	2,356,508	2,113,496	2,213,303	2,321,971
Sanitary truck waste charges	44,614	34,119	33,369	43,921	48,960
Grease receiving facilities	113,397	100,964	47,248	7,135	-
Permits & inspection fees	105,122	105,501	118,649	132,534	138,888
Contract fees-Waste Mgmt	728,946	1,014,122	1,177,161	1,231,477	1,249,130
Recycling residential charges	2,285,768	2,285,609	2,281,257	2,277,284	2,272,570
Recycling commercial charges	71,686	96,011	99,721	80,824	59,895
Landfill fees-Measure D	342,132	322,360	337,996	358,386	311,732
Others	719,682	761,461	834,272	753,313	1,022,144
Total operating revenues	18,121,840	17,615,677	17,226,856	17,218,738	17,524,035
OPERATING EXPENSES:					
Engineering	694,142	585,037	756,806	637,505	631,004
Sewage collections	2,375,275	2,207,219	2,426,428	2,350,901	2,880,750
Sewage treatment operations	3,961,746	3,833,846	3,616,626	4,405,258	4,262,868
Sewage treatment maintenance	2,100,408	2,419,194	1,831,130	1,846,305	1,895,607
Sewage disposal-EBDA	682,807	696,967	638,715	478,693	501,112
Administration and general	1,405,494	1,215,432	1,320,909	1,168,674	1,246,174
Depreciation	3,133,447	2,993,361	3,134,347	3,148,568	3,079,226
Decrease in EBDA equity	92,055	104,088	98,084	78,973	13,365
Solid waste	330,769	395,554	397,390	435,618	516,185
Residential recycling	2,599,086	2,580,642	2,594,681	2,557,547	2,564,656
Commercial recycling	83,559	81,523	93,590	100,152	92,212
Total operating expenses	17,458,788	17,112,863	16,908,706	17,208,194	17,683,159
OPERATING INCOME (LOSS)	663,052	502,814	318,150	10,544	(159,124)
NONOPERATING REVENUES:					
Interest income	194,227	157,237	190,115	197,078	584,497
Realized/unrealized gains (losses)	19,345	(157,399)	-	-	-
Rents, leases & license fees	132,159	394,141	375,087	382,120	364,982
Castro Valley side fund reimbursement	-	-	297,151	-	-
Recovery of uncollectable accounts	9,821	16,172	69,587	-	-
Other miscellaneous revenues	220,500	200,510	150,456	203,125	38,040
EBDA agreement and other refunds	79,371	79,371	79,371	79,371	89,138
Grants-net of expenses	36,504	(34,623)	466,938	114,973	(90,693)
Total nonoperating revenues	691,927	655,409	1,628,705	976,667	985,964
NONOPERATING EXPENSES:					
Interest on bonds payable	-	-	-	4,367	150,926
CalPERS side fund contribution	-	-	1,640,762	-	-
Write-off plant & equipment	-	260,034	389	-	8,837
Write-off uncollectible accounts	8,757	2,217	466	8,824	31,398
Other miscellaneous expenses	-	-	-	139,370	15,544
Total nonoperating expenses	8,757	262,251	1,641,617	152,561	206,705
INCOME BEFORE CONTRIBUTIONS	1,346,222	895,972	305,238	834,650	620,135
Connection fees	69,759	112,127	99,905	49,953	367,611
Sewer upsizing fees	-	-	-	-	-
Developers' contributions	-	-	-	-	-
CHANGES IN NET POSITION	1,415,981	1,008,099	405,143	884,603	987,746
NET POSITION-BEGINNING	94,967,343	93,959,244	93,554,101	92,669,498	91,681,752
NET POSITION-ENDING	96,383,324	94,967,343	93,959,244	93,554,101	92,669,498

ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3 (continued)

Statement of Revenues and Expenses & Changes in Net Position (2008 - 2004)

	2008	2007	2006	2005	2004
OPERATING REVENUES:					
District service charges	\$10,739,082	\$10,651,466	\$9,202,424	\$8,238,310	\$7,185,864
Agency treatment charges	2,065,201	2,018,058	1,741,473	1,619,527	1,507,748
Sanitary truck waste charges	63,160	56,752	61,847	41,286	57,633
Grease receiving facilities	-	-	-	-	-
Permits & inspection fees	209,411	174,584	213,158	113,296	124,298
Contract fees-Waste Mgmt	1,205,948	1,198,607	1,142,866	1,120,814	1,087,956
Recycling residential charges	2,266,025	2,257,179	2,252,303	2,245,508	2,233,928
Recycling commercial charges	37,731	36,958	36,313	36,251	32,643
Landfill fees-Measure D	452,342	496,637	467,607	430,456	427,939
Others	1,067,812	883,637	989,474	912,036	763,727
Total operating revenues	18,106,712	17,773,878	16,107,465	14,757,484	13,421,736
OPERATING EXPENSES:					
Engineering	813,103	723,286	679,844	685,267	620,260
Sewage collections	2,076,666	1,667,692	1,348,268	1,549,052	1,360,517
Sewage treatment operations	4,470,520	3,761,510	3,024,097	2,597,738	2,381,414
Sewage treatment maintenance	1,705,618	1,903,645	1,461,440	1,409,782	1,374,259
Sewage disposal-EBDA	543,574	511,412	522,603	376,332	452,777
Administration and general	1,247,944	1,354,111	1,070,921	1,176,449	955,103
Depreciation	3,053,867	2,131,024	2,009,381	2,106,241	2,115,683
Decrease in EBDA equity	41,273	68,875	87,079	101,622	96,570
Solid waste	503,793	215,554	202,821	154,757	152,819
Residential recycling	2,510,495	2,486,675	2,493,852	2,496,475	2,465,539
Commercial recycling	90,635	80,992	99,717	83,228	39,005
Total operating expenses	17,057,488	14,904,776	13,000,023	12,736,943	12,013,946
OPERATING INCOME (LOSS)	1,049,224	2,869,102	3,107,442	2,020,541	1,407,790
NONOPERATING REVENUES:					
Interest income	1,122,335	1,452,998	778,659	833,285	338,403
Realized/unrealized gains (losses)	-	-	-	-	-
Rents, leases & license fees	395,427	565,367	564,132	566,604	568,863
Castro Valley side fund reimbursement	-	-	-	-	-
Recovery of uncollectable accounts	-	-	-	-	-
Other miscellaneous revenues	97,161	101,574	111,530	-	-
EBDA agreement and other refunds	82,010	87,011	78,673	78,672	78,672
Grants-net of expenses	9,493	1,563	45,331	14,477	19,740
Total nonoperating revenues	1,706,426	2,208,513	1,578,325	1,493,038	1,005,678
NONOPERATING EXPENSES:					
Interest on bonds payable	173,576	195,626	217,076	237,776	302,062
CalPERS side fund contribution	-	-	-	-	-
Write-off plant & equipment	51,020	92,303	33,934	39,094	15,752
Write-off uncollectible accounts	25,376	25,590	18,490	33,125	7,244
Other miscellaneous expenses	15,544	3,015,644	15,444	15,544	15,544
Total nonoperating expenses	265,516	3,329,163	284,944	325,539	340,602
INCOME BEFORE CONTRIBUTIONS	2,490,134	1,748,452	4,400,823	3,188,040	2,072,866
Connection fees	1,198,135	455,873	1,459,278	456,621	327,165
Sewer upsizing fees	-	168,519	206,669	115,461	134,614
Developers' contributions	103,525	-	-	152,850	26,045
CHANGES IN NET POSITION	3,791,794	2,372,844	6,066,770	3,912,972	2,560,690
NET POSITION-BEGINNING	87,889,958	85,517,114	79,450,344	75,537,372	72,976,682
NET POSITION-ENDING	91,681,752	87,889,958	85,517,114	79,450,344	75,537,372

