



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



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2014

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ORO LOMA SANITARY DISTRICT

Comprehensive Annual Financial Report Year Ended June 30, 2015

with Comparative Financial Statements for Year Ended June 30, 2014

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, 2015
With Comparative Financial Statements for Year Ended June 30, 2014

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ORO LOMA SANITARY DISTRICT

December 15, 2015

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 6 months 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, 2015.

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.

Chavan & Associates, LLP has issued an unqualified opinion on the District's financial statements for the year ended June 30, 2015. 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 a 1.25 square-mile area. It is one of the oldest sanitary agencies in Alameda County, California. Today, it encompasses approximately 13 square miles within the County, on the east shore of San Francisco Bay, about 13 miles south of Oakland, and 30 miles north of San Jose. The customer base has been stable over the last 10 years and is predominantly residential. As of July 1, 2015, sewage collection and treatment services are provided to 47,116 customers, comprised of: residential 45,857 units (97.33%), commercial and light industrial 1,256 units (2.67%), and, 3 significant industrial customers (0.01%). The population served within the District's boundaries is approximately 134,800.

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 5-member Board of Directors, elected in the County's general election, for alternating 4-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.

Mission Statement

"To Provide the Best Possible Service at the Lowest Possible Cost."

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 assure treatment plant effluent quality.

Sewage Treatment

- The District operates a water pollution control plant with a permitted capacity of 20 million gallons per day (MGD). The plant is jointly owned by Oro Loma Sanitary District (75%) and Castro Valley Sanitary District (25%).
- An average daily dry weather flow of 11.8 million gallons of sewage is treated each day.
- The plant uses primary and secondary treatment processes to separate solids from the wastewater. Treated wastewater, known as effluent, is disposed of through a discharge pipe (collectively-owned by the District and 4 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 of annually, and used as alternative daily cover at the Altamont landfill.

Reuse of Treated Wastewater (Water Reclamation)

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

Other Inter-Governmental Agency Services

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

Solid Waste (Garbage) Services

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

Recycling Services

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

ECONOMIC CONDITION

Local Economy

Oro Loma Sanitary District's service area crosses over several political jurisdictions. Of the 47,116 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 2009-2013 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, \$71,443 with 3.19 persons per household; for the City of San Leandro, \$63,055 with 2.78 persons per household; and, for the City of Hayward, \$62,013 with 3.21 persons per household. The region is slowly recovering from the last economic downturn. The average unemployment rate in 2014-2015 was 6.3%, a drop from 9.1% in 2011, yet still high compared to 3.8% in 2007. Median housing sale price in 2014-2015 was \$415,000. Although housing values have not returned to the June 2007 level (\$537,000), it has shown significant recovery from its lowest in June 2012 (\$277,000). Based on economic forecasts by the California Department of Transportation, it is anticipated that the County's population growth will be 1.0% per year; inflation adjusted average salaries are expected to rise by 0.6% annually; and, inflation adjusted per capita income is forecasted to increase by 0.9% per year.

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 \$9.1 million annually for the next 5 years in renewal and replacement projects and capital improvements. Of this total, about \$5.6 million per year are allocated to renewing the existing collection system and facilities. Other major long-range plans include upgrading the SCADA system, building the Geographic Information System (GIS) into a central reference source for assets and customer service, implementing asset management program for all assets, responding to emerging nutrient regulations and exploring possibilities to equalize peak flow capacity.

The operating budget is expected to increase in line with inflation and regulatory compliance requirements, without any significant staffing changes. The Board is considering a 5-year sewer rate plan to provide for necessary spending and to maintain sufficient reserves.

Relevant Financial Policies

The Board adopted a set of financial policies and standard procedures, and regularly reviews and updates them. These policies and procedures provide a framework for the District to prudently manage its resources, and to be accountable stewards for the public it serves.

- **Balanced Budget**

One of the District's fiscal responsibilities is to maintain a balanced budget, in which revenues and/or available reserves are sufficient to cover expenses required to meet planned needs. The Board examines a 5-year cash flow analysis prepared annually by staff. In its effort to achieve the District's mission "To provide the best possible service at the lowest possible cost", the Board has consistently elected to use existing reserves to balance the budget as opposed to raising rates in higher amounts.

- **Budgetary Controls Policy**

The Board maintains budgetary controls by reviewing monthly financial reports to ensure compliance with the adopted budget. The General Manager has authority to reallocate up to \$50,000 between funds, accounts or projects based on actual need, while increases in the total budget always require Board approval. The adopted budget may be amended by the Board to carry over prior year unused appropriations for projects in progress. Additional budget amendments may be adopted later in the year to reflect realignment of priorities and actual project needs during the year.

- **Investment Policy**

The Investment Policy provides guidelines for investing public funds held by the District. It defines the risks associated with investing these funds, lists the authorized financial institutions and custodians, identifies the permissible instruments and maturities, and describes the internal controls and reporting requirements. This policy is reviewed by the Board at least once a year. The list of authorized brokers/dealers is updated during this review process. As of June 30, 2015, the District's cash and investments balance was \$20.3 million in a well diversified portfolio. Approximately \$3.2 million were in liquid assets. The remaining \$17.1 million were held in federal agency securities, corporate bonds, or certificates of deposits with maturities ranging from 1 month to 5 years.

- **Financial Reserves Policy**

The Financial Reserves Policy sets the required reserves for each component fund, so that there is sufficient fund balance to meet the needs of specifically identified purposes. The current minimum reserve level is at \$8.9 million. \$3.8 million is reserved to provide funds during periods between remittances from the County. \$4.6 million is reserved for capital projects. \$0.5 million is reserved for risk management. This policy is reviewed by the Board at least once a year.

- **Purchasing Policy**

The Purchasing Policy provides guidelines for the procurement of goods and services. It defines the levels of purchasing authority and responsibilities, documentation required, and describes the competitive bidding process.

- **Policy for Accounting & Safeguarding District's Capital Assets**

The Capital Assets Policy defines the threshold of a fixed asset to be \$5,000 with useful life of more than 1 year. It addresses the acquisition and disposal processes of an asset, as well as measures to safeguard District assets through periodic inventory and annual surplus review by the Board.

Major Initiatives

The District developed and maintains a 10-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 10 years.

The District plans on replacing its existing cogeneration facility in FY 2020-21 and FY 2021-22 for \$6 million, to ensure efficiency and comply with emission limits.

With increasing concern for the sustainability of public employees retirement benefits, the District is seeking to move towards fully funding its pension liability within the next 5 to 10 years.

The District is prepared for regulatory changes in nutrient treatment. Upgrades are projected in FY 2027-28 to FY 2032-33, but may materialize sooner if an algal bloom or other ecological collapse occurs in the San Francisco Bay.

SIGNIFICANT ACCOMPLISHMENTS

The Board has consistently maintained sound fiscal policies by closely monitoring operating expenses and capital spending. The District is committed to eliminating unnecessary costs, while providing the best possible service and system reliability for its customers. It is also fully funded for its other post-employment benefit obligations. Major accomplishments during the last 5 fiscal years were as follows:

- The District maintains the lowest sewer service rates in Alameda County, and one of the lowest known rates in the State of California. As of July 1, 2015, the annual single family residential sewer rate of \$206 is 63% below the average of \$563 within the County.
- As of September 1, 2015, the monthly garbage and recycling rate for a 35-gallon container in unincorporated Alameda is \$21.20, 37% less than the average of \$33.39 within the County.
- 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 from renewable sources.
- 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 more than \$100,000 per year.
- On May 12, 2011, the District paid off a \$1,640,742 CalPERS Side Fund. The Side Fund was established by CalPERS when the District joined the 2.5% at 55 retirement risk pool in 2003. The prepayment reduced the employer contribution rates by approximately 5% per year.
- The District won the 2011 California Water Environment Association's Treat Plant of the Year (5-20 mgd) at the San Francisco Bay Section level.
- The District achieved 554 days without a sanitary sewer overflow between April 2012 and October 2013, the longest period in its history.
- The District maintains a high safety culture, and continuously trains and seeks to improve job safety. The District holds a record of 2716 days (more than 7 years) without a lost-time injury, from February 2008 to July 2015.
- The District won the 2013 SHELL Award given by California Sanitation Risk Management Authority. The award recognizes excellent management in Safety, Health, Environmental, Liability, and Losses.
- The District won the 2013 California Water Environment Association's Collection System of the Year (250-500 miles) at both the San Francisco Bay Section and State levels. It is the only District in history to have won the State award 4 times.
- In December 2014, the District completed a 3-year, \$8.7 million construction project for 2 new digesters, thereby increasing operational efficiency and reliability.
- The District won the 2014 CWEA Plant Safety Award (26-75 employees) at both the San Francisco Bay Section and State levels.
- The District won the 2015 Water Environment Federation George W. Burke Facility Safety Award.

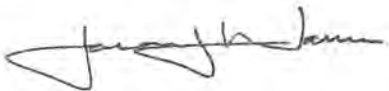
- In March 2015, the District paid down its unfunded pension liability by \$6.35 million. The District's share of this contribution was \$5.14 million. The remaining \$1.21 million was contributed by Castro Valley Sanitary District. After the buy-down, the remaining unfunded balance is \$5 million.
- The District obtained the necessary permits and approvals to move forward on a multi-purpose project which includes construction of an 8-million gallon storage basin for wet weather equalization, treatment wetland and demonstration of an ecotone slope. Benefits of this project include the ability to divert peak wet weather flows, improvement of existing wildlife habitat, and evaluation of the leading alternative response to sea level rise in the Bay Area. The project will cost \$9.1 million, shared among the District (65%) and Castro Valley Sanitary District (35%), and funded partly by a \$2.1 million grant from the State of California. Construction began in April 2015 and is expected to be completed in FY 2016-17.
- The District was honored with the GFOA Distinguished Budget Presentation Award for its Two-Year Budget for fiscal years 2015-2017. This was the District's first attempt to submit a Budget document that conforms with GFOA's standards and best practices in budgeting, and contains useful information for the Board and management, staff, and the general public.

CAFR 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, 2014. This was the 20th 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 1 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 Chavan & Associates, LLP 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 all who provided input in the preparation of this report.

Respectfully submitted,



Jason J. Warner
General Manager/Treasurer



Arlene Wong
Finance Manager



Pearl Gonzalez
Accountant



Government Finance Officers Association

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

Presented to

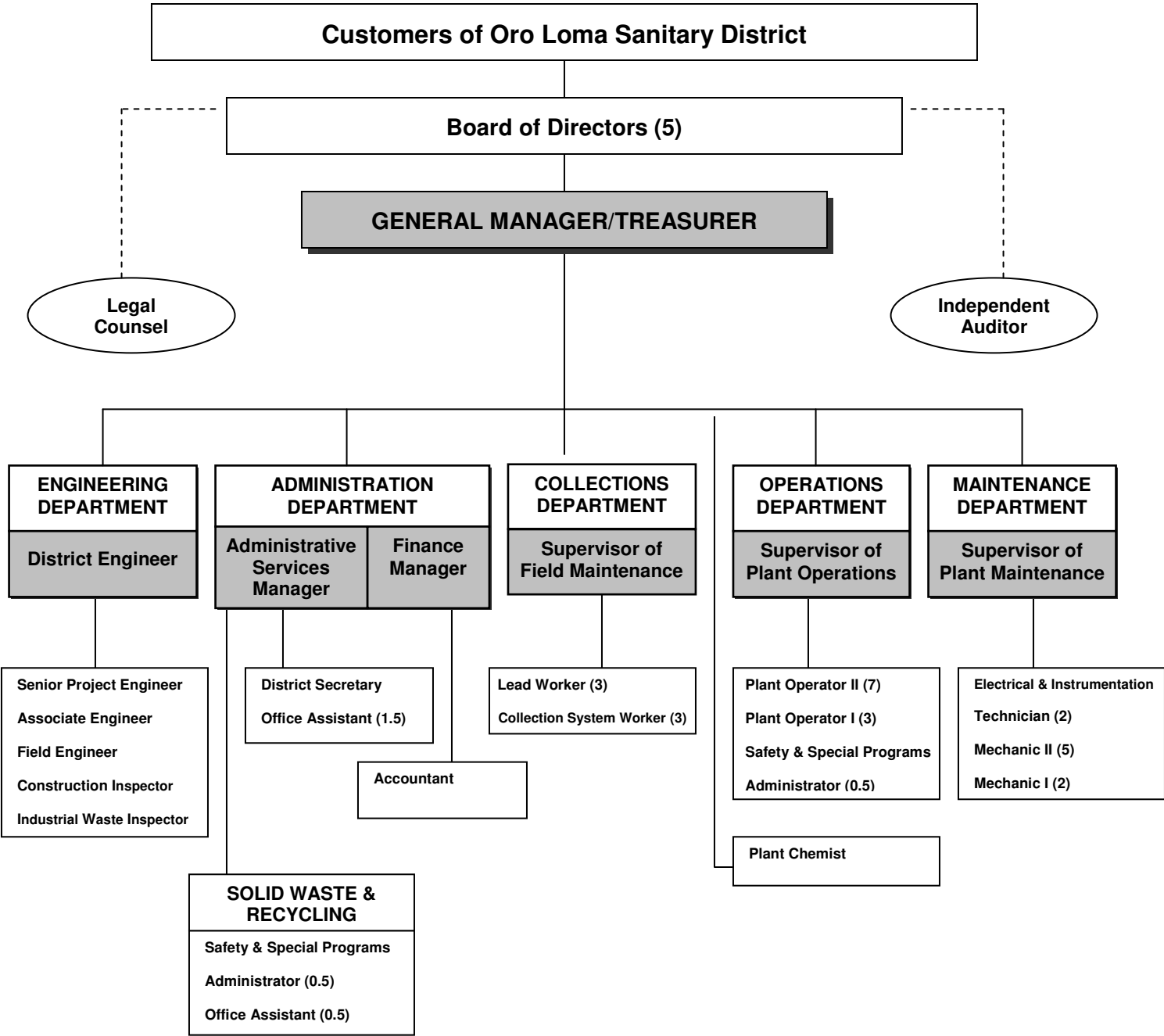
**Oro Loma Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

DISTRICT ORGANIZATIONAL CHART



ORO LOMA SANITARY DISTRICT

GOVERNING BODY / BOARD OF DIRECTORS

The District is governed by a 5-member Board of Directors, elected in the County's general election, for alternating 4-year terms. The public is welcome to attend the District's Board meetings held on the first and third Tuesdays of each month at 3:00 p.m., and the Committee meetings at various times throughout the month. A listing of dates and times is available on the District's website at www.oroloma.org.



Timothy P. Becker, President

Term Expires 2018

Chairperson of Construction Committee, member of Finance & Insurance Committee, representative to ACSDA, alternate representative to EBDA Commission, and member of CASA Executive Board.

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, Vice President

Term Expires 2018 (Retired as of December 2, 2015)

Chairperson 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.



Roland J. Dias, Secretary

Term Expires 2016

Chairperson of Finance & Insurance Committee, member of Construction and Operations Committees, and representative to 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.



Dan Walters, Director

Appointed in April 2015 to fill Board vacancy. Term Expires 2016.

Chairperson of Personnel/Safety/Public Information Committee, member of Solid Waste Committee, and alternate representative to ACWMA.

Mr. Walters is a local business owner who has been actively serving the community for decades. He has over 30 years of experience in engineering, innovation and business management. He was appointed to the Board in April 2015.



Shelia Young, Director

Term Expires 2018

Chairperson of Solid Waste Committee, member of Personnel/Safety/Public Information Committee, and representative to ACWMA.