ORO LOMA SANITARY DISTRICT

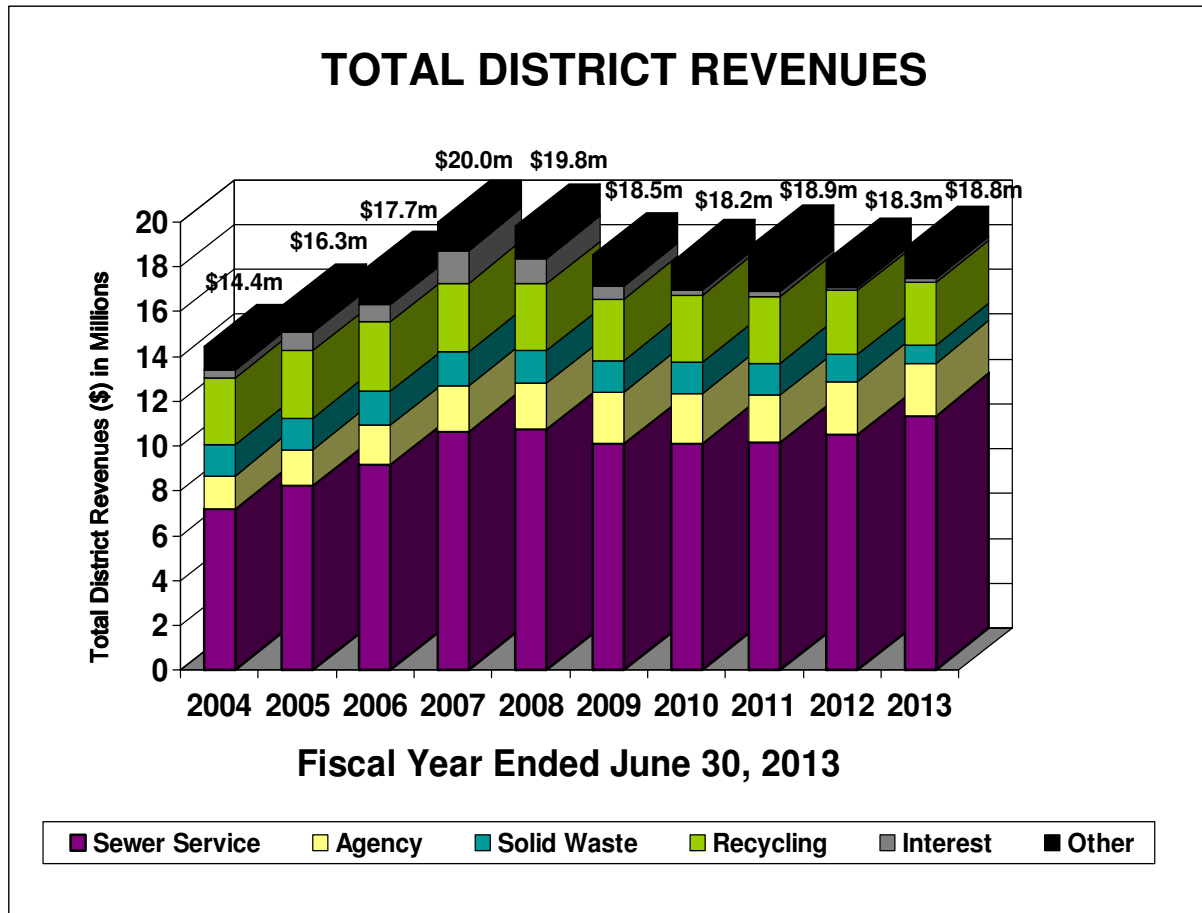
REVENUE CAPACITY

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 2013 Total	60.4%	12.4%	4.1%	14.9%	1.0%	7.1%	100.0%
2013	\$11,368,931	\$2,341,562	\$765,379	\$2,805,480	\$194,227	\$1,338,188	\$18,813,767
2012	10,539,022	2,356,508	1,199,728	2,834,753	157,237	1,183,838	18,271,086
2011	10,183,687	2,113,496	1,405,010	2,978,831	190,115	1,984,422	18,855,561
2010	10,120,561	2,213,303	1,390,374	3,019,988	197,078	1,254,101	18,195,405
2009	10,098,745	2,321,971	1,407,685	2,738,913	584,497	1,358,188	18,509,999
2008	10,739,082	2,065,201	1,469,998	2,975,388	1,122,335	1,441,134	19,813,138
2007	10,651,466	2,018,058	1,527,112	3,067,878	1,452,998	1,264,879	19,982,391
2006	9,202,424	1,741,473	1,523,589	3,076,965	778,659	1,362,680	17,685,790
2005	8,238,310	1,619,527	1,393,272	3,008,469	833,285	1,157,659	16,250,522
2004	7,185,864	1,507,748	1,355,059	3,003,264	338,403	1,037,076	14,427,414