Ms. Young is a currently a business/environmental consultant who owned her own business for 30 years prior to service as Mayor of the City of San Leandro. She was named Mayor Emeritus in 2008, and was elected to the Oro Loma Board in 2014.

Note: ACSDA – Alameda County's chapter of the California Special Districts Association.
ACWMA – Alameda County Waste Management Authority, also known as Stopwaste.org.
CASA – California Association of Sanitation Agencies.
EBDA – East Bay Dischargers Authority.

ORO LOMA SANITARY DISTRICT

MANAGEMENT TEAM

OFFICIALS



Jason 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, cash flow, investments, payroll, customer billings, payments, audits, and debt services, assuring that the District is meeting all its fiduciary responsibilities.

COLLECTIONS



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

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

ORO LOMA SANITARY DISTRICT

MANAGEMENT TEAM

ENGINEERING



William D. Halsted, District Engineer (from 2009)

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

TREATMENT PLANT



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

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



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

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

Vision of OLSD



Safety is paramount. We will maintain a safety program, safety culture, safe work habits, and safe work record to reflect our practice of proactive risk identification and mitigation, and commitment to safely completing our work. Our vision is to send a generation of employees into retirement without impairment.

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 emerging 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.

Implement only new technologies that 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 deserves that we 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

LOCATION & SERVICE AREA

Oro Loma Sanitary District was originally formed to serve a 1.25 square-mile area. Today, the District encompasses 13 square miles, serving the communities of unincorporated Alameda County, including San Lorenzo, Ashland, Cherryland, Fairview, portions of Castro Valley, and designated areas of the Cities of Hayward and San Leandro. The District's service area is located about 13 miles south of Oakland and 30 miles north of San Jose on the eastern shore of the San Francisco Bay.



DISTRICT AWARDS – LAST TEN YEARS

California Water Environment Association

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

Collection System of the Year (250-500 miles)

2010*, 2013*

Plant of the Year (5-20 MGD)

2011

Plant Safety Award (26-75 employees)

2007*, 2014*

Water Environment Federation

George W. Burke Facility Safety Award

2008, 2015

California Sanitation Risk Management Authority

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

FY 2012-13

Safety Superstar

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Continuously since FY 1994-95

Distinguished Budget Presentation Award

FY 2015-16 & FY 2016-17

(Two-Year Budget)



Oro Loma won the 2014 CWEA Plant Safety Award (26-75 Employees) at both the regional and State levels, in addition to the 2015 George W. Burke, Jr. Facility Safety Award from the Water Environment Federation at the national level.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the 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 (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oro Loma Sanitary District, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Comparative Information

The financial statements of Oro Loma Sanitary District for the year ended June 30, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on September 5, 2014.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions for pension plans, schedule of proportionate share of net pension liability, and schedule of funding progress for the retiree health benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory, statistical, and budgetary comparison information sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing



and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

New Accounting Principles

As discussed in Notes 2 and 6 to the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective June 30, 2015 and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

September 1, 2015
San Jose, California

MANAGEMENT DISCUSSION & ANALYSIS

SERVICE RECOGNITIONS

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

25 Years



Robert Ureste
Mechanic I

20 Years



Arlene Wong
Finance Manager

15 Years



Martin Banelos
Collections Lead Worker



Scott Sawyer
Plant Operator II



Manuel Talledo-Garcia
Supervisor of Plant Operations

10 Years



Raymond Green
Mechanic I



Rodney Smith
Industrial Waste Inspector



Richard Goodman
Electrical & Instrumentation Technician

5 Years

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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, and to provide sewer, solid waste and recycling services to its customers. The elected Board of Directors oversees the operations of the District, sets policies, establishes fees, and ensures that the District is achieving its mission in serving the public.

The District's annual financial report consists of the following sections: independent auditor's report, management's discussion and analysis, basic financial statements, notes to the financial statements, required supplementary information, other supplementary information, and other independent auditor's report.

The management discussion and analysis (MD&A) is an overview of the District's operations and financial performance during the fiscal year ended June 30, 2015. This information is presented in conjunction with the basic financial statements and the accompanying notes, which immediately follow this section.

Financial Highlights for the Fiscal Year Ended June 30, 2015

- The ending net position as of June 30, 2015 was \$90,911,175, reflecting an decrease of \$7,358,105 (7.5%) from the prior year net position of \$98,269,280. Prior period adjustments of (\$10,493,216) were made to the net position. These adjustments include a reduction of net position by \$10,768,191 (related to the implementation of GASB Statement No. 68 for pensions), and an increase to net position by \$274,975 (to record prior year's OPEB asset). The net result was an adjusted beginning net position of \$87,776,064 for FY 2014-15.
- Total assets were \$98,004,700, reflecting a decrease of \$3,570,987 (3.5%) from the prior year (\$101,575,687). Cash and cash equivalents decreased substantially as a result of a \$5.15 million net contribution by the District in March 2015 towards its unfunded pension liability. This decrease was offset by a combination of changes in capital assets, work in progress, and accumulated depreciation.
- Total liabilities were \$10,940,123, reflecting an increase of \$7,633,716 (230.9%) from the prior year (\$3,306,407). With the implementation of GASB Statement No. 68, a net pension liability of \$8,249,005 was recorded. This amount represents the District's proportionate share of CalPERS' Miscellaneous Plan for the 2.5% @55 risk pool for the June 30, 2014 measurement date.
- The District recorded deferred outflows of resources of \$7,131,734 and deferred inflows of resources of \$3,285,136. These items represent the different components required by GASB Statement No. 68. Deferred outflows reflect consumption of net assets that are applicable to a future reporting period and will increase the net position in a similar manner as assets. Deferred inflows are acquisition of net assets that are applicable to a future reporting and will decrease the net position in a similar manner as liabilities.

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

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 assets and deferred outflows of resources, and liabilities and deferred inflow of resources. It also provides a basis for evaluating the District's capital structure, liquidity and financial flexibility.
- The Statement of Revenues, Expenses, and Changes in Net Position accounts for revenues and expenses. It shows current operations and provides a comparison to the prior 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 non-capital financing activities. It shows various cash sources and uses, and the changes in cash and cash equivalents between years.

Financial Analysis of the District

The District's total net position decreased by \$7,358,105 (7.5%) during 2015. This was a combined result of a net prior period adjustment of (\$10,493,216) and current year's increase in net position of \$3,135,111. These changes are reflected in the following table.

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

Period Ended June 30	2015	2014	Change in 2015		2013	Change in 2014	
			\$	%		\$	%
Current and other assets	29,280,127	34,832,988	(5,552,861)	-15.9%	36,995,210	(2,162,222)	-5.84%
Capital assets	68,724,573	66,742,699	1,981,874	3.0%	61,334,894	5,407,805	8.8%
Total assets	<u>98,004,700</u>	<u>101,575,687</u>	<u>(3,570,987)</u>	<u>-3.5%</u>	<u>98,330,104</u>	<u>3,245,583</u>	<u>3.3%</u>
Deferred outflow of resources	<u>7,131,734</u>	<u>-</u>	<u>7,131,734</u>	<u>100.0%</u>	<u>-</u>	<u>-</u>	<u>- %</u>
Current liabilities	2,011,637	2,395,438	(383,801)	-16.0%	858,669	1,536,769	179.0%
Non-current liabilities	8,928,486	910,969	8,017,517	880.1%	1,088,110	(177,141)	-16.3%
Total liabilities	<u>10,940,123</u>	<u>3,306,407</u>	<u>7,633,716</u>	<u>230.9%</u>	<u>1,946,779</u>	<u>1,359,628</u>	<u>69.8%</u>
Deferred inflow of resources	<u>3,285,136</u>	<u>-</u>	<u>3,285,136</u>	<u>100.0%</u>	<u>-</u>	<u>-</u>	<u>- %</u>
Net position							
Net investment in capital assets	68,724,573	66,742,699	1,981,874	3.0%	61,334,894	5,407,805	8.8%
Unrestricted	22,186,602	31,526,581	(9,339,979)	-29.6%	35,048,431	(3,521,850)	-10.0%
Total net position	<u>90,911,175</u>	<u>98,269,280</u>	<u>(7,358,105)</u>	<u>-7.5%</u>	<u>96,383,325</u>	<u>1,885,955</u>	<u>2.0%</u>

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

This ending net position of \$90,911,175 is made up of the following components:

- \$68,724,573 – Net investment in capital assets. This amount represents investment in capital assets net of accumulated depreciation. There is no related debt. The capital assets are used to provide a variety of services. One of the biggest components of the assets category is the wastewater pollution control plant owned jointly by Oro Loma Sanitary District (75%) and Castro Valley Sanitary District (25%). Under a long-term agreement, Castro Valley Sanitary District reimburses Oro Loma for its share of capital costs, and keeps the value of its portion of capital assets relating to the plant on its books and records. Assets that do not pertain to the operations and maintenance of the water pollution control plant are fully owned by the District.
- \$22,186,602 – Unrestricted category. This amount is comprised of:
 - \$6,497,233 Investment in sewage discharge facilities – EBDA.
 - \$8,902,500 Reserves established by the Board for specific activities. The current reserve levels were adopted in March 2015 to reflect changing requirements in different programs and are noted below.
 - \$3,800,000 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.
 - \$4,600,000 reserved for capital reserves in renewal and replacement, and capital improvement programs.
 - \$500,000 reserved for self-insurance and catastrophic events. The District's insurance deductible is \$250,000.
 - \$6,786,869 Unreserved/unrestricted net position

ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

Period Ended June 30	2015	2014	Change in 2015		2013	Change in 2014	
			\$	%		\$	%
Operating revenues							
District service charges	\$11,678,040	\$11,583,176	\$94,864	0.8%	\$11,368,931	\$214,245	1.9%
Agency treatment charges	2,190,362	2,206,459	(16,097)	-0.7%	2,341,562	(135,103)	-5.8%
Permits and inspection fees	170,994	126,143	44,851	35.6%	105,122	21,021	20.0%
Sanitary truck waste charges	56,454	48,815	7,639	15.6%	44,614	4,201	9.4%
Grease receiving charges	142,005	120,927	21,078	17.4%	113,397	7,530	6.6%
Contract fees	791,397	755,676	35,721	4.7%	728,946	26,730	3.7%
Recycling charges-residential/green waste	2,295,385	2,286,977	8,408	0.4%	2,285,768	1,209	0.1%
Recycling charges-commercial/industrial	102,060	87,783	14,277	16.3%	71,686	16,097	22.5%
Landfills fees-Measure D	329,606	327,570	2,036	0.6%	342,132	(14,562)	-4.3%
Others	682,873	763,138	(80,265)	-10.5%	719,682	43,456	6.0%
Total operating revenues	18,439,176	18,306,664	132,512	0.7%	18,121,840	184,824	1.0%
Operating expenses							
Engineering	698,221	712,859	(14,638)	-2.1%	694,142	18,717	2.7%
Sewage collections	2,897,622	2,727,099	170,523	6.3%	2,375,275	351,824	14.8%
Sewage treatment operations	3,507,420	3,768,468	(261,048)	-6.9%	3,961,746	(193,278)	-4.9%
Sewage treatment maintenance	2,155,643	1,951,508	204,135	10.5%	2,100,408	(148,900)	-7.1%
Sewage disposal –EBDA	684,638	645,786	38,852	6.0%	682,807	(37,021)	-5.4%
Administration and general	1,332,934	1,206,450	126,484	10.5%	1,405,494	(199,044)	-14.2%
Pension expense - GASB 68	(547,141)	-	(547,141)	-100.0%	-	-	0.0%
OPEB expense and adjustments	(182,991)	-	(182,991)	-100.0%	-	-	0.0%
Depreciation	3,329,414	3,179,437	149,977	4.7%	3,133,447	45,990	1.5%
Decrease in carrying value of EBDA	89,455	95,162	(5,707)	-6.0%	92,055	3,107	3.4%
Solid waste	305,189	296,535	8,654	2.9%	330,769	(34,234)	-10.3%
Recycling-residential and commercial	2,591,742	2,599,618	(7,876)	-0.3%	2,682,645	(83,027)	-3.1%
Total operating expenses	16,862,146	17,182,922	(320,776)	-1.9%	17,458,788	(275,866)	-1.6%
Operating income (loss)	1,577,030	1,123,742	453,288	40.3%	663,052	460,690	69.5%
Non-operating revenues							
Investment income	216,318	217,367	(1,049)	-0.5%	194,227	23,140	11.9%
Increase in the fair value of investments	-	53,279	(53,279)	-100.0%	19,345	33,934	175.4%
Rents, leases and personal license fees	92,741	84,856	7,885	9.3%	132,159	(47,303)	-35.8%
Gain on disposal of capital assets	-	14,643	(14,643)	-100.0%	-	14,643	100.0%
Recovery of uncollectible accounts	11,343	11,702	(359)	-3.1%	9,821	1,881	19.2%
Other miscellaneous revenues	140,798	177,063	(36,265)	-20.5%	220,500	(43,437)	-19.7%
EBDA and other agreement refunds	79,371	79,371	-	0.0%	79,371	-	0.0%
Grant revenues	-	-	-	0.0%	36,948	(36,948)	-100.0%
Total non-operating revenues	540,571	638,281	(97,710)	-15.3%	692,371	(54,090)	-7.8%
Non-operating expenses							
Grant expenses	-	10,725	(10,725)	-100.0%	444	10,281	2315.5%
Decrease in the fair value of investments	58,326	-	58,326	100.0%	-	-	0.0%
Write-offs	863	1,580	(717)	-45.4%	8,757	(7,177)	-82.0%
Total non-operating expenses	59,189	12,305	46,884	381.0%	9,201	3,104	33.7%
Income before contributions and transfers	2,058,412	1,749,718	308,694	17.6%	1,346,222	403,496	30.0%
Connection fees and other contributions	1,076,699	136,237	940,462	690.3%	69,759	66,478	95.3%
Change in net position	3,135,111	1,885,955	1,249,156	66.2%	1,415,981	469,974	33.2%
Net position – beginning, as reported	98,269,280	96,383,325	1,885,955	2.0%	94,967,344	1,415,981	1.5%
Prior period adjustment-GASB 68 pension	(10,768,191)	-	-	-	-	-	-
Prior period adjustment-OPEB	274,975	-	-	-	-	-	-
Net position – beginning, as adjusted	\$87,776,064	\$96,383,325	\$1,885,955		\$94,967,344	\$1,415,981	
Net position – ending	\$90,911,175	\$98,269,280	(\$7,358,105)	-7.5%	\$96,383,325	\$1,885,955	2.0%

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

As presented in Table 2:

Total Operating Revenues \$18.4 million (2015) and \$18.3 million (2014) – Operating revenues increased by \$132,512 (0.7%) in 2015 and \$184,824 (1.0%) in 2014. This was mainly due to changes in revenues in the following categories:

- **District sewer service charges** increased by \$94,864 (0.8%) in 2015 and \$214,245 (1.9%) in 2014. In 2015, the District implemented a 3% sewer rate increase, which is the fourth in the sequence within a five-year rate plan. The \$232,888 increase in residential sewer revenues was offset by a \$101,661 (5.6%) decrease in commercial sewer revenues, which were billed based on water consumption and had been hugely impacted by the drought in the area. Revenues from significant industrial customers decreased by \$83,334 (10.0%), due also to reduced water usage and increase in regulatory compliance. Sewer service charges from new permits increased by \$29,311 (over 600%) due to two new residential developments within the District's service area. In 2014, residential sewer revenues increased by \$272,791 (3.1%) while commercial sewer revenues remained stable at \$1.81 million. Significant industrial sewer revenues were \$77,386 (8.5%) lower than in 2013 due to reduced biological loadings.
- **Agency treatment charges** remained stable at \$2.2 million in 2015. The District provides sewer treatment and related services to various public agencies. Charges to Castro Valley Sanitary District (CVSD) include treatment operations and maintenance costs (O&M), which are billed based on its contribution of sewage flow to the treatment plant. In 2015, revenues from CVSD increased by \$40,763 (2.6%), but were offset by changes in revenues from the Cities of San Leandro and Hayward, and East Bay Dischargers Authority (EBDA). In 2014, agency treatment charges dropped by \$135,103 (5.8%) due to lower flow contributions from CVSD, and because more resources were directed to renewing the District's collection system, for which CVSD does not share any cost.
- **Permits and inspection fees** increased by \$44,850 (35.6%) in 2015. The increase is attributed primarily to engineering activities. A total of 282 engineering permits were issued in 2015, compared to 258 in 2014. In addition, \$16,768 in plan check and inspection revenues were recognized from the final reconciliation of 24 tracts. Industrial discharge permits remained stable at the \$50,000 level. In 2014, permit and inspection fees increase by \$21,021 (20.0%) mainly from growth in the number of engineering permits.
- **Contract fees** increased by \$35,721 (4.7%) in 2015 and \$26,730 (3.7%) in 2014. The District provides solid waste services to its customers under an agreement with Waste Management of Alameda County (WMAC), a private contractor. The District receives 5% in franchise fees from WMAC's garbage revenues within the District's service area, which by contract, goes up each September based on the weighted average of the CPI and WMAC's teamsters wage and benefit increases. The garbage rate increases were 3.54% in 2015 and 2.48% in 2014.
- **All remaining operating revenue categories** for 2015 and 2014 showed various fluctuations. Sanitary truck waste charges increased by \$7,639 (15.6%) in 2015 and \$4,201 (9.4%) in 2014. Grease receiving charges increased by \$21,078 (17.4%) in 2015 and \$7,530 (6.6%) in 2014. Commercial and industrial recycling charges increased by \$14,277 (16.3%) in 2015 and \$16,097 (22.5%) in 2014 as a result of higher commercial recycling volume. The 2014 Landfill fees – Measure D decreased by \$14,562 (4.3%) as a result of less garbage being sent to the landfills, and has remained at the same level in 2015.

ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

Total Operating Expenses \$16.9 million (2015) and \$17.2 million (2014) – Operating expenses decreased by \$320,776 (1.9%) in 2015 and \$275,866 (1.6%) in 2014. The 2015 operating expenses were significantly impacted by the implementation of GASB Statement No. 68, which deferred \$676,848 in current year employer pension contributions to the following year, and recognized a (\$547,141) negative pension expense based on CalPERS' valuation report as of the measurement date of June 30, 2014. In addition, the District recorded an OPEB asset of \$457,966 for the first time, of which \$182,991 was credited as an OPEB expense adjustment for 2015. Excluding the effects of the above pension and OPEB adjustments, net operating expenses were \$1.09 million higher than in 2014, due to \$97,158 in biennial election expenses, \$365,985 (42.4%) combined increase in Operations and Maintenance Departments' contractual, maintenance and repair costs, \$39,385 (72.8%) increase in Administration Department's professional (legal) services due to personnel matters, and \$0.3 million increase in the Renewal & Replacement program. In 2014, the decrease was due to zero election expenses in a non-election year, \$47,669 reduction in operating supplies, \$136,338 decrease in general repairs and maintenance, and other miscellaneous savings.

Total Non-operating Revenues \$0.54 million (2015) and \$0.64 million (2014) – Non-operating revenues decreased by \$97,710 (15.3%) in 2015 and \$53,646 (7.8%) in 2014. The 2015 decrease was because several non-operating revenues that occurred in 2014 did not happen in 2015. These 2014 items include \$53,279 in unrealized gains from investment fair market value, \$14,643 from the sale of surplus vehicles, and \$28,720 in CSRMA's workers' compensation program dividend. The 2014 decrease was due to the discontinuance of WMAC personal license fees, decrease in sewer and recycling penalties collected by the Alameda County, and the differences in grant proceeds between the years.

Total Non-operating Expenses \$0.06 million (2015) and \$0.01 million (2014) – Non-operating expenses increased by \$46,884 (381.0%) in 2015 mainly due to the unrealized losses from investment fair market value of \$58,326, offset by the absence of 2014 grant expenses of \$10,725.

Capital Assets

At year-end 2015, the District had \$68,724,573 (net of accumulated depreciation) invested in a broad range of capital assets, as compared to \$66,742,699 in 2014. 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 2015, numerous construction projects were completed and added to the asset inventory. One of the District's biggest accomplishments this year was the completion of two new 1-million gallon concrete digesters and auxiliary structures and equipment. The total project cost was \$8.8 million spread over a three and a half year time span. Other newly capitalized items include lift station improvements, aerator and influent grinder rebuilds, a Collections CCTV GIS server, a new ferric injection line, cogeneration facilities circuit breaker and heat loop expansion tank, and miscellaneous building improvements (roofing, HVAC and employee facilities). The District has major construction in progress which includes ongoing pipeline replacements, aerator modifications, SCADA network upgrades, and an 8-million gallon storage basin for wet weather equalization combined with a horizontal levee for demonstration of wetland for dry weather flows. The anticipated cost of the wet weather equalization project is \$6.8 million, will be financed partly by a State grant of \$1.9 million.

The annual comparison of capital assets is shown in Table 3, reflecting a \$5,112,682 (4.0%) increase in 2015 and \$7,705,491 (6.5%) increase in 2014. Assets are recorded at cost and depreciated over their useful lives.

ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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

Period Ended June 30	2015	2014	2013
Land	\$ 846,034	\$ 846,034	\$ 846,034
Construction in progress	4,724,765	6,352,012	3,543,716
Sewer subsurface lines	57,339,635	57,154,775	53,002,054
Engineering equipment	40,825	50,815	58,170
Sewage collections lift station and equipment	6,811,255	6,762,222	6,616,705
Treatment plant buildings, systems, equipment	54,958,325	48,535,435	48,342,660
Maintenance machinery and equipment	3,403,258	3,322,410	2,853,018
Administration buildings and equipment	1,882,946	1,868,189	2,086,673
District vehicles	2,189,491	2,189,491	2,019,399
Subtotal – Sewer Services	126,625,735	119,883,337	114,978,679
Subtotal – Solid Waste equipment	2,177	2,177	2,177
Subtotal – Recycling equipment	26,045	28,514	35,977
Total capital assets	\$ 132,224,756	\$ 127,112,074	\$ 119,406,583
Increase (decrease) over prior year	\$ 5,112,682	\$ 7,705,491	\$ 2,264,288

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

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

Period Ended June 30	2015	2014	2013
Balance at beginning of year	\$ 127,112,074	\$ 119,406,583	\$ 117,142,295
Additions	11,066,066	10,437,923	6,875,026
Retirements, write-offs and transfers	(5,953,384)	(2,732,432)	(4,610,738)
Total capital assets	132,224,756	127,112,074	119,406,583
Accumulated depreciation at beginning of year	(60,369,375)	(58,071,689)	(57,004,755)
Depreciation - retired assets	198,606	881,751	2,066,513
Annual depreciation	(3,329,414)	(3,179,437)	(3,133,447)
Accumulated depreciation at end of year	(63,500,183)	(60,369,375)	(58,071,689)
Capital assets at end of year, net of depreciation	\$ 68,724,573	\$ 66,742,699	\$ 61,334,894
Increase (decrease) over prior year	\$ 1,981,874	\$ 5,407,805	\$ 1,197,354

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015**

Debt Administration

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

Economic Factors & Decisions for the Future

The District's mission is to provide customers with the best possible service at the lowest possible cost. The Board and staff take pride in efficiency, accountability, customer service, entrepreneurial spirit, and an attitude of stewardship. As a result, the District has maintained the lowest sewer service rates in Alameda County, and the lowest known rate for sewer collection and treatment in the State of California. Our single family residential sewer rate for FY 2014-15 was \$200, or 63% less than the average rate of \$539 in Alameda County. As of July 1, 2015, the annual sewer service rate is \$206. The FY 2015-16 rate increase is the last one in the sequence within a five-year rate plan.

In March 2015, the District took initiative to pay down \$6.35 million of its \$11.5 million unfunded pension liability. In addition, capital projects have long been funded by using existing cash reserves. Cash on hand has now reached below \$20 million for the first time since 1994. It is projected that the cash balance will fall below Board-approved reserve levels in FY 2018-19 unless significant changes in revenue or expenses occur. The Board will need to formulate plans to raise rates or defer planned spending progressively over the next five years, to rebuild cash reserve for meeting future needs.

In 2015, the District revised its Ten-Year Strategic Plan, which clarifies the District's mission statement and establishes a vision to reflect its commitment to continual improvement in all areas of its business. The Plan intends to align resource allocation with actions to achieve the established vision. Strategic goals are identified in the areas of safety, collections, wastewater treatment, maintenance, operations, administration, solid waste and recycling. The Strategic Plan may be viewed on the District's website at www.oroloma.org.

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 Finance Manager at 2655 Grant Avenue, San Lorenzo, CA 94580, or (510) 481-6979.

BASIC FINANCIAL STATEMENTS

**ORO LOMA SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015 AND 2014**

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	\$ 3,225,293	\$ 8,661,761
Investments at fair market value	17,040,626	17,807,662
Interest receivable	69,130	49,623
Accounts receivable	1,882,392	1,624,105
Prepaid and other items	107,487	103,149
Total current assets	<u>22,324,928</u>	<u>28,246,300</u>
Non-current assets		
Other post-employment benefits (OPEB) asset	<u>457,966</u>	<u>-</u>
Investment in sewage discharge facilities - EBDA	<u>6,497,233</u>	<u>6,586,688</u>
Capital assets		
Land	846,034	846,034
Buildings, machinery, equipment	126,625,735	119,883,337
Solid waste assets	2,177	2,177
Recycling assets	26,045	28,514
Construction in progress	4,724,765	6,352,012
Less: accumulated depreciation	<u>(63,500,183)</u>	<u>(60,369,375)</u>
Total capital assets (net of accumulated depreciation)	<u>68,724,573</u>	<u>66,742,699</u>
Total non-current assets	<u>75,679,772</u>	<u>73,329,387</u>
Total assets	<u><u>\$ 98,004,700</u></u>	<u><u>\$ 101,575,687</u></u>
DEFERRED OUTFLOW OF RESOURCES		
Pension benefits and adjustments	<u><u>\$ 7,131,734</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015 AND 2014**

LIABILITIES

	2015	2014
Current liabilities		
Accounts payable	\$ 1,305,611	\$ 1,613,146
Accrued salaries and wages	116,920	95,376
Customers deposit payable	277,106	374,916
Accrued compensated absences (current)	62,000	62,000
Other benefits set-aside (current)	250,000	250,000
Total current liabilities	2,011,637	2,395,438
Noncurrent liabilities		
Accrued compensated absences	353,462	350,481
Other benefits set-aside	326,019	560,488
Net pension liability	8,249,005	-
Total noncurrent liabilities	8,928,486	910,969
Total liabilities	\$ 10,940,123	\$ 3,306,407
DEFERRED INFLOW OF RESOURCES		
Pension obligations and adjustments	\$ 3,285,136	\$ -
NET POSITION		
Net investment in capital assets	68,724,573	66,742,699
Unrestricted	22,186,602	31,526,581
Total net position	\$ 90,911,175	\$ 98,269,280

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues		
District service charges	\$ 11,678,040	\$ 11,583,176
Agency treatment charges	2,190,362	2,206,459
Permits and inspection fees	170,994	126,143
Sanitary truck waste charges	56,454	48,815
Grease receiving charges	142,005	120,927
Contract fees	791,397	755,676
Recycling charges - residential and green waste	2,295,385	2,286,977
Recycling charges - commercial and industrial	102,060	87,783
Landfills fees - Measure D	329,606	327,570
Other	682,873	763,138
Total operating revenues	<u>18,439,176</u>	<u>18,306,664</u>
Operating expenses		
Engineering	698,221	712,859
Sewage collections	2,897,622	2,727,099
Sewage treatment operations	3,507,420	3,768,468
Sewage treatment maintenance	2,155,643	1,951,508
Sewage disposal - EBDA	684,638	645,786
Administration and general	1,332,934	1,206,450
Pension expense - GASB 68	(547,141)	-
OPEB expense and adjustments	(182,991)	-
Depreciation	3,329,414	3,179,437
Decrease in carrying value of EBDA	89,455	95,162
Solid waste	305,189	296,535
Recycling - residential, green waste commercial, industrial	2,591,742	2,599,618
Total operating expenses	<u>16,862,146</u>	<u>17,182,922</u>
Operating income	<u>\$ 1,577,030</u>	<u>\$ 1,123,742</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, 2015 AND 2014**

	2015	2014
Non-operating revenues		
Investment income	\$ 216,318	\$ 217,367
Increase in the fair value of investments	-	53,279
Rents, leases and personal license fees	92,741	84,856
Gain on disposal of capital assets	-	14,643
Recovery of uncollectible accounts	11,343	11,702
Other miscellaneous revenues	140,798	177,063
EBDA and other agreement refund	79,371	79,371
Total non-operating revenues	540,571	638,281
Non-operating expenses		
Grant expenses	-	10,725
Decrease in the fair value of investments	58,326	-
Write-off of plant and equipment	-	78
Write-off of uncollectible accounts	863	1,502
Total non-operating expenses	59,189	12,305
Income before contributions	2,058,412	1,749,718
Connection and other developer fees	1,076,699	135,600
Contributions from Castro Valley Sanitary District for transferred vehicle	-	637
Change in net position	3,135,111	1,885,955
Net position - beginning (as reported)	98,269,280	96,383,325
Prior period adjustment - GASB 68 pension adjustments	(10,768,191)	-
Prior period adjustment - OPEB adjustments	274,975	-
Net position - beginning (as adjusted)	87,776,064	96,383,325
Net position - ending	\$ 90,911,175	\$ 98,269,280

The accompanying notes are an integral part of the financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$18,180,889	\$18,090,604
Payments to suppliers	(7,791,787)	(5,775,127)
Rents, leases, and personal license fees	-	261,919
Payments to employees and employee benefit plans	(12,820,755)	(6,798,425)
Net cash provided by operating activities	<u>(2,431,652)</u>	<u>5,778,971</u>
Cash Flows From Non-Capital Financing Activities		
EBDA agreement refund	79,371	79,371
Other revenues	233,539	-
Recovery of uncollectible accounts	11,343	11,702
Net cash provided by non-capital and related financing activities	<u>324,253</u>	<u>91,073</u>
Cash Flows From Capital And Related Financing Activities		
Connection and other developers' fees	1,076,699	135,600
Additions to property, plant and equipment	(5,311,288)	(8,587,242)
Proceeds from sale of fully depreciated capital assets	-	14,643
Contributions for Castro Valley for transferred vehicle	-	637
Net cash used by capital and related financing activities	<u>(4,234,589)</u>	<u>(8,436,362)</u>
Cash Flows From Investing Activities		
Interest on investments	196,811	220,357
Proceeds from investments	708,710	120,406
Net cash provided by (used for) investing activities	<u>905,521</u>	<u>340,763</u>
Net decrease in cash and cash equivalents	(5,436,468)	(2,225,555)
Cash and cash equivalents, beginning of year	<u>8,661,761</u>	<u>10,887,316</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,225,293</u></u>	<u><u>\$ 8,661,761</u></u>

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

**ORO LOMA SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	\$ 1,577,030	\$ 1,123,742
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation expense	3,329,414	3,179,437
Pension expense adjustments - GASB 68	(6,365,784)	
Other post-employment benefit adjustments	(182,991)	
Write off of uncollectible accounts	(863)	(1,502)
Write off of plant and equipment	-	(78)
Grant expenses	-	(10,725)
Reclassification of line item from non-operating to operating revenues on the Statement of Cash Flows	-	261,919
(Increase) decrease in accounts receivables	(258,287)	(216,060)
(Increase) decrease in other current assets	(4,338)	(12,552)
Decrease in EBDA discharge facilities	89,455	95,162
Increase (decrease) in accounts payable	(307,535)	1,419,809
Increase (decrease) in deposits payable	(97,810)	96,417
Increase in accrued salaries and compensated absences	24,525	31,041
Increase (decrease) in benefits set-aside	(234,469)	(187,639)
Net cash provided by operating activities	<u>(2,431,652)</u>	<u>5,778,971</u>
End of Period		
Unrestricted cash and equivalents	3,225,293	8,661,761
Restricted assets	-	-
Total cash and cash equivalents	<u><u>\$ 3,225,293</u></u>	<u><u>\$ 8,661,761</u></u>
Schedule of non-cash investing and financing activities		
Change in FMV of investments not held as cash equivalents	\$ (58,326)	\$ 53,279

The accompanying notes are integral part of these financial statements

RECOGNITION OF DIRECTOR HOWARD KERR



On December 1, 2015, the District recognized retiring Director Howard Kerr for his 29 years of service.