GRAPH C



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

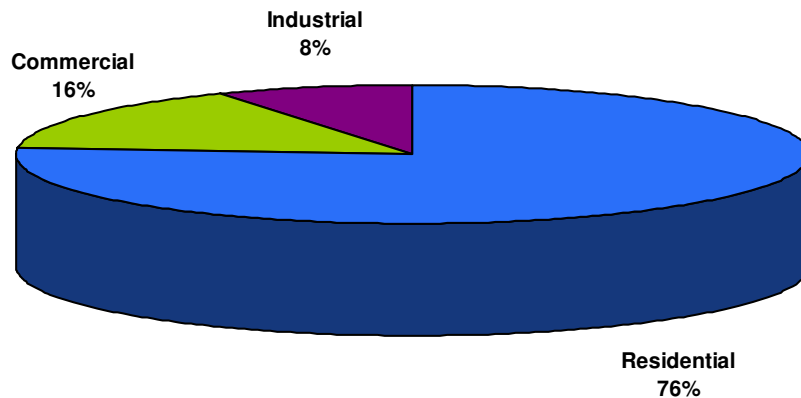
TABLE 5

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	
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
2004	5,626,047	78%	1,277,701	18%	282,116	4%	7,185,864

GRAPH D

SEWER SERVICE REVENUES BY CUSTOMER TYPE FY 2012-13



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 1995 to Present

Ordinance 37 with Resolution #3536

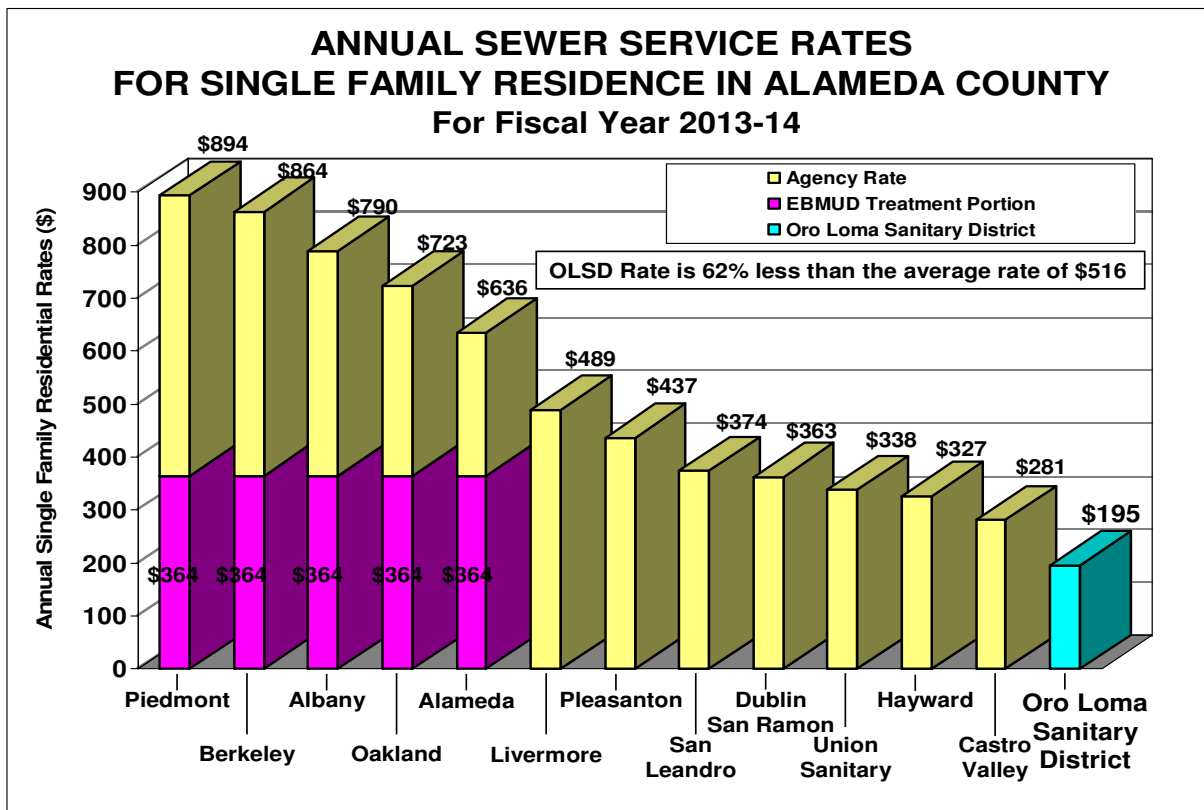
Fiscal Year Ended June 30	Ord. #	Residential						Commercial & Significant Industrial Users		Total Customer Base
		Single Family Dwellings		Apartment Units		Mobile Homes		# of customers	per 100 cf of water used	
		# of units	Annual Rate	# of units	Annual Rate	# of units	Annual Rate			
2014	R#3536	29,739	\$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
1995	37-19	26,300	113.00	14,800	88.78	1,300	64.58	806	1.968	43,206

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 2012-13.

23.7% ← \$2,691,591 out of \$11,368,931 total sewer service revenues were derived from commercial (\$1,771,964) and industrial (\$919,627) customers

12.0% ← \$1,361,947 out of \$11,368,931 total sewer service revenues were derived from the twenty largest commercial and industrial customers

50.6% ← \$1,361,947 out of \$2,691,591 total commercial and industrial sewer service revenues were derived from the twenty largest commercial and industrial customers.

TABLE 7 **Twenty Largest Commercial Customers**

Source: 2012 East Bay Municipal Utility District water consumption and billing report and 2012 significant industrial users invoices.