NOTES TO FINANCIAL STATEMENTS

WET WEATHER EQUALIZATION / ECOTONE PROJECT



The Wet Weather Equalization/Ecotone Demonstration project was undertaken in response to nutrient issues in the San Francisco Bay and rising sea levels.



Part of the project involves building an ecotone slope, or horizontal levee, to emulate a natural upland. This photograph shows various types of vegetation that Save The Bay has been nurturing in a green house prior to transplanting them to the project site.



The groundbreaking ceremony for the project took place on April 9, 2015. At this event, young plants were transferred to the site bed.



On November 14, 2015, the District invited the public to tour the site where volunteers from Save the Bay have been planting, and to hear experts Peter Baye, a coastal ecologist; Jessie Olson, Save the Bay Nursery Manager; and David Sedlak, a professor at UC Berkeley, discuss how the concept could be expanded to protect large portions of the shoreline.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – DISTRICT OVERVIEW

Oro Loma Sanitary District was formed on August 7, 1911, and has one of the longest history among sanitary agencies in Alameda County. It was subsequently reorganized under the Sanitary District Act of 1923 of the State Health & Safety Code. The District's service area is located about 13 miles south of Oakland, and 30 miles north of San Jose on the eastern shore of the San Francisco Bay. It encompasses 13 square miles, serving the communities of unincorporated Alameda County, including San Lorenzo, Ashland, Cherryland, Fairview, portions of Castro Valley, and designated areas of the Cities of Hayward and San Leandro. Sewage collected goes through primary and secondary treatment processes at the water pollution control plant, and is subsequently disposed through East Bay Dischargers Authority (EBDA), a joint powers agency formed by five local sanitation jurisdictions. The District also provides garbage and recycling services, through a contract with Waste Management.

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 Board oversees policy decisions and appoints the General Manager to manage the District's operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 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 GASB establishes standards for external financial reporting for all state and local governmental entities, which require 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: investment in capital assets, restricted net position, and unrestricted net position.

Financial Reporting Entity

For financial reporting purposes, 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 has determined that there are no component units that meet these criteria as of June 30, 2015. The District includes all funds that are controlled by, or are dependent upon the Board of Directors of the District. The District's share of East Bay Dischargers Authority (EBDA) is reflected based upon the District's proportionate share of the investment in the discharge facilities of the EBDA.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting

The District is accounted for as an enterprise fund under the proprietary fund type. A fund is defined as an accounting entity with a self-balancing set of accounts recording the financial position and results of operations of a specific governmental activity. An enterprise fund accounts for operations that provide services on a continuous basis and its activities are substantially financed by revenues derived from user charges. Asset acquisitions and capital improvements are financed from existing cash resources, cash flow from operations, issuance of bonds, and contributed capital.

Under the District's enterprise fund are component funds that account for revenues and expenses of its three service types – sewer service, solid waste (garbage) and recycling. The sewer service component fund is further divided into three units – operations and maintenance, renewal and replacement, and capital improvement program.

Measurement focus determines which transactions are recorded within the various financial statements. Proprietary fund types utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities are reported. Fund equity is classified as net position.

Basis of accounting refers to when transactions are recorded. The District utilizes the accrual basis of accounting in which all assets and deferred outflows of resources, liabilities and deferred inflows of resources are recorded on the Statement of Net Position. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement 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.

Budgets and Budgetary Accounting

The District adopts a biennial budget, which includes both operating and capital expenditures. The budget serves as a financial plan and a management tool to maintain fiscal responsibility. Amendments are prepared by management and approved by the Board to reprioritize project spending if necessary.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which invests a portion of the pooled funds in structured notes and asset-backed securities.

Investments

Investments are reported in the Statement of Net Position at fair market value. Changes in fair market value (unrealized gains or losses) are recognized in the Statement of Revenues and Expenses and Changes in Net Position. Investment income includes interest earnings and any gains or losses realized upon maturity or sale of investments.

Inventories

Inventories are held for consumption and are recorded at cost using the first-in-first-out (FIFO) method. Inventories are recognized as expenses when consumed rather than when purchased.

Capital Assets

Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at cost on the Statement of Net Position. Capital costs for projects may include materials and equipment, direct labor, transportation, contractual and professional services. Costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets within the sewage treatment plant are owned jointly by the District (75%) and Castro Valley Sanitary District (25%). Assets that do not pertain to the treatment plant are 100% owned by the District.

Depreciation

The purpose of depreciation is to spread the cost of capital assets over their useful lives. Depreciation is reported as an operating expense. Accumulated depreciation is the total amount of depreciation recorded over the years and is reported on the Statement of Net Position as a reduction in gross value of the capital assets. Depreciation is computed using the straight-line method based on the estimated useful lives of asset classifications ranging from 2 to 80 years. It is the District's policy to start depreciation of capital assets following the year of acquisition.

Capital Contributions

Contributed capital assets are recorded at estimated fair value on the date contributed. Other capital contributions include connection and developer fees imposed on contractors and developers connecting new or existing properties to the District's sewer system. These fees are reserved for the purpose of financing the District's capital improvements.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Debt

The District does not have any long-term debt at June 30, 2015. The last sewer revenue bonds were paid off on September 21, 2009. Consequently, there are no restricted net position associated with debt service presented on the Statement of Net Position.

Compensated Absences

Compensated absences reported in the Statement of Net Position include accumulated earned but unused vacation, floating holiday and compensated time-off. The amount is computed using current employee pay rates and are carried as liability until used.

Balance at June 30, 2014		\$ 412,481
Addition for employees with accrued compensated absences earned	65,660	
Deduction for employees with accrued compensated absences used	(62,679)	
Net change in accrued compensated absences		<u>2,981</u>
Balance at June 30, 2015		<u><u>\$ 415,462</u></u>

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

Net Position

The Statement of Net Position is designed to display the financial position of the District. Net position is the excess of the District's assets over its liabilities, and is classified into the following components:

- Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- Restricted – consists of constraints placed on net asset use by creditors or by law and constitutional provisions. The District has no restrictions as of June 30, 2015.
- Unrestricted – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Classification of Revenues and Expenses

Operating revenues consist primarily of fees charged to customers for sewer, garbage and recycling services. Non-operating revenues consist of investment income and special charges that can be used for either operating or capital purposes, except those which by grant provisions may be designated for specific purposes. Operating expenses are those expenses that are essential to the primary operations of the District, and include costs related to sewage collection and treatment, and cost of providing garbage and recycling services. All other expenses are reported as non-operating expenses.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

The District implemented GASB Statements No. 43 and No. 45 in fiscal year ended June 30, 2008. Biennial actuarial studies were performed to determine the District's annual required contributions (ARC) and unfunded liabilities. In addition, the District set up an OPEB trust through CalPERS, and maintains an in-house set-aside account to which the actuarially determined ARC may be deposited. See Note 7 for detailed disclosures.

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events of transactions required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no unrecognized subsequent events that require additional disclosure.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implemented New Accounting Pronouncements

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27, issued June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes 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 has been implemented as of June 30, 2015 resulting in a prior period adjustment. See Note 6 for information related to the financial statement impact of this statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposal of government operations. As used in this Statement, *combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no financial statement effect related to this Statement.

GASB Statement No. 70 – In April 2013, GASB issued Statement No 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or private entity without directly receiving equal or approximately equal value in exchange (a non-exchange transaction). The District does not participate in non-exchange financial guarantees. Therefore, this Statement had no financial statement effect.

GASB Statement No. 71 – In November 2013, GASB issued Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and have been implemented as of June 30, 2015. See Note 6 for information related to the financial statement impact of this statement.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 (fiscal year ending June 30, 2016). The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement also clarifies the application of certain provisions of GASB Statements No. 67 and No. 68 on the following issues:

- Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of non-employer contributing entities *not* in a special funding situation.

The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 74 – Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. The provisions in GASB Statement No. 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces GASB Statements No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, GASB Statements No. 43 and No. 50, *Pension Disclosures*. The scope of this Statement includes OPEB plans – defined benefit and defined contribution, administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the District's financial statements.

GASB Statement No. 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The District is in the process of determining the impact this statement will have on the financial statements.

GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The provisions in GASB Statement No. 76 are effective for reporting periods beginning after June 15, 2015. This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and should be applied retroactively. Its objective is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management anticipates that this statement will not have a material impact on the District's financial statements.

GASB Statement No. 77 – Tax Abatement Disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material impact on the District's financial statements.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The following cash and investments at June 30, 2015 reflects amounts reported in the Statement of Net Position of the basic financial statements:

Cash and cash equivalents	\$ 3,225,293
Investments	<u>17,040,626</u>
Total cash, cash equivalents and investments	<u>\$ 20,265,919</u>
Cash, cash equivalents and investments as of June 30, 2015 consist of:	
Petty cash	\$ 2,500
Deposits with financial institutions:	
Checking account – U.S. Bank	572,574
Money market account – Wells Fargo IRT*	79,287
California Local Agency Investment Fund (LAIF)	<u>2,570,932</u>
Subtotal cash and cash equivalents	<u>3,225,293</u>
Investments:	
U.S. Treasury Obligations (TN) – Wells Fargo IRT*	1,758,455
U.S. Government Securities (Bonds) – Wells Fargo IRT*	4,000,475
Certificates of Deposit – Wells Fargo IRT*	7,102,581
Corporate Bonds – Wells Fargo IRT*	<u>4,179,115</u>
Subtotal investments	<u>17,040,626</u>
Total cash, cash equivalents and investments	<u>\$ 20,265,919</u>

*Institutional Retirement & Trust (IRT) – custodial account maintained by Wells Fargo Bank for the District's specific investments, based on the 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

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 mutual funds may be made only if the fund has a rating of Aaa.

General Authorizations

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

Authorized Investment Type with minimum rating requirements where applicable	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 ¹	5 years	None	None	30%
Banker's Acceptance [A-1, A for senior debt]	180 days	40%	30%	20%
Commercial Papers [A-1]	270 days	25%	10%	25%
Certificates of Deposit ²	5 years	30%	None	30%
Repurchase Agreements	1 year	None	None	Not permitted
Reverse Repurchase Agreements	92 days	20% of base	None	Not permitted
Money Market Mutual Funds [Aaa]	N/A	20%	10%	20%
Local Agency Investment Fund	N/A	\$50 million	None	\$50 million
Bank deposits	N/A	None	10%	20%
Corporate notes [A]	5 years	25%	5%	25%

¹ 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.

² All certificates of deposit purchased by the District must be insured by the Federal Deposit Insurance Corporation (FDIC).

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

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CASH, 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, 2015 for each investment type.

(Source: Moody's)

Investment Type	Maturities of Instruments			Rating as of June 30, 2015	Total	Percentage of Portfolio
	12 months or less	12 – 24 months	25 months or longer			
U.S. treasury notes	\$ -	\$ 1,758,455	\$ -	Aaa	\$ 1,758,455	9%
U.S. government securities						
FFCB	-	997,780	-	Aaa	997,780	5%
FHLB	-	-	500,175	Aaa	500,175	2%
FHLMC	-	-	999,765	Aaa	999,765	5%
FNMA	500,815	1,001,940	-	Aaa	1,502,755	7%
Corporate bonds	1,526,165	-	2,652,950	A2 – Aaa	4,179,115	21%
Certificates of deposit	<u>1,754,193</u>	<u>3,597,543</u>	<u>1,750,845</u>	FDIC insured	<u>7,102,581</u>	<u>35%</u>
Total investments	3,781,173	7,355,718	5,903,735		17,040,626	84%
Cash and money market	654,361	-	-	Not required	654,361	3%
LAIF State investment pool	<u>2,570,932</u>	-	-	Not required	<u>2,570,932</u>	<u>13%</u>
Total cash & investments	\$ <u>7,006,466</u>	\$ <u>7,355,718</u>	\$ <u>5,903,735</u>		<u>\$20,265,919</u>	<u>100%</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH, 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, 2015, 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, 2015, the District's U.S. Bank balance of \$1,267,404 (before reduction for outstanding checks and addition of deposits in transit) was covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000. The remaining amount was secured 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, 2015 was \$2,570,932.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is summarized as follows:

	Useful life	Balance June 30, 2014	Prior Year Reclass	Increases	Decreases	Balance June 30, 2015
Non-depreciable capital assets						
Land		\$ 846,034	\$ -	\$ -	\$ -	\$ 846,034
Construction in progress		6,352,012	-	4,127,531	(5,754,778)	4,724,765
Total non-depreciable capital assets		7,198,046	-	4,127,531	(5,754,778)	5,570,799
Depreciable capital assets						
<u>Sewer service</u>						
Subsurface Lines	20-80yrs	57,154,775	-	184,860	-	57,339,635
Engineering	5-20 yrs	50,815	-	-	(9,990)	40,825
Collections	5-20 yrs	6,762,222	19,257	35,370	(5,594)	6,811,255
Operations	2-20 yrs	48,535,434	(19,257)	6,620,568	(178,420)	54,958,325
Maintenance	5-20 yrs	3,322,410	-	80,848	-	3,403,258
Administration	5-20 yrs	1,868,190	-	16,889	(2,133)	1,882,946
District vehicles	5-10 yrs	2,189,491	-	-	-	2,189,491
Subtotal - Sewer Service		119,883,337	-	6,938,535	(196,137)	126,625,735
<u>Solid waste</u>						
Subtotal - Solid Waste	5 yrs	2,177	-	-	-	2,177
<u>Recycling</u>						
Subtotal - Recycling	10 yrs	28,514	-	-	(2,469)	26,045
Total depreciable capital assets		119,914,028	-	6,938,535	(198,606)	126,653,957
Total District capital assets		\$ 127,112,074	\$ -	\$ 11,066,066	\$ (5,953,384)	\$ 132,224,756

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Less: accumulated depreciation:				
<u>Sewer service</u>				
Subsurface Lines	\$ (26,148,981)	\$ (791,337)	\$ -	\$ (26,940,318)
Engineering	(40,773)	(3,517)	9,990	(34,300)
Sewage collections	(3,537,614)	(251,056)	5,594	(3,783,076)
Sewage treatment operations	(25,413,972)	(1,956,020)	178,420	(27,191,572)
Sewage treatment maintenance	(2,155,130)	(196,582)	-	(2,351,712)
Administration and general	(1,842,727)	(6,655)	2,133	(1,847,249)
District vehicles	(1,199,487)	(124,247)	-	(1,323,734)
Subtotal - Sewer services	<u>(60,338,684)</u>	<u>(3,329,414)</u>	<u>196,137</u>	<u>(63,471,961)</u>
<u>Solid waste</u>				
Subtotal - Solid waste	<u>(2,177)</u>	<u>-</u>	<u>-</u>	<u>(2,177)</u>
<u>Recycling</u>				
Subtotal – Recycling	<u>(28,514)</u>	<u>-</u>	<u>2,469</u>	<u>(26,045)</u>
Total accumulated depreciation	<u>(60,369,375)</u>	<u>(3,329,414)</u>	<u>198,606</u>	<u>(63,500,183)</u>
Net depreciable capital assets	<u>59,544,653</u>	<u>3,609,121</u>	<u>-</u>	<u>63,153,774</u>
Net capital assets	\$ <u>66,742,699</u>	\$ <u>7,736,652</u>	\$ <u>(5,754,778)</u>	\$ <u>68,724,573</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Construction commitments

The District has active construction projects as of June 30, 2015. Significant projects include sewer line replacements and repairs, lift station improvements, SCADA system upgrades, aerator modifications, and the construction of a wetweather equalization basin with a horizontal levee. As of June 30, 2015, the total outstanding construction commitments was \$4,986,986.

NOTE 5 – INVESTMENT IN EAST BAY DISCHARGERS AUTHORITY (EBDA)

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 power and authorities within the scope of the Joint Powers Agreement. Its obligations and liabilities are not those of its member agencies.

EBDA holds a National Pollutant Discharge Elimination System Permit No. CA 0037869 issued by 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 the 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:

- 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 - EBDA under capital assets in the amount of \$6,497,233 for 2015 and \$6,586,688 for 2014. The respective changes of \$89,455 and \$95,162 are reported under Decrease in the Carrying Value of EBDA, as operating expenses.
- 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 \$684,638 and \$645,786 respectively during the fiscal years ended 2015 and 2014.
- The District received from EBDA \$79,371 per year in 2015 and 2014 for 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 non-operating revenues.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 5 – INVESTMENT IN EAST BAY DISCHARGERS AUTHORITY (EBDA)
(CONTINUED)**

The assets of EBDA are the costs of the property, plant, and equipment used to discharge treated effluent to the San Francisco Bay. 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, including the portions funded by federal and state grants, based on its contributed 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, 2014 and 2013 (latest available) is as follows:

	Fiscal Year Ended June 30	
	<u>2014</u>	<u>2013</u>
Net position at beginning of year	\$ 34,119,077	\$ 34,612,018
Net income before depreciation	426,418	381,593
Depreciation	<u>(889,796)</u>	<u>(874,534)</u>
Changes in net position	<u>(463,378)</u>	<u>(492,941)</u>
Net position at end of year	<u>\$ 33,655,699</u>	<u>\$ 34,119,077</u>
Comprised of		
Total assets	34,477,100	35,164,995
Less: total liabilities	<u>(821,401)</u>	<u>(1,045,918)</u>
Total net position	<u>\$ 33,655,699</u>	<u>\$ 34,119,077</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	6,586,688	6,681,850
Decrease in carrying value of sewage discharge facilities of EBDA	<u>(89,455)</u>	<u>(95,162)</u>
Investment in sewage discharge facilities (EBDA) - end of year (listed as a non-current asset on the Statement of Net Position)	<u>\$ 6,497,233</u>	<u>\$ 6,586,688</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, 2015**

NOTE 6 – DEFINED BENEFIT PENSION PLANS – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (CALPERS)

Plan Description

All qualified permanent and probationary employees are eligible to participate in one of the District’s Miscellaneous Employee Pension Plans (the Plans) that are cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolutions. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to the Plans’ members and beneficiaries. Benefits are based on formulas of the Plans, 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 Plans each 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 pension 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. Members may retire at an earlier age with statutorily reduced benefits, as specified in the Plans. Cost of living adjustments are applied as specified by the Public Employees’ Retirement Law. Eligibility for disability retirement applies after five years of service with the District. The Plans’ provisions and benefits as of the measurement date of June 30, 2014 are summarized as follows:

Plan Information	Tier 1	Tier 2	Tier 3
Date of employment	Before 6/27/2011	Between 6/27/2011 & 12/31/2012	On or After 1/1/2013
Benefit formula	2.5% @55	2.0% @60	2.0% @62
Benefits vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Eligible age for early retirement	50	50	52
Benefits as a % of eligible compensation (applied to each year of service)	2.0% (age 50) to 2.5% (age 55)	1.092% (age 50) to 2.0% (age 60)	1.0% (age 52) to 2.0% (age 62)
Required employee contribution rate (as of measurement date June 30, 2014)	8%	7%	6.5%
Required employer contribution rate (as of measurement date June 30, 2014)	15.577%	8.768%	6.7%

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 6 – DEFINED BENEFIT PLANS – CALIFORNIA PUBLIC EMPLOYEES’
RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

The amounts reported in the actuarial valuation reports for Tier 2 and Tier 3 were immaterial to the District’s financial statements. Therefore, the net pension liability, pension expense and related information for those two tiers have not been included in financial statements and this disclosure. The following disclosures pertain only to the Tier 1 Miscellaneous Plan (2.5% @55), hereafter referred to as "the Plan".

Employees Covered

Participant Status	Number of Participants
Inactive employees receiving benefits	73
Inactive employees entitled to but not receiving benefits	20
Active members	36
Total	129

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. As of the measurement date of June 30, 2014, employer and employee contributions recognized as part of pension expense for the Plan were as follows:

Plan’s Share of Risk Pool’s Contributions by	Contributions
Employer	\$1,091,313
Employees	256,326

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 6 – DEFINED BENEFIT PLANS – CALIFORNIA PUBLIC EMPLOYEES’
RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

Pension Liabilities, Pension Expenses, Deferred Outflow/Inflow of Resources Related to Pensions

The Plan’s net pension liability for the Plan is measured as a proportionate share of the Risk Pool’s net pension liability (NPL), measured as of June 30, 2014. The total pension liability of the Plan used to calculate the net pension liability was determined by CalPERS’ actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard actuarial roll forward methods. The Plan’s proportionate share of the Risk Pool’s net pension liability was based on a projection of the District’s long-term share of contributions to the Plan relative to the projected contributions of all participating employers (actuarially determined). As of June 30, 2013 and June 30, 2014, the proportionate shares of the Risk Pool’s net pension liability and changes during the measurement period were as follows:

Plan’s Net Pension Liability as of	Proportionate Share of Risk Pool’s NPL (\$)	Proportionate Share of Risk Pool’s NPL (%)
June 30, 2013	\$11,271,107	0.34398%
June 30, 2014	\$8,249,005	0.33377%
Change	\$3,022,102	(0.01021%)

The Plan’s proportionate shares of the Risk Pool’s beginning and ending total pension liability, fiduciary net position and net pension liability were as follows:

	Proportionate Share of Risk Pool’s		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balance at Valuation Date June 30, 2013	\$45,875,701	\$34,604,594	\$11,271,107
Balance at Measurement Date June 30, 2014	\$48,605,748	\$40,356,743	\$8,249,005
Net Changes during FY 2013-14	\$2,730,047	\$5,752,149	(\$3,022,102)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 6 – DEFINED BENEFIT PLANS – CALIFORNIA PUBLIC EMPLOYEES’
RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

For the fiscal year ended June 30, 2015, the District recognized a negative net pension expense of (\$547,141), and reported deferred outflows and inflows of resources related to pensions in the table below. In the following fiscal year (FY 2015-16), deferred outflow of resources attributed to contributions (a total of \$7,024,743) will be recognized as a reduction of net pension liability, and deferred inflow of resources from Castro Valley Sanitary District for its share of unfunded pension liability contribution (\$1,206,100) will be recognized as other miscellaneous revenues.

Source of Deferred Outflows/Inflows	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date:		
• Employer contributions	\$ 676,848	\$ -
• Additional payment towards unfunded liability	6,347,895	
Reimbursement from Castro Valley Sanitary District for unfunded pension liability contributions subsequent to measurement date	-	(1,206,100)
Adjustment due to differences in proportions	166,430	-
Amortization of differences in proportions	(59,439)	-
Net differences between projected and actual earnings on plan investments	-	(2,772,048)
Amortization of differences between projected and actual earnings	-	693,012
Total	\$7,131,734	(\$3,285,136)

Other deferred outflows and inflows or resources related to pensions are recognized as pension expense in the current and subsequent years as follows.

Fiscal Year Ending June 30,	Deferred Outflows and Inflows of Resources to be Recognized as Pension Expense
2015	\$ (633,573)
2016	(633,573)
2017	(645,460)
2018	(693,012)
Total	\$(2,605,618)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 6 – DEFINED BENEFIT PLANS – CALIFORNIA PUBLIC EMPLOYEES’
RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal Cost method, in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions*:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	3.30% - 14.20%, depending on age, service, and type of employment.
Investment rate of return	7.50%. net of pension plan investment and administrative expenses; includes inflation.
Mortality rate table	Derived using CalPERS’ membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter.

* The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements. All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement, and salary increases. Further details of the experience study can be found on CalPERS’ website.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report available on CalPERS’ website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be material.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 6 – DEFINED BENEFIT PLANS – CALIFORNIA PUBLIC EMPLOYEES’
RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as its methodology changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10¹	Real Return Years 11+²
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	100.0%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 6 – DEFINED BENEFIT PLANS – CALIFORNIA PUBLIC EMPLOYEES’
RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the Plan’s proportionate share of the Risk Pool’s net pension liability, calculated using the discount rate of 7.50%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

Changes in Discount Rate	Discount Rate	Proportionate Share of Risk Pool’s NPL
1% decrease	6.50%	\$14,697,176
Current discount rate	7.50%	\$8,249,0045
1% increase	8.50%	\$2,897,635

NOTE 7 – OTHER POST-EMPLOYMENT MEDICAL BENEFITS (OPEB)

Description of Benefits

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

The District manages accountability for payment of OPEB benefits in-house. For this purpose, as presented in the financial statements, under noncurrent liabilities, the Other Benefits Set-Aside liability account is maintained as mandated by the District’s Board. From this account, the District disburses payments for retiree benefits. As presented in the Statement of Net Position, the current and noncurrent balance of the account totaled \$576,019 in 2015 and \$810,488 in 2014.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – OTHER POST-EMPLOYMENT MEDICAL BENEFITS (OPEB) (CONTINUED)

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. In January 2008, the District established a trust account with CalPERS' California Employers' Retiree Benefit Trust (CERBT) Fund with an initial deposit of \$5 million to prefund its OPEB costs. The objective of the Fund is to seek favorable returns through a diverse asset allocation and market exposure. 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. 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 of each year.

	2015	2014	2013
Market value – beginning of year	\$ 7,199,979	\$ 6,083,475	\$ 5,450,529
Contributions	-	-	-
Gain (loss) on investment	(8,140)	1,125,720	641,852
Administrative expenses	(7,258)	(9,216)	(8,906)
Market value – end of year	<u>\$ 7,184,581</u>	<u>\$ 7,199,979</u>	<u>\$ 6,083,475</u>
Change	<u>-0.2%</u>	<u>18%</u>	<u>12%</u>

Actuarial Value of Assets, Methods & Assumptions

The CERBT trust requires biennial valuation. To comply with this requirement, an Actuarial Analysis of the Retiree Health Benefits for the District, as of July 1, 2013, was performed by an independent actuary. Based on that analysis, the annual required contributions (ARCs) for fiscal years 2013-14 and 2014-15 were established.

The actuary used the following actuarial method and assumptions:

Valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization period method	Open 10-year period, level percentage of payroll
Average remaining period	10 years as of the Valuation Date
Asset valuation method	Closed 5-year spread of gain/loss vs. assumed return

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – OTHER POST-EMPLOYMENT MEDICAL BENEFITS (OPEB) (CONTINUED)

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

Annual OPEB Cost, Net OPEB Obligation, Funded Status & Progress

The following table, based on the District's actuarial valuation as of June 30, 2013, shows the components of the District's annual OPEB cost, the amounts actually contributed to the plan, and changes in the District's net OPEB obligation (asset):

ARC Funding & Net OPEB Obligation (Asset)	2015	2014	2013
Annual required contribution (ARC)	\$127,000	\$117,200	\$162,800
Interest on OPEB obligation	-	(10,239)	-
Adjustment to annual required contribution	-	16,424	-
Annual OPEB cost (AOC)	127,000	123,385	162,800
Contributions made	(309,991)	(261,844)	(223,578)
Increase in net OPEB obligation	(182,991)	(138,459)	(60,778)
Net OPEB obligation (asset) – beginning	(274,975)	(136,516)	(75,738)
Adjustment to OPEB obligation	-	-	-
Net OPEB obligation (asset) – ending	(\$457,966)	(274,975)	(136,516)

The following table shows the annual OPEB cost (AOC), actual OPEB contributions in dollars and as a percentage of the AOC, and net OPEB obligation (asset) for the last three fiscal years:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Contributions	Contributions as % of AOC	Net OPEB Obligation (Asset)
June 30, 2013	\$162,800	\$223,578	137.3%	(\$136,516)
June 30, 2014	\$123,385	\$261,844	212.2%	(\$274,975)
June 30, 2015	\$127,000	\$309,991	244.1%	(\$457,966)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – OTHER POST-EMPLOYMENT MEDICAL BENEFITS (OPEB) (CONTINUED)

The following summarizes the funded status and progress of the plan as of June 30, 2015

Actuarial accrued liability (AAL)	\$5,497,800
Actuarial value of plan assets	7,184,581
Unfunded actuarial accrued liability (UAAL)	<u>(\$1,686,781)</u>
 Funded ratio (actuarial value of plan assets / AAL)	 130.7%
Projected covered payroll (active plan members)	\$4,220,000
UAAL as of % of covered payroll	-40%

NOTE 8 – OTHER DEFERRED OR DEFINED COMPENSATION PLANS

Section 457(b) Deferred Compensation Plan

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, 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. The District may contribute additional amounts to the management group and confidential employees' accounts, as specified in the management resolution, if the employee chooses not to participate in management's 401(a) plan. All employees may defer an amount up to the Internal Revenue Code limits (including District's portion). Generally, deferred compensation is available for withdrawal upon retirement, termination of employment, disability, or death. Employer's and employees' contributions are made to, and accumulated in, a trust maintained by the administrator, Lincoln Financial Group, for the benefit of each individual participant.