Customer	Type of Business	Sewer Charges	% of Total Sewer Service Revenue
Santini Foods	Food manufacturing	\$ 464,118	4.1%
Ghirardelli Chocolate	Food manufacturing	157,729	1.4%
Fairmont Hospital Complex	Hospital, medical clinics and correctional facilities	89,335	0.8%
Hayward Area Recreation & Park District	Recreation and parks	88,697	0.8%
Hillshire Brands	Food manufacturing	79,657	0.7%
San Lorenzo Unified School District	School District	75,571	0.7%
Bayfair Development LLC	Shopping mall	66,916	0.6%
Hayward Unified School District	School district	58,374	0.5%
County of Alameda General Services	Government services	43,944	0.4%
San Leandro Hospital (SLCO)	Hospital	34,615	0.3%
Greenhouse Marketplace	Retail businesses	33,863	0.3%
Mercy Housing	Senior housing and assisted living	32,343	0.3%
Guadalajara Enterprises	Retail businesses	20,376	0.2%
Kaiser Foundation Health Plan	Medical clinics	19,807	0.2%
Save Mart Supermarket	Grocery store	18,453	0.2%
Grancare	Convalescent home	18,025	0.2%
Nadaq	Laundromat	16,571	0.1%
Washington Manor Convalescent Hospital	Convalescent home	15,658	0.1%
Kantilal Solanki	Hotel	14,436	0.1%
Ramesh Pitamber	Hotel	13,457	0.1%
Total		\$1,361,947	12.0%

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

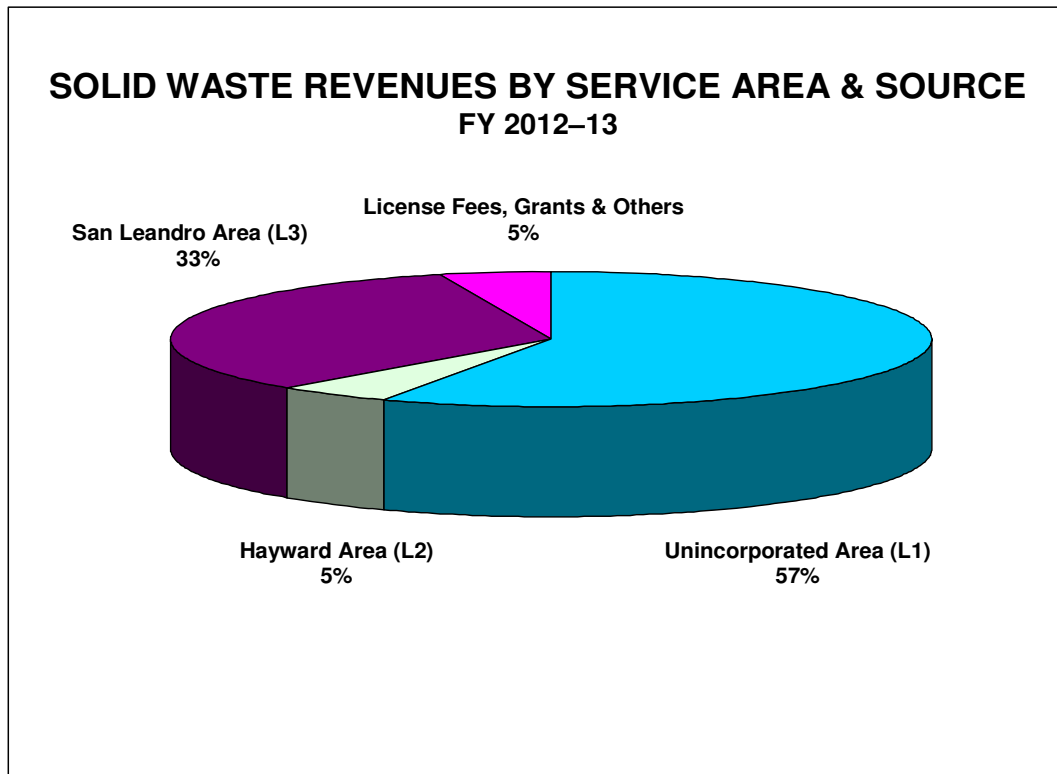
~ SIGNIFICANT SINGLE SOURCE REVENUES ~

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
2013	\$437,719	\$38,856	\$252,371	\$36,433	\$765,379
2012	612,958	56,455	344,708	185,606	1,199,728
2011	726,121	68,902	408,818	201,170	1,405,011
2010	751,591	65,919	413,967	158,897	1,390,374
2009	764,608	67,553	416,970	158,555	1,407,685
2008	735,235	65,217	405,496	264,050	1,469,997
2007	710,703	59,323	428,580	328,505	1,527,111
2006	673,211	46,283	423,372	396,723	1,539,589
2005	661,576	45,201	414,036	300,458	1,421,271
2004	641,975	44,052	401,930	282,103	1,370,059

GRAPH F



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

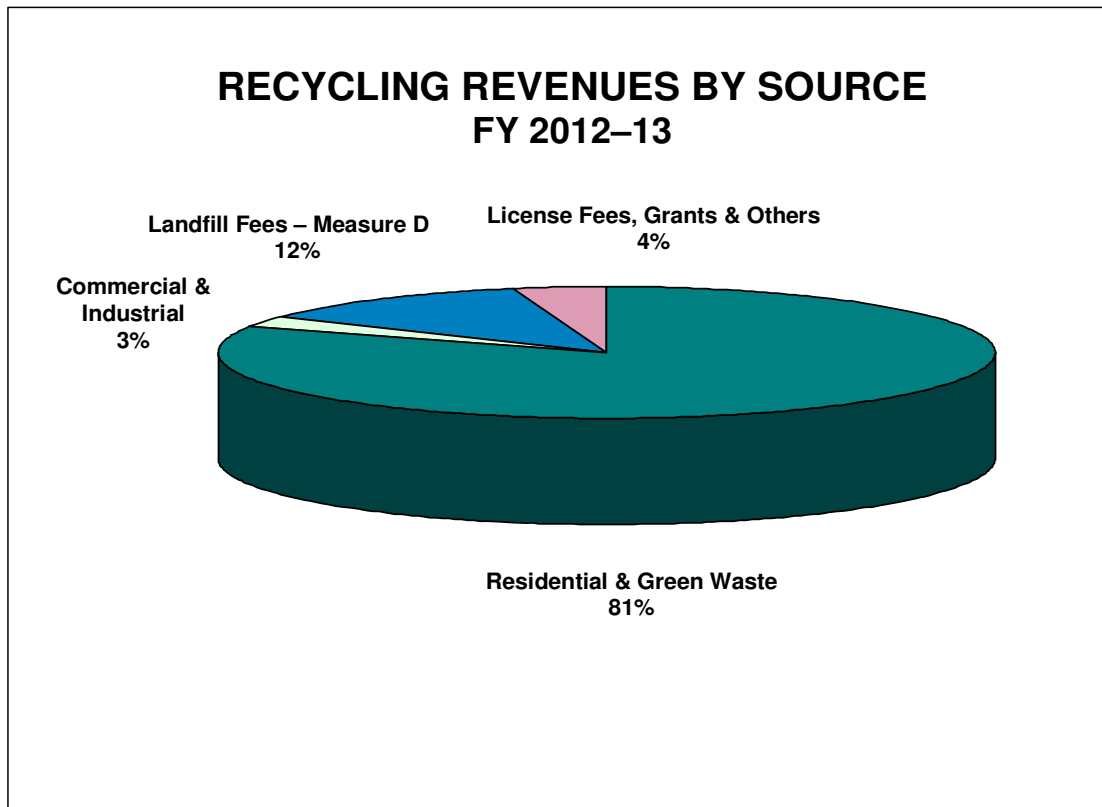
~ SIGNIFICANT SINGLE SOURCE REVENUES ~

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			
2013	\$2,285,768	\$71,686	\$342,132	\$105,894	\$2,805,480
2012	2,285,609	96,011	322,360	130,773	2,834,753
2011	2,281,257	99,721	337,996	259,857	2,978,831
2010	2,277,284	80,824	358,386	303,494	3,019,988
2009	2,272,570	59,895	311,732	94,716	2,738,913
2008	2,266,025	37,731	452,342	219,290	2,975,388
2007	2,257,179	36,958	496,637	277,104	3,067,878
2006	2,252,303	36,313	467,607	320,742	3,076,965
2005	2,245,508	36,251	430,456	296,254	3,008,469
2004	2,233,928	32,643	427,939	308,754	3,003,264

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
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	0.00
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	0.00
2005	34-29	5.25	5.25	10.50	10.50	21.00	21.00	69.28	0.00	4.60	4.32	0.00	0.00
2004	34-28	5.00	5.00	10.00	10.00	20.00	20.00	68.74	0.00	4.60	4.32	0.00	0.00

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.

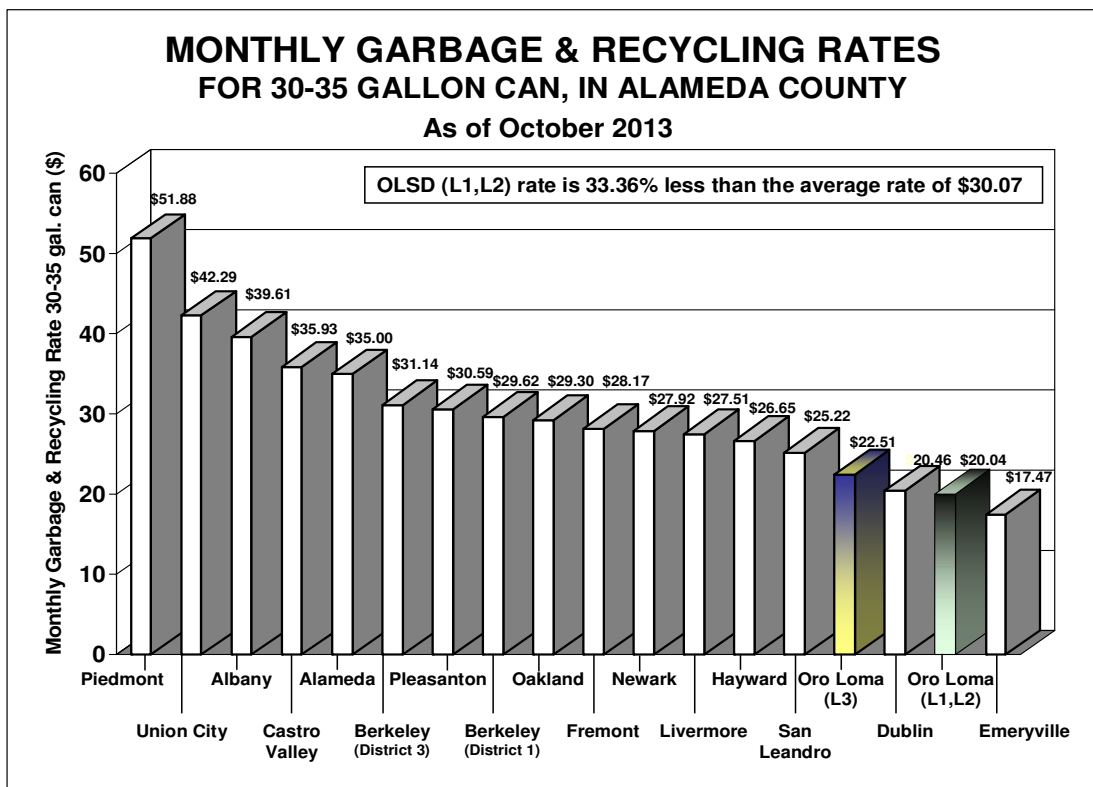
L3 is the area in the City of San Leandro within the District's boundaries, and receives both garbage and recycling services from the District.