Changes in the plan assets for fiscal years ended June 30, 2015 and 2014 are summarized as follows:

Lincoln – 457(b)	2015	2014
Plan assets – beginning of year	\$ 7,751,693	\$ 6,674,911
Contributions by:		
Employer	41,133	43,632
Employee pre-tax deductions	369,887	342,155
Employee rollover	3,399	398,893
Investment earnings	100,379	712,709
Withdrawals and fees	(436,126)	(420,607)
Plan assets – end of year	<u>\$ 7,830,365</u>	<u>\$ 7,751,693</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, 2015**

NOTE 8 – OTHER DEFERRED OR DEFINED COMPENSATION PLANS (CONTINUED)

Section 457(b) Public Agency Retirement System-Alternate Retirement System (PARS-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 who are not eligible to participate in CalPERS. It is administered by Public Agency Retirement System (PARS).

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. Participating employees contribute 6.20% of salary, and the District contributes 2.20%.

Contributions are pre-tax. Combined annual contributions to the plan and to any other qualified 457(b) deferred compensation plans shall not exceed the limits established by the Internal Revenue Service.

Changes in the plan's assets for the fiscal years ended June 30, 2015 and 2014 are summarized as follows:

PARS-ARS – 457(b)	2015	2014
Plan assets – beginning of year	\$ 90,812	\$ 72,285
Contributions by:		
Employer	3,318	3,446
Employee (pre-tax)	9,350	9,713
Investment earnings	1,520	7,200
Withdrawals and fees	(5,945)	(1,832)
Plan assets – end of year	<u>\$ 99,055</u>	<u>\$ 90,812</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, 2015**

NOTE 8 – OTHER DEFERRED OR DEFINED COMPENSATION PLANS (CONTINUED)

Section 401(a) Defined Contribution Plan

The District established a Defined Contribution Plan (IRS Section 401(a)) in 1997. Eligible 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.

Changes in the plan assets for fiscal years ended June 30, 2015 and 2014 are summarized as follows:

ICMA – 401(a)	2015	2014
Plan assets – beginning of year	\$ 1,540,672	\$ 1,229,010
Contributions by:		
Employer	82,090	89,242
Employee (pre-tax)	40,545	40,379
Employee loan repayments (pre-tax)	2,482	-
Investment earnings	31,753	187,962
Withdrawals and fees	(88,137)	(5,921)
Plan assets – end of year	<u>\$ 1,609,405</u>	<u>\$ 1,540,672</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, 2015**

NOTE 9 – RISK MANAGEMENT & INSURANCE

The District is exposed to various risks of loss related to torts, theft and damage 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) and a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of CSRMA is to spread the adverse effects of losses among its member entities and to purchase excess insurance as a group, thereby reducing costs. Through CSRMA, 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)

The District also obtains coverage for property, errors & omissions, workers' compensation insurance, public entity pollution liability, and cyber liability.

The District paid \$708, \$0 and \$175 in insurance claims during fiscal years ended June 30, 2015, 2014 and 2013 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>2015</u>	<u>2014</u>	<u>2013</u>
Administration	\$ 156,899	\$ 149,887	\$ 166,169
Insurance premiums	211,226	230,424	222,876
Losses and settlements	708	-	175
	<u>\$ 368,833</u>	<u>\$ 380,311</u>	<u>\$ 389,220</u>

Since no liabilities for claims has been provided in the financial statements as of June 30, 2015, 2014, and 2013, the indicated claims paid above represent the claims experience for the last three fiscal years.

As of June 30, 2015, there was no current or anticipated litigation involving the District.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – RISK MANAGEMENT & INSURANCE (CONTINUED)

Insurance related expenses are distributed to the following departments.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Engineering	\$ 23,912	\$ 22,308	\$ 19,848
Sewage collections	106,099	117,386	119,133
Sewage treatment operations	136,581	138,378	140,616
Sewage treatment maintenance	70,801	72,414	74,210
Administration and general	31,440	29,825	29,150
Solid waste	-	-	6,263
	<u>\$ 368,833</u>	<u>\$ 380,311</u>	<u>\$ 389,220</u>

NOTE 10 – CONTRACT FOR COLLECTION OF SOLID WASTE AND LANDFILL CLOSURE/POST-CLOSURE COSTS

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

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

Customer-related:

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

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 10 – 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.
- 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, 2015 was \$218,188.

REQUIRED SUPPLEMENTARY INFORMATION

**ORO LOMA SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

Schedule of Pension Plan Contributions (Tier 1 Plan - 2.5% @55)

	Measurement Period Ended June 30, 2014
Actuarially determined required contribution	\$502,916
Contributions in relation to the actuarially determined contribution	(502,916)
Contribution deficiency (excess)	<u>\$0</u>
Covered-employee payroll	\$3,885,932
Contributions as a % of covered-employee payroll	12.94%

Notes to Schedule

Valuation date June 30, 2013

Measurement date June 30, 2014

Actuarial assumptions:

Actuarial cost method	Entry Age Normal Cost method in accordance with the requirements of GASB Statement No. 68
Discount rate	7.50%
Inflation	2.75%
Salary increases	Vary by entry age and service
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation.
Mortality rate table	Derived using CalPERS' 20-year membership data for all funds
Post-retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies. 2.75% thereafter.
Amortization method	Level percentage of payroll (closed)
Remaining amortization period	3.8 years

Fiscal Year 2014-15 was the first year of implementation, therefore only one year is shown.

**ORO LOMA SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

Schedule of Pension Plan's Proportionate Share of the Risk Pool's Net Pension Liability & Related Ratios as of the Measurement Date in Relation to PERF C (Tier 1 Plan - 2.5% @55)

	June 30, 2014
Plan's proportion of risk pool's net pension liability	0.13257%
Plan's proportionate share of risk pool's net pension liability	\$8,249,005
Plan's covered-employee payroll	\$3,885,932
Plan's proportionate share of risk pool's net pension liability as a % of its covered-employee payroll	212.28%
Plan's proportionate share of risk pool's fiduciary net position as a % of Plan's total pension liability	83.03%
Plan's proportionate share of aggregate employer contributions	\$1,091,313

Fiscal Year 2014-15 was the first year of implementation, therefore only one year is shown.

**ORO LOMA SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

Schedule of Funding Progress for the Post-Retirement Medical Benefit Plan

Actuarial Valuation Date	Actuarial Value Of Assets (AVA)	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Accrued Liabilities (UAAL)	Funded Ratio	Employee- Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b)-(a)	(a) / (b)	(c)	((b)-(a)) / (c)
July 1, 2009	\$ 4,530,000	\$ 5,262,000	\$ 732,000	86.09%	\$ 3,977,000	18.41%
July 1, 2011	\$ 5,327,900	\$ 5,405,200	\$ 77,300	98.57%	\$ 3,900,000	1.98%
July 1, 2013	\$ 5,791,000	\$ 5,497,800	\$ (293,200)	105.33%	\$ 4,220,000	(6.95%)

OTHER SUPPLEMENTARY INFORMATION

WICKMAN LIFT STATION VALVE VAULT

The newly installed valve vault at Wickman Lift Station provides operations and maintenance staff with the ability to service and maintain new isolation and check valves, while also allowing for sewage bypassing of the lift station or force main. The project was completed in November 2015, below budget, at a total cost of \$126,000.



**ORO LOMA SANITARY DISTRICT
DESCRIPTION OF FUNDS UTILIZED
JUNE 30, 2015**

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

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

Sewer Services

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

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

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

Solid Waste / Garbage Services

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

Recycling Services

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

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2015

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014

SCHEDULE 1

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,639,275	\$ (2,809,553)	\$ (1,965,069)
Investments at Fair Market Value (FMV)	-	7,102,581	9,938,045
Interest receivable	5,052	17,747	44,080
Accounts receivable	919,143	(10,142)	893,623
Prepaid and other items	107,487	-	-
Total current assets	<u>7,670,957</u>	<u>4,300,633</u>	<u>8,910,679</u>
Non-current assets			
Other post-employment benefits (OPEB) asset	<u>457,966</u>	<u>-</u>	<u>-</u>
Investment in sewage discharge facilities - EBDA	<u>6,497,233</u>	<u>-</u>	<u>-</u>
Capital assets			
Land	846,034	-	-
Buildings, machinery, equipment	126,625,735	-	-
Solid waste assets	-	-	-
Recycling assets	-	-	-
Construction in progress	-	-	4,724,765
Less: accumulated depreciation	(63,471,961)	-	-
Total capital assets	<u>63,999,808</u>	<u>-</u>	<u>4,724,765</u>
Total non-current assets	<u>70,955,007</u>	<u>-</u>	<u>4,724,765</u>
Total assets	<u><u>\$ 78,625,964</u></u>	<u><u>\$ 4,300,633</u></u>	<u><u>\$ 13,635,444</u></u>
DEFERRED OUTFLOW OF RESOURCES			
Pension benefits and adjustments	<u><u>\$ 7,131,734</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION
ALL DISTRICT SERVICES
AS OF JUNE 30, 2015
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014
SCHEDULE 1 (continued)

<u>Solid Waste Services</u>		<u>Recycling Services</u>					
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	Combined June 30,		\$	%		
		2015	2014				
				Change	Change		
\$ 453,715	\$ 906,925	\$ 3,225,293	\$ 8,661,761	\$ (5,436,468)	-62.8%		
-	-	17,040,626	17,807,662	(767,036)	-4.3%		
813	1,438	69,130	49,623	19,507	39.3%		
42,611	37,157	1,882,392	1,624,105	258,287	15.9%		
-	-	107,487	103,149	4,338	4.2%		
497,139	945,520	22,324,928	28,246,300	(5,921,372)	-21.0%		
-	-	457,966	-	457,966	100.0%		
-	-	6,497,233	6,586,688	(89,455)	-1.4%		
-	-	846,034	846,034	-	0.0%		
-	-	126,625,735	119,883,337	6,742,398	5.6%		
2,177	-	2,177	2,177	-	0.0%		
-	26,045	26,045	28,514	(2,469)	-8.7%		
-	-	4,724,765	6,352,012	(1,627,247)	-25.6%		
(2,177)	(26,045)	(63,500,183)	(60,369,375)	(3,130,808)	5.2%		
-	-	68,724,573	66,742,699	1,981,874	3.0%		
-	-	75,679,772	73,329,387	2,350,385	3.2%		
\$ 497,139	\$ 945,520	\$ 98,004,700	\$ 101,575,687	\$ (3,570,987)	-3.5%		
\$ -	\$ -	\$ 7,131,734	\$ -	\$ 7,131,734	100.0%		

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2015

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014

SCHEDULE 1 (continued)

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
LIABILITIES			
Current liabilities			
Accounts payable	\$ 130,259	\$ 490,809	\$ 499,871
Accrued salaries and wages	116,920	-	-
Customers deposits payable	150,445	26,760	99,901
Accrued compensated absences (current)	62,000	-	-
Other benefits set-aside (current)	250,000	-	-
Total current liabilities	<u>709,624</u>	<u>517,569</u>	<u>599,772</u>
Non-current liabilities			
Accrued compensated absences	353,462	-	-
Other benefits set-aside	326,019	-	-
Net pension liability	8,249,005	-	-
Total non-current liabilities	<u>8,928,486</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 9,638,110</u>	<u>\$ 517,569</u>	<u>\$ 599,772</u>
DEFERRED INFLOW OF RESOURCES			
Pension obligations and adjustments	<u>\$ 3,285,136</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 63,999,808	\$ -	\$ 4,724,765
Unrestricted	8,834,644	3,783,064	8,310,907
Total net position	<u>\$ 72,834,452</u>	<u>\$ 3,783,064</u>	<u>\$ 13,035,672</u>

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION
ALL DISTRICT SERVICES
AS OF JUNE 30, 2015
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014
SCHEDULE 1 (continued)

<u>Solid Waste Services</u>		<u>Recycling Services</u>					
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	Combined June 30,			\$	%	
		2015	2014		Change	Change	
\$ 2,202	\$ 182,470	\$ 1,305,611	\$ 1,613,146	\$ (307,535)	-19.1%		
-	-	116,920	95,376	21,544	22.6%		
-	-	277,106	374,916	(97,810)	-26.1%		
-	-	62,000	62,000	-	0.0%		
-	-	250,000	250,000	-	0.0%		
2,202	182,470	2,011,637	2,395,438	(383,801)	-16.0%		
-	-	353,462	350,481	2,981	0.9%		
-	-	326,019	560,488	(234,469)	-41.8%		
-	-	8,249,005	-	8,249,005	100.0%		
-	-	8,928,486	910,969	8,017,517	880.1%		
\$ 2,202	\$ 182,470	\$ 10,940,123	\$ 3,306,407	\$ 7,633,716	230.9%		
\$ -	\$ -	\$ 3,285,136	\$ -	\$ 3,285,136	100.0%		
\$ -	\$ -	\$ 68,724,573	\$ 66,742,699	\$ 1,981,874	3.0%		
494,937	763,050	22,186,602	31,526,581	(9,339,979)	-29.6%		
\$ 494,937	\$ 763,050	\$ 90,911,175	\$ 98,269,280	\$ (7,358,105)	-7.5%		

ORO LOMA SANITARY DISTRICT
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2014
SCHEDULE 2**

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
Operating revenues			
District service charges	\$ 8,528,040	\$ 3,150,000	\$ -
Agency treatment charges	2,141,585	48,777	-
Permits and inspection fees	170,994	-	-
Sanitary truck waste charges	56,454	-	-
Grease receiving charges	142,005	-	-
Contract fees	-	-	-
Recycling charges - residential and green waste	-	-	-
Recycling charges - commercial and industrial	-	-	-
Landfills fees - Measure D	-	-	-
Other	682,873	-	-
Total operating revenues	11,721,951	3,198,777	-
Operating expenses			
Engineering	697,559	662	-
Sewage collections	1,361,622	1,536,000	-
Sewage treatment operations	3,454,880	52,540	-
Sewage treatment maintenance	2,014,808	140,835	-
Sewage disposal - EBDA	578,638	106,000	-
Administration and general	1,309,910	23,024	-
Pension expense - GASB 68	(547,141)	-	-
OPEB expense and adjustments	(182,991)	-	-
Depreciation	3,329,414	-	-
Decrease in carrying value of EBDA	89,455	-	-
Solid waste	-	-	-
Recycling - residential, green waste, commercial and industrial	-	-	-
Total operating expenses	12,106,154	1,859,061	-
Operating income (loss)	(384,203)	1,339,716	-
Non-operating revenues			
Investment income	21,045	80,365	108,442
Increase in the fair value of investments	-	-	-
Rents, leases and personal license fees	92,741	-	-
Gain on disposal of capital assets	-	-	-
Recovery of uncollectible accounts	-	-	-
Other miscellaneous revenues	108,214	15,369	161
EBDA and other agreement refunds	-	-	79,371
Total non-operating revenues	222,000	95,734	187,974
Non-operating expenses			
Grant expenses	-	-	-
Decrease in the fair value of investments	-	10,623	47,703
Write-off of plant and equipment	-	-	-
Write-off of uncollectible accounts	-	-	-
Total non-operating expenses	-	10,623	47,703
Income (loss) before contributions and transfers	(162,203)	1,424,827	140,271
Connection and other developers' fees	-	-	1,076,699
Transfers in (out) of capital assets	6,938,535	-	(6,938,535)
Contributions from Castro Valley Sanitary District	-	-	-
Equity transfers in (out)	-	(4,000,000)	6,000,000
Change in net position	6,776,332	(2,575,173)	278,435
Net position - beginning (as reported)	76,551,336	6,358,237	12,757,237
Prior period adjustment - GASB 68 pension adjustments	(10,768,191)	-	-
Prior period adjustment - OPEB adjustments	274,975	-	-
Net position - beginning (as adjusted)	66,058,120	6,358,237	12,757,237
Net position - ending	\$ 72,834,452	\$ 3,783,064	\$ 13,035,672