* 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



ORO LOMA SANITARY DISTRICT

EXPENSES

TABLE 11

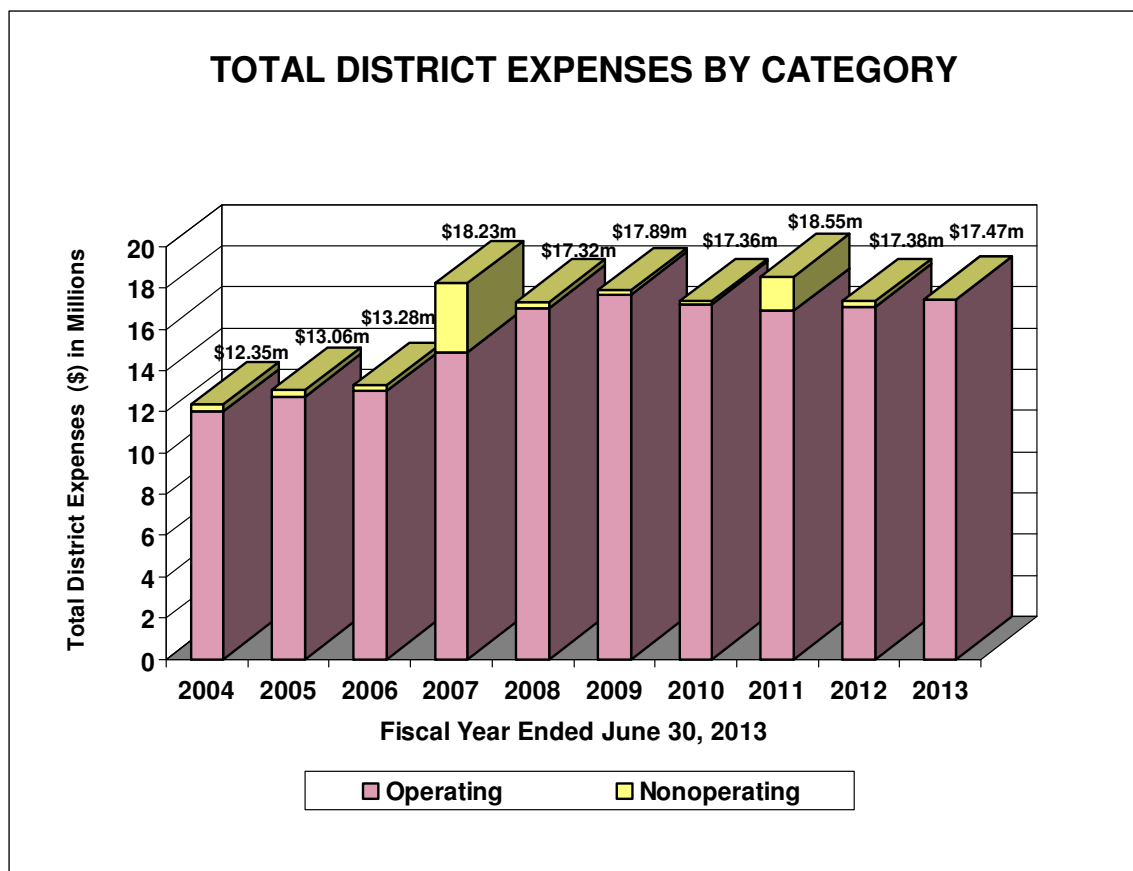
Total Expenses by Category

Fiscal Year Ended June 30	Operating Expenses	Nonoperating Expenses	Total Expenses
2013	\$17,458,788	\$8,757	\$17,467,545
2012	17,112,863	262,251	17,375,114
2011	16,908,706	** 1,641,617	18,550,323
2010	17,208,194	152,561	17,360,755
2009	17,683,159	206,705	17,889,864
2008	17,057,488	265,516	17,323,004
2007	14,904,776	* 3,329,163	18,233,939
2006	13,000,023	284,944	13,284,967
2005	12,736,943	325,539	13,062,482
2004	12,013,946	340,602	12,354,548

* 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

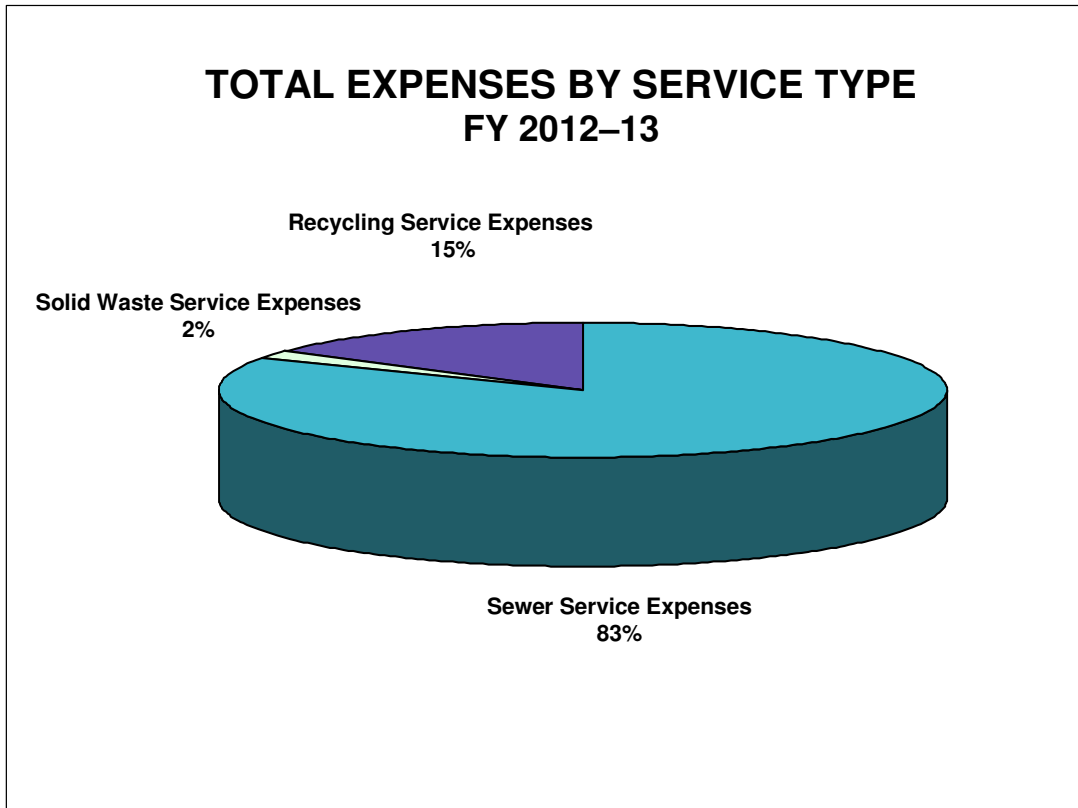
EXPENSES

TABLE 12

Total Expenses by Service Type

Fiscal Year Ended June 30	Sewer Service Expenses	Solid Waste Service Expenses	Recycling Service Expenses	Total Expenses
2013	\$14,450,627	\$331,429	\$2,685,489	\$17,467,545
2012	14,312,139	398,206	2,664,769	17,375,114
2011	15,461,512	397,825	2,690,986	18,550,323
2010	14,255,575	444,877	2,660,303	17,360,755
2009	14,682,373	548,018	2,659,473	17,889,864
2008	14,027,924	634,791	2,660,289	17,323,004
2007	15,119,251	441,981	2,672,707	18,233,939
2006	10,163,259	422,149	2,699,559	13,284,967
2005	9,992,720	383,374	2,686,388	13,062,482
2004	9,391,849	354,074	2,608,625	12,354,548

GRAPH J



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		
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
2004	7,480,714,450	1,870,178,613	280,526,792	none	(600,000)	279,926,792	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.

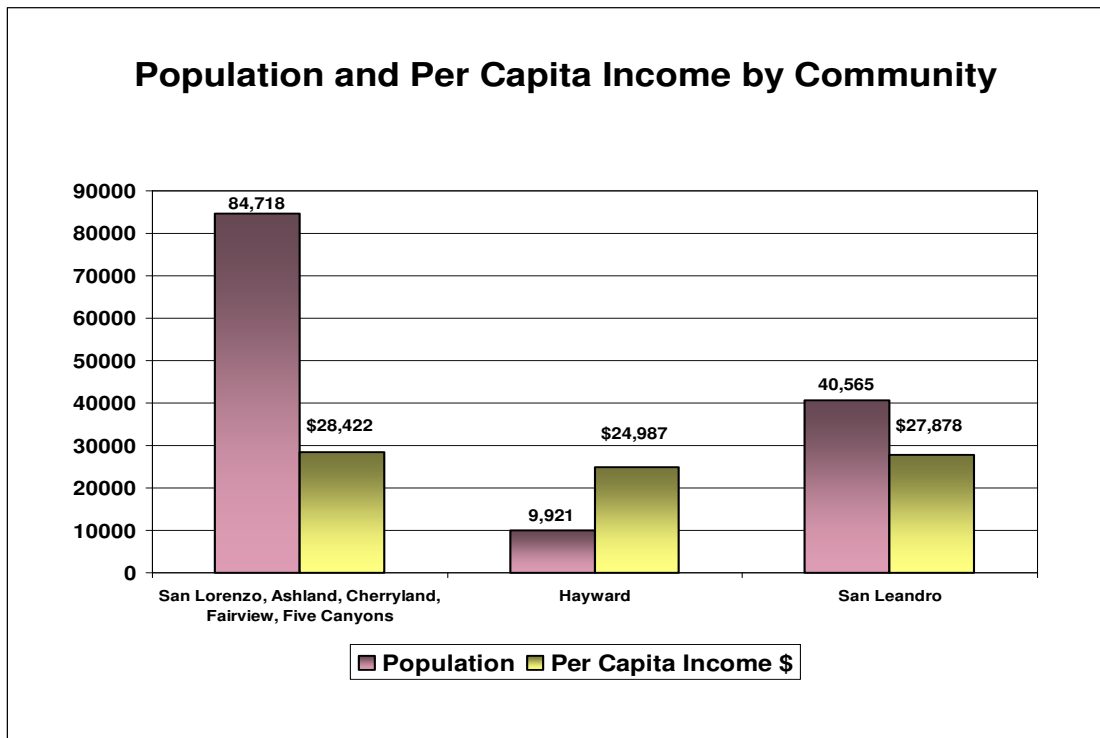
TABLE 16

Population, Per Capita Income & Unemployment Statistics

Source: U.S. Census Bureau 2007-2011; East Bay Economic Development Alliance 2011.

Indicator	Communities within the District's Boundaries Located in			All Areas
	San Lorenzo, Ashland, Cherryland, Fairview, Five Canyons	Hayward	San Leandro	
Population	84,718	9,921	40,565	135,204
Per Capita Income	\$28,422	\$24,987	\$27,878	\$28,007
Unemployment rate	7.9%	12.2%	10.9%	9.1

GRAPH K



ORO LOMA SANITARY DISTRICT

DEMOGRAPHIC & ECONOMIC INFORMATION

~ PRINCIPAL EMPLOYERS ~

TABLE 17

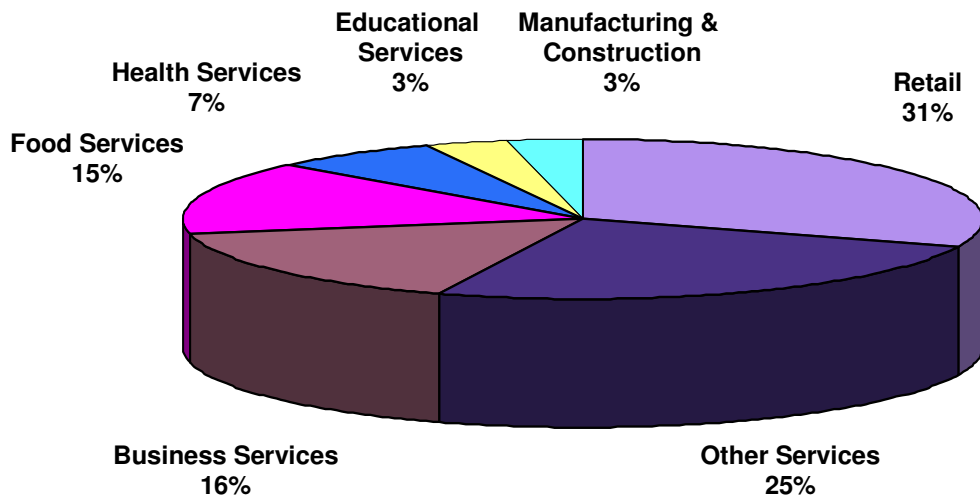
Major Employers Within the District

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
Hayward Unified School District	School district	268
Safeway	Grocery store	258
Hillshire Brands	Food manufacturing	240
K-Mart	Department store	200
Santini Foods	Food manufacturing	120

GRAPH L

MAJOR INDUSTRIES WITHIN THE DISTRICT FY 2012–13



Source: 2012 East Bay Municipal Utility District water consumption and billing report.