ORO LOMA SANITARY DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2014
SCHEDULE 2 (continued)**

Solid Waste Services		Recycling Services			
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	Combined June 30,		Change	Change
		2015	2014	\$	%
\$ -	\$ -	\$ 11,678,040	\$ 11,583,176	\$ 94,864	0.8%
-	-	2,190,362	2,206,459	(16,097)	-0.7%
-	-	170,994	126,143	44,851	35.6%
-	-	56,454	48,815	7,639	15.6%
-	-	142,005	120,927	21,078	17.4%
791,397	-	791,397	755,676	35,721	4.7%
-	2,295,385	2,295,385	2,286,977	8,408	0.4%
-	102,060	102,060	87,783	14,277	16.3%
-	329,606	329,606	327,570	2,036	0.6%
-	-	682,873	763,138	(80,265)	-10.5%
791,397	2,727,051	18,439,176	18,306,664	132,512	0.7%
-	-	698,221	712,859	(14,638)	-2.1%
-	-	2,897,622	2,727,099	170,523	6.3%
-	-	3,507,420	3,768,468	(261,048)	-6.9%
-	-	2,155,643	1,951,508	204,135	10.5%
-	-	684,638	645,786	38,852	6.0%
-	-	1,332,934	1,206,450	126,484	10.5%
-	-	(547,141)	-	(547,141)	-100.0%
-	-	(182,991)	-	(182,991)	-100.0%
-	-	3,329,414	3,179,437	149,977	4.7%
-	-	89,455	95,162	(5,707)	-6.0%
305,189	-	305,189	296,535	8,654	2.9%
-	2,591,742	2,591,742	2,599,618	(7,876)	-0.3%
305,189	2,591,742	16,862,146	17,182,922	(320,776)	-1.9%
486,208	135,309	1,577,030	1,123,742	453,288	40.3%
2,865	3,601	216,318	217,367	(1,049)	-0.5%
-	-	-	53,279	(53,279)	-100.0%
-	-	92,741	84,856	7,885	9.3%
-	-	-	14,643	(14,643)	-100.0%
11,343	-	11,343	11,702	(359)	-3.1%
267	16,787	140,798	177,063	(36,265)	-20.5%
-	-	79,371	79,371	-	0.0%
14,475	20,388	540,571	638,281	(97,710)	-15.3%
-	-	-	10,725	(10,725)	-100.0%
-	-	58,326	-	58,326	100.0%
-	-	-	78	(78)	-100.0%
863	-	863	1,502	(639)	-42.5%
863	-	59,189	12,305	46,884	381.0%
499,820	155,697	2,058,412	1,749,718	308,694	17.6%
-	-	1,076,699	135,600	941,099	694.0%
-	-	-	-	-	0.0%
-	-	-	637	(637)	-100.0%
(1,000,000)	(1,000,000)	-	-	-	0.0%
(500,180)	(844,303)	3,135,111	1,885,955	1,249,156	66.2%
995,117	1,607,353	98,269,280	96,383,325	1,885,955	2.0%
-	-	(10,768,191)	-	(10,768,191)	-100.0%
-	-	274,975	-	274,975	100.0%
995,117	1,607,353	87,776,064	96,383,325	(8,607,261)	-8.9%
\$ 494,937	\$ 763,050	\$ 90,911,175	\$ 98,269,280	\$ (7,358,105)	-7.5%

**ORO LOMA SANITARY DISTRICT
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
JUNE 30, 2015**

Budgetary Information

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

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

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

The budget for FY 2013-14 was amended by:

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

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

Budget Accounting

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

Budgetary Comparisons

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

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER SERVICES - OPERATIONS AND MAINTENANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE 3

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
Operating revenues			
District service charges	\$ 8,200,000	\$ 8,528,040	\$ 328,040
Agency treatment charges	2,370,000	2,141,585	(228,415)
Permits and inspection fees	130,000	170,994	40,994
Sanitary truck waste charges	50,000	56,454	6,454
Grease receiving charges	110,000	142,005	32,005
Other	600,000	682,873	82,873
Total operating revenues	11,460,000	11,721,951	261,951
Operating expenses			
Engineering	890,800	697,559	193,241
Sewage collections	1,820,000	1,361,622	458,378
Sewage treatment operations	4,526,300	3,454,880	1,071,420
Sewage treatment maintenance	2,358,500	2,014,808	343,692
Sewage disposal - EBDA	665,000	578,638	86,362
Administration and general	1,794,600	1,309,910	484,690
Pension expense - GASB 68	-	(547,141)	547,141
OPEB expense and adjustments	-	(182,991)	182,991
Depreciation	3,400,000	3,329,414	70,586
Decrease in carrying value of EBDA	110,000	89,455	20,545
Total operating expenses	15,565,200	12,106,154	3,459,046
Operating income (loss)		(384,203)	
Non-operating revenues			
Interest income	50,000	21,045	(28,955)
Rents and leases	90,000	92,741	2,741
Other miscellaneous revenues	150,000	108,214	(41,786)
Total non-operating revenues	290,000	222,000	(68,000)
Non-operating expenses			
Write-off of uncollectible accounts	10,000	-	10,000
Other expenses	192,000	-	192,000
Total non-operating expenses	202,000	-	202,000
Income (loss) before contributions and transfers	\$ (4,017,200)	\$ (162,203)	\$ 3,854,997
Transfers of plant and equipment from Capital Improvement Program		6,938,535	
Equity transfers in (out)		-	
Change in net position		6,776,332	
Net position - beginning (as reported)		76,551,336	
Prior period adjustment - GASB 68 pension adjustments		(10,768,191)	
Prior period adjustment - OPEB adjustments		274,975	
Net position - beginning (as adjusted)		66,058,120	
Net position - ending		\$ 72,834,452	

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, 2015
SCHEDULE 4**

	Budgeted Amounts	Actual Amounts by Account Category	Variance with Final Budget Favorable (Unfavorable)
Operating expenses			
Salaries	\$ 4,320,800	\$ 3,850,645	\$ 470,155
Employee benefits	2,801,700	1,469,448	1,332,252
Directors' benefits and fees	223,000	154,396	68,604
Election expenses	75,000	97,158	(22,158)
Gasoline, oil and fuel	102,500	66,965	35,535
Insurance	564,600	368,834	195,766
Office expenses	47,600	70,631	(23,031)
Operating supplies	770,500	485,326	285,174
Safety supplies	35,300	40,167	(4,867)
Contractual services	1,041,600	1,037,993	3,607
Professional services	140,800	149,817	(9,017)
Memberships, printing and publications	69,000	63,823	5,177
Rents and leases	28,000	9,312	18,688
Repairs and maintenance	456,000	471,081	(15,081)
Research and monitoring	82,500	62,511	19,989
Travel, meetings and training	107,300	73,963	33,337
Recognition program	34,000	24,629	9,371
Utilities	490,000	342,080	147,920
Departmental expenses	11,390,200	8,838,779	2,551,421
Sewage disposal - EBDA	665,000	578,638	86,362
Pension expense - GASB 68	-	(547,141)	547,141
OPEB expense and adjustments	-	(182,991)	182,991
Depreciation	3,400,000	3,329,414	70,586
Decrease in carrying value of EBDA	110,000	89,455	20,545
Non-departmental expenses	4,175,000	3,267,375	907,625
Total operating expenses	15,565,200	12,106,154	3,459,046
Non-operating expenses:			
Write-off of uncollectible accounts	10,000	-	10,000
Other miscellaneous expenses	192,000	-	192,000
Total non-operating expenses	202,000	-	202,000
Total expenses	\$ 15,767,200	\$ 12,106,154	\$ 3,661,046

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, 2015
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	\$ 359,933	\$ 747,604	\$ 1,460,796	\$ 876,104	\$ 406,208
Employee benefits	213,539	248,617	467,752	292,645	246,895
Directors' benefits and fees	-	-	-	-	154,396
Election expenses	-	-	-	-	97,158
Gasoline and oil	3,167	36,049	17,794	9,581	374
Insurance	30,446	106,099	136,581	70,801	24,907
Office expenses	14,722	2,860	12,816	5,445	34,788
Operating supplies	1,868	43,369	395,615	44,474	-
Safety supplies	1,522	9,258	13,086	14,465	1,836
Contractual services	39,465	31,869	579,425	243,622	143,612
Professional services	4,248	2,205	47,182	2,663	93,519
Memberships, printing and publications	2,767	954	9,663	10,856	39,583
Rents and leases	-	-	4,375	2,992	1,945
Repairs and maintenance	6,206	50,789	4,962	400,285	8,839
Research and monitoring	-	-	60,934	1,577	-
Travel, meetings and training	4,444	7,243	10,708	25,175	26,393
Recognition program	1,050	2,573	4,336	4,426	12,244
Utilities	14,182	72,133	228,855	9,697	17,213
Departmental expenses FY 2014-15	\$ 697,559	\$ 1,361,622	\$ 3,454,880	\$ 2,014,808	\$ 1,309,910
Departmental budget	\$ 890,800	\$ 1,820,000	\$ 4,526,300	\$ 2,358,500	\$ 1,794,600
% of budget used	78%	75%	76%	85%	73%
Departmental expenses FY 2013-14	\$ 702,788	\$ 1,531,395	\$ 3,642,221	\$ 1,841,461	\$ 1,196,341
Change in FY 2014-15 (\$)	\$ (5,229)	\$ (169,773)	\$ (187,341)	\$ 173,347	\$ 113,569
Change in FY 2014-15 (%)	-0.7%	-11.1%	-5.1%	9.4%	9.5%

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, 2015 SCHEDULE 5

		Budgeted Amounts		Actual	Variance with Final Budget Favorable
		Original	Final	Amounts	(Unfavorable)
Operating revenues					
	District service charges	\$ 3,150,000	\$ 3,150,000	\$ 3,150,000	\$ -
	Agency treatment charges	198,900	125,640	48,777	(76,863)
	Total operating revenues	3,348,900	3,275,640	3,198,777	(76,863)
Project #	Project costs				
	<u>Collections system</u>				
104.00	Collections Asset Management - Lift Stations	30,000	115,000	56,111	58,889
141.00	Collections Asset Repair and Maintenance	1,250,000	1,295,000	1,294,573	427
144.10	Collections System GIS Updates and Maintenance	25,000	25,000	19,302	5,698
144.20	Collections System Model Calibration	-	18,000	17,901	99
151.10	Easement Clearing and Road Maintenance	50,000	50,000	34,840	15,160
100.00	Lift Stations General	30,000	18,800	1,073	17,727
108.00	Lift Station Electrical	50,000	3,000	712	2,288
101.00	Lift Station Painting	25,000	31,000	30,906	94
100.02	Bockman Lift Station	-	13,000	12,088	912
100.12	Glenbrook Lift Station	-	11,000	10,540	460
100.04	Railroad Lift Station	-	2,200	2,200	-
144.00	Source Detection/Hydraulic Model Update	80,000	77,000	33,291	43,709
100.01	Trojan Lift Station	-	22,000	21,853	147
900.91	Computers and Network Maintenance	-	2,500	610	1,890
	Postponed or Cancelled Projects	15,000	-	-	-
		1,555,000	1,683,500	1,536,000	147,500
	<u>Treatment plant</u>				
204.00	Asset Management - Treatment Plant	30,000	18,000	17,874	126
323.01	Building and Roadway Lighting Repair	30,000	30,000	13,181	16,819
305.00	Gate and Valve Replacements	-	12,000	6,263	5,737
292.00	Plant Flow Attenuation	-	4,000	3,345	655
213.00	Pre-Design Studies	-	20,000	19,690	310
395.06	Recurring Maintenance - Landscaping and Grounds	25,000	29,000	28,759	241
395.01	Recurring Maintenance - Painting	210,000	210,000	23,946	186,054
395.07	Recurring Maintenance - Paving/Road Maintenance	20,000	20,000	19,834	166
239.00	Safety Improvements	30,000	30,000	11,631	18,369
900.93	Critical Renewal and Replacements	70,000	52,000	48,852	3,148
	Projects Postponed or Tranferred to CIP	295,000	5,000	-	5,000
		710,000	430,000	193,375	236,625
	<u>Administration & Engineering</u>				
595.40/45	Computers and Network Maintenance	20,000	20,000	10,007	9,993
524.00	Fiscal Agent Fees	-	12,000	9,802	2,198
900.95	Critical Renewal and Replacements	30,000	19,000	3,877	15,123
626.00	EBDA replacement assessment	100,000	106,000	106,000	-
		150,000	157,000	129,686	27,314
	Total project costs	2,415,000	2,270,500	1,859,061	411,439
	Project costs assigned to category of operating expenses:				
	Operating expenses				
	Engineering			662	
	Sewage collections			1,536,000	
	Sewage treatment operations			52,540	
	Sewage treatment maintenance			140,835	
	Sewage disposal - EBDA			106,000	
	Administration			23,024	
	Total operating expenses			1,859,061	
	Operating income (loss)			1,339,716	
	Non-operating revenues (expenses)				
	Investment income	50,000	50,000	80,365	30,365
	Increase (decrease) in the fair value of investments	-	-	(10,623)	(10,623)
	Other miscellaneous revenues	-	-	15,369	15,369
	Total non-operating revenues	50,000	50,000	85,111	35,111
	Income (loss) before contributions and transfers	\$ 983,900	\$ 1,055,140	\$ 1,424,827	\$ 369,687
	Equity transfers in (out)			(4,000,000)	
	Change in net position			(2,575,173)	
	Net position - beginning			6,358,237	
	Net position - ending			\$ 3,783,064	

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 , 2015
SCHEDULE 6**

Project #	Project costs	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
		Original	Final		
	<u>Collections system</u>				
141.00	Collections System Asset Maintenance - New Manhole	\$ -	\$ 11,000	\$ 10,140	\$ 860
100.13	Blackstone Lift Station Forcemain Replacement	-	100,000	95,261	4,739
100.06	Monika Lane Lift Station Pump	-	7,000	6,565	435
100.16	Ralston Court Lift Station Pump	-	7,000	6,565	435
100.01	Trojan Lift Station Discharge Pipe Replacement	-	101,800	101,740	60
100.05	Wickman Lift Station Pump	-	18,000	7,414	10,586
143.02	Pipeline Replacements FY 2014-15 Construction	2,000,000	2,175,000	2,086,273	88,727
143.03	Pipeline Replacements FY 2015-16 Design	-	25,000	22,627	2,373
900.91	Critical Equipment - Collections	15,000	15,000	14,826	174
	Postponed or Cancelled projects	125,000	55,200	-	55,200
		2,140,000	2,515,000	2,351,411	163,589
	<u>Treatment plant</u>				
213.01	Aerator Modifications	-	435,000	182,606	252,394
220.00	Aerator Rebuild & Replacement	60,000	15,000	13,303	1,697
281.00	Digester Facilities Improvements	500,000	1,100,000	1,084,971	15,029
293.02	Equalization and Wetland Treatment/Ecotone	250,000	2,900,000	2,746,636	153,364
305.00	Gate & Valve Replacements	50,000	8,000	7,582	418
284.00	Influent Grinder Rebuild	-	27,000	25,262	1,738
269.00	Operations Building Lunchroom Remodeling	25,000	31,000	30,850	150
395.02	Roof Replacement - Emergency Operations Center	-	9,000	8,400	600
319.00	SCADA Network Upgrades	155,000	255,000	188,124	66,876
900.93	Critical Equipment - Plant	70,000	92,000	91,815	185
	Projects Postponed or Tranferred to R&R	40,000	20,000	-	20,000
		1,150,000	4,892,000	4,379,549	512,451
	<u>Administration & Engineering</u>				
595.40/45	Computers/Network Upgrades	20,000	-	-	-
900.95	Critical Equipment - Administration HVAC Replacement	10,000	21,000	20,597	403
		30,000	21,000	20,597	403
	Total project costs	3,320,000	7,428,000	6,751,557	676,443
	Less:				
	Additions to plant and equipment			(1,183,757)	
	Additions to construction in progress			(4,127,531)	
	Castro Valley Sanitary District capital assets			(1,440,269)	
	Operating income (loss)			-	
	Non-operating revenues (expenses)				
	Investment income	-	-	108,442	108,442
	Increase (decrease) in the fair value of investments	-	-	(47,703)	(47,703)
	EBDA agreement refund	80,000	80,000	79,371	(629)
	Other miscellaneous revenues	-	-	161	161
	Total non-operating revenues (expenses)	80,000	80,000	140,271	60,271
	Income (loss) before contributions and transfers	\$ 80,000	\$ 80,000	\$ 140,271	\$ 60,271
	Connection and other developer fees			1,076,699	
	Transfer of plant and equipment to Operations and Maintenance			(6,938,535)	
	Write off of prior year work in process			-	
	Contributions from Castro Valley Sanitary District for transferred vehicle			-	
	Equity transfers in (out)			6,000,000	
	Change in net position			278,435	
	Net position - beginning			12,757,237	
	Net position - ending			\$ 13,035,672	