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

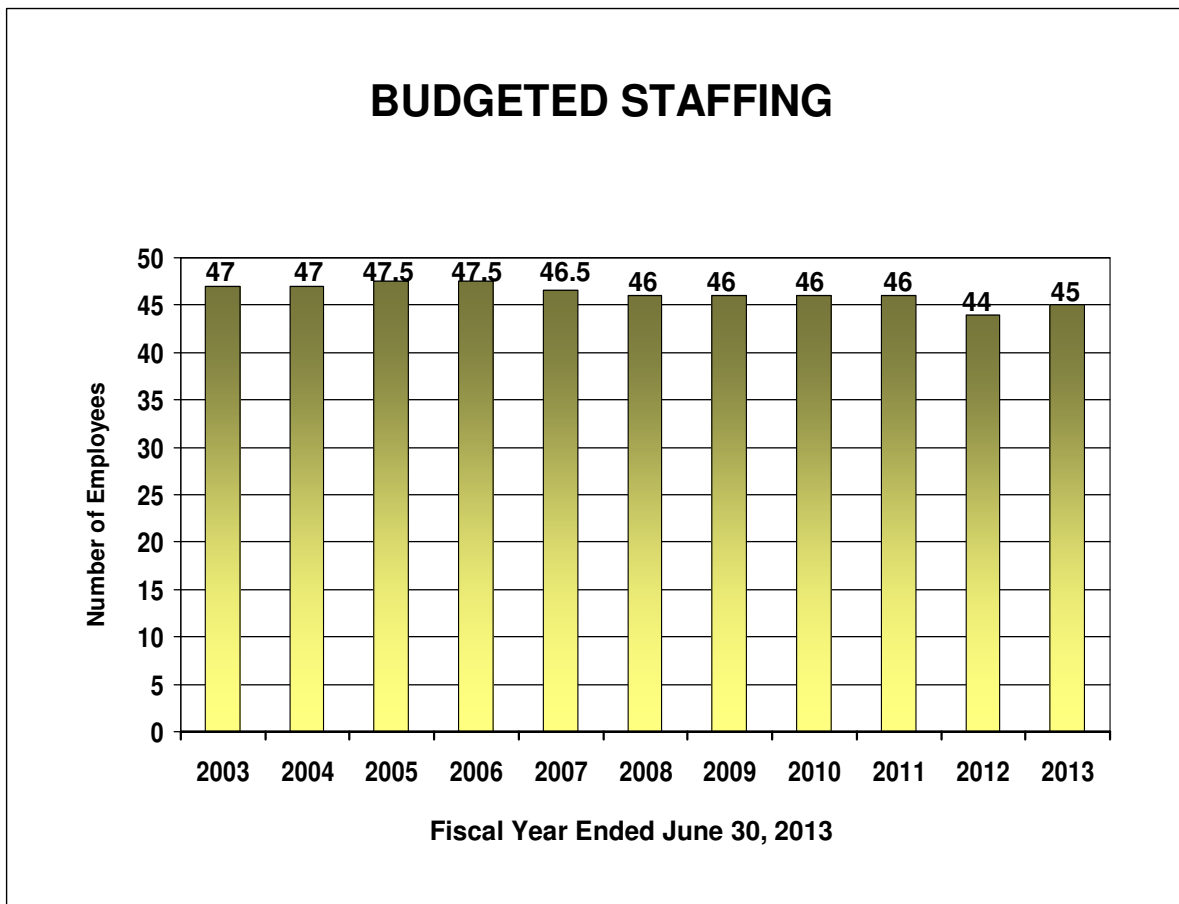
~ EMPLOYEE BASE ~

TABLE 18

Budgeted Staffing by Department

Fiscal Year Ended June 30	Engineering	Collections	Operations	Maintenance	Administration	Solid Waste	Total
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
2004	6.5	8.0	16.0	10.0	5.5	1.0	47.0

GRAPH M



ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ SERVICE INDICATORS ~

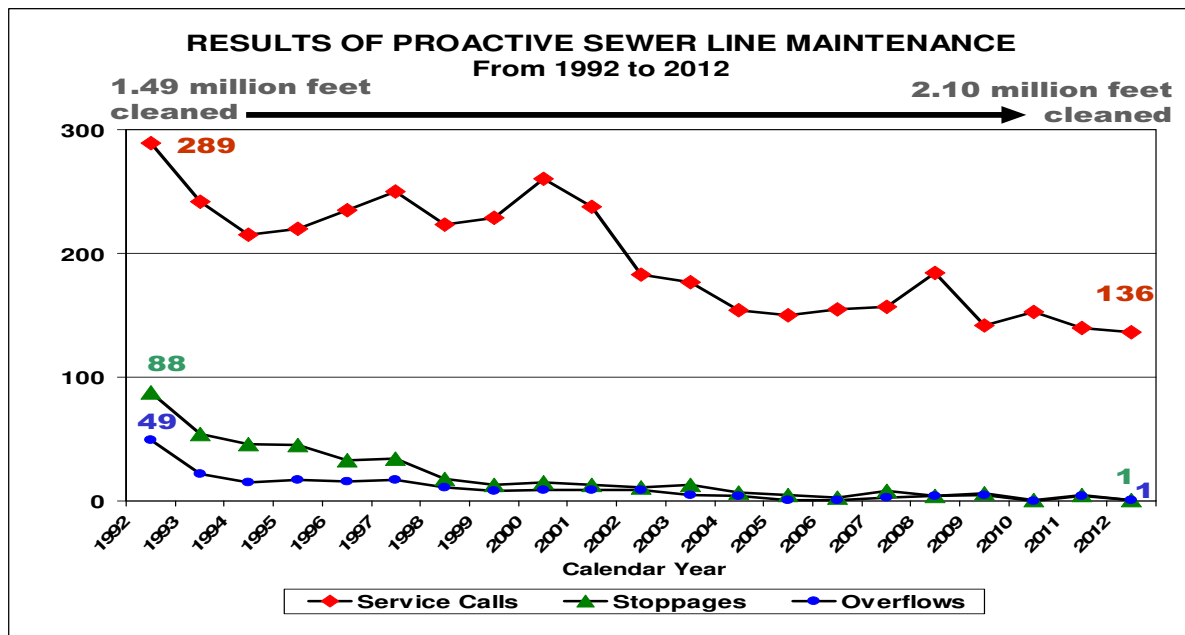
TABLE 19

Proactive Sewer Line Maintenance and Results 1992-2012

Calendar Year	Total Cleaned & CCTV'd (ft)	Monthly Average (ft)	Service Calls	Stoppages	Overflows
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
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
2004	35-12	54	6,057	327,165	184	225	50,871

* 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
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%
2003	14.21	14.5	10.6	4.0	27.6%	28.4	18.5	9.9	34.9%

* 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
2012	4	98%	5	99%	449,422	Solar Powered	100%
2011	5	98%	5	99%	482,742	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%
2003	19	91%	29	89%	471,626	28,808	94%

* 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.

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)	9
Routes for Residential Recycling (per day, every other week)	5
Routes for Residential Green Waste (per day, every week)	5
Free Annual Bulky Waste Pickups in 2012 (maximum 2 per single family or multiple with 4 units or less)	6680
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
- 5 Sludge Digesters, 2 additional under construction
- 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
 - 2 Dump Trucks
 - 1 Water Truck
 - 4 Electric Carts
 - 1 Backhoe
 - 1 Wheel Loader
 - 1 Crawler
 - 1 Forklift

Sewage Collection Facilities

- 273 miles of sewer lines
- 14 remote lift stations
- 6048 manholes
- Fleet of service vehicles, consisting of:
 - 3 Hydrojetter Trucks
 - 1 Rodder
 - 1 Vacuum Truck
 - 2 CCTV Vans
 - 4 Collection Service Trucks