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, 2015
SCHEDULE 7**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
Operating revenues			
Contract fees	\$ 840,000	\$ 791,397	\$ (48,603)
Total operating revenues	<u>840,000</u>	<u>791,397</u>	<u>(48,603)</u>
Operating expenses			
Salaries	150,000	122,856	27,144
Overhead	184,400	152,466	31,934
Directors' fees	9,000	8,580	420
Office expenses	4,000	2,289	1,711
Safety supplies	500	-	500
Contractual services	4,000	1,387	2,613
Professional services	30,000	4,769	25,231
Memberships, printing and publications	22,000	12,121	9,879
Repairs and maintenance	500	-	500
Travel, meetings and training	1,000	251	749
Recognition program	600	-	600
Utilities	1,000	470	530
Depreciation	500	-	500
Contingency and other reserves	53,000	-	53,000
Total operating expenses	<u>460,500</u>	<u>305,189</u>	<u>155,311</u>
Operating income (loss)		<u>486,208</u>	
Non-operating revenues (expenses)			
Investment income	6,800	2,865	(3,935)
Recovery of uncollectible accounts	10,000	11,343	1,343
Other miscellaneous revenues	-	267	267
Write-off of uncollectible accounts	(5,000)	(863)	4,137
Total non-operating revenues (expenses)	<u>11,800</u>	<u>13,612</u>	<u>1,812</u>
Income (loss) before contributions and transfers	<u>\$ 391,300</u>	<u>\$ 499,820</u>	<u>\$ 108,520</u>
Equity transfers in (out)		<u>(1,000,000)</u>	
Change in net position		<u>(500,180)</u>	
Net position - beginning		<u>995,117</u>	
Net position - ending		<u>\$ 494,937</u>	

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
RECYCLING SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
SCHEDULE 8**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Operating revenues			
Recycling charges - residential and green waste	\$ 2,290,000	\$ 2,295,385	\$ 5,385
Recycling charges - commercial and industrial	74,200	102,060	27,860
Landfill fees - Measure D	340,000	329,606	(10,394)
Total operating revenues	<u>2,704,200</u>	<u>2,727,051</u>	<u>22,851</u>
Operating expenses			
Salaries	196,600	140,576	56,024
Overhead	228,100	163,069	65,031
Office expenses	4,700	4,919	(219)
Contractual services	2,397,000	2,208,896	188,104
Professional services	2,000	-	2,000
Memberships, printing and publications	45,000	37,922	7,078
Travel, meetings and training	500	103	397
San Leandro Measure D	40,000	36,257	3,743
Depreciation	3,000	-	3,000
Contingency reserve	30,000	-	30,000
Total operating expenses	<u>2,946,900</u>	<u>2,591,742</u>	<u>355,158</u>
Operating income (loss)		<u>135,309</u>	
Non-operating revenues (expenses)			
Investment income	9,200	3,601	(5,599)
Other miscellaneous revenues	5,000	16,787	11,787
Grant expenses	-	-	-
Write-off of uncollectible accounts	(200)	-	200
Total non-operating revenues (expenses)	<u>14,000</u>	<u>20,388</u>	<u>6,388</u>
Income (loss) before contributions and transfers	<u>\$ (228,700)</u>	<u>\$ 155,697</u>	<u>\$ 384,397</u>
Equity transfers in (out)		<u>(1,000,000)</u>	
Change in net position		<u>(844,303)</u>	
Net position - beginning		<u>1,607,353</u>	
Net position - ending		<u>\$ 763,050</u>	

TREATMENT PLANT TOURS

The District provides plant tours regularly to educational institutions and the general public. In 2015, more than 450 public visitors have toured the plant, of which 131 were from schools and occupational programs.



Students from Arroyo High School learn about the primary clarification process

Students learn about the sewer collection system and various equipment used in the process



Jeff Schier (Mechanic II) describes the controls for the plant's power production and careers in the wastewater industry

OTHER INDEPENDENT AUDITOR’S REPORT



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Oro Loma Sanitary District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oro Loma Sanitary District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 1, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

September 1, 2015
San Jose, California

DIGESTER FACILITIES IMPROVEMENTS

The District completed the construction of 2 new 1-million gallon concrete digesters. The project costs \$8.7 million and will provide for the ability to reliably meet the 15-day retention time target, and expand the District's grease receiving program.



STATISTICAL SECTION OVERVIEW

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

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

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

ORO LOMA SANITARY DISTRICT

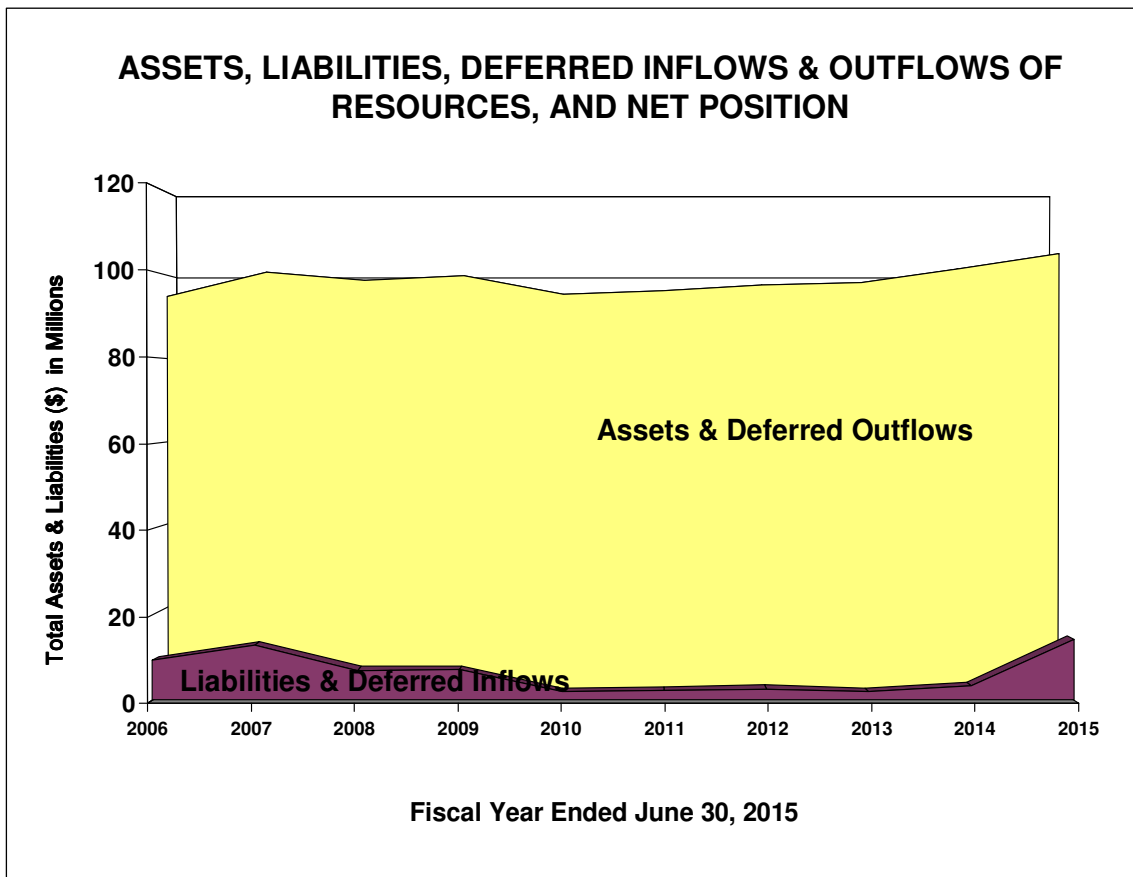
FINANCIAL TRENDS

TABLE 1

Assets, Liabilities, Deferred Inflows & Outflows of Resources, and Net Position

Fiscal Year Ended June 30	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Net Position			
					Net Investment in Capital Assets	Restricted for Debt Service	Unrestricted	Total Net Position
2015	\$ 98,004,700	\$ 7,131,734	\$ 10,940,123	\$ 3,285,136	\$ 68,724,573	\$ -	\$ 22,186,602	\$ 90,911,175
2014	101,575,687	-	3,306,407	-	66,742,699	-	31,526,581	98,269,280
2013	98,330,104	-	1,946,779	-	61,334,894	-	35,048,431	96,383,325
2012	97,610,232	-	2,642,889	-	60,137,540	-	34,829,803	94,967,343
2011	96,239,189	-	2,279,945	-	66,538,774	-	27,420,470	93,959,244
2010	95,474,012	-	1,919,911	-	65,552,405	-	28,001,696	93,554,101
2009	99,769,503	-	7,100,005	-	63,311,493	907,320	28,450,685	92,669,498
2008	98,695,805	-	7,014,053	-	62,187,754	909,189	28,584,809	91,681,752
2007	100,654,725	-	12,764,767	-	59,534,814	916,755	27,438,389	87,889,958
2006	94,850,097	-	9,332,983	-	58,153,562	922,137	26,441,415	85,517,114

GRAPH A



ORO LOMA SANITARY DISTRICT

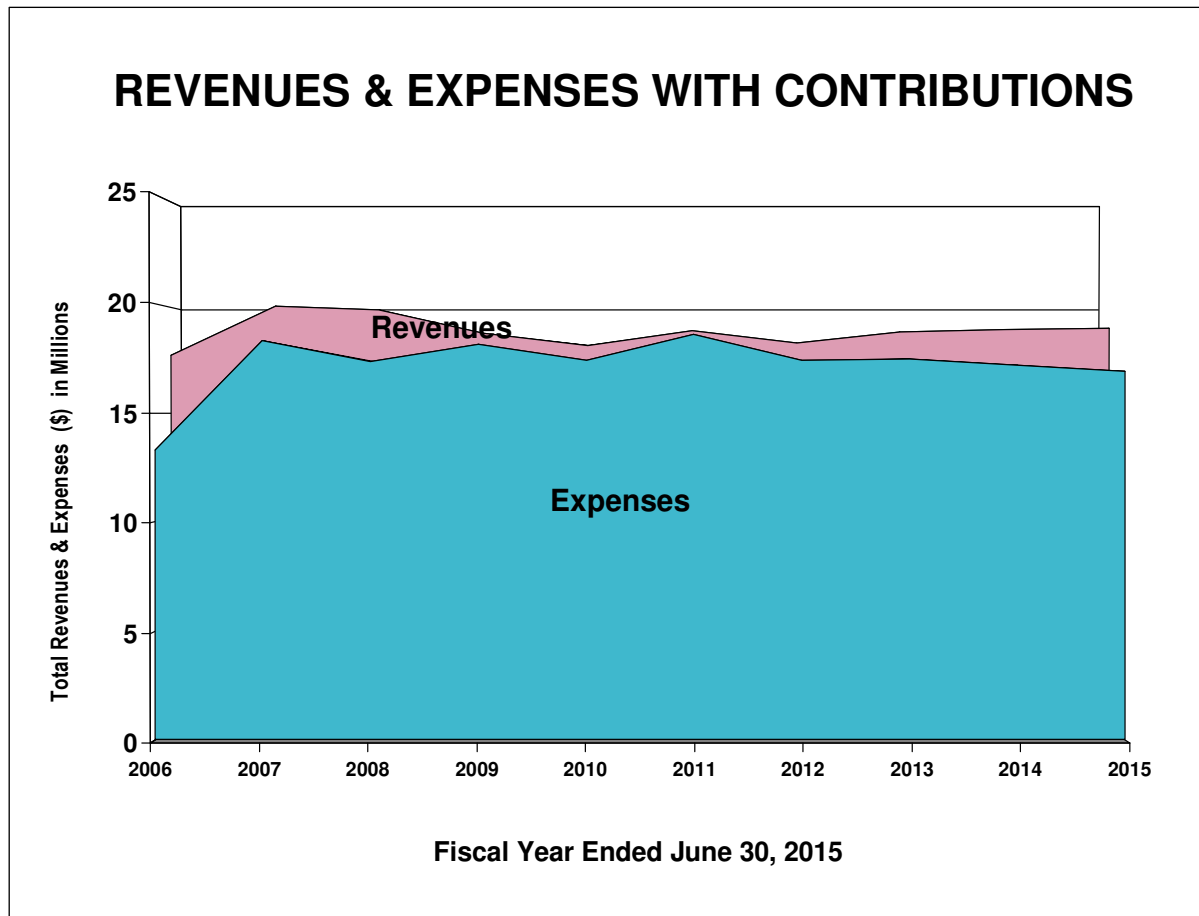
FINANCIAL TRENDS

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	
2015	\$18,979,747	\$16,921,335	\$2,058,412	\$1,076,699	\$ -	\$3,135,111
2014	18,944,945	17,195,227	1,749,718	135,600	637	1,885,955
2013	18,814,211	17,467,989	1,346,222	69,759	-	1,415,981
2012	18,305,709	17,409,737	895,972	112,127	-	1,008,099
2011	18,885,829	18,580,591	305,238	99,905	-	405,143
2010	18,214,645	17,379,995	834,650	49,953	-	884,603
2009	18,754,862	18,134,727	620,135	367,611	-	987,746
2008	19,862,126	17,371,992	2,490,134	1,198,135	103,525	3,791,794
2007	20,038,505	18,290,053	1,748,452	624,392	-	2,372,844
2006	17,718,340	13,317,517	4,400,823	1,665,947	-	6,066,770

GRAPH B



ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3

Statement of Revenues and Expenses & Changes in Net Position (2015 - 2011)

	2015	2014	2013	2012	2011
OPERATING REVENUES:					
District service charges	\$11,678,040	\$11,583,176	\$11,368,931	\$10,539,022	\$10,183,687
Agency treatment charges	2,190,362	2,206,459	2,341,562	2,356,508	2,113,496
Sanitary truck waste charges	56,454	48,815	44,614	34,119	33,369
Grease receiving facilities	142,005	120,927	113,397	100,964	47,248
Permits & inspection fees	170,994	126,143	105,122	105,501	118,649
Contract fees-Waste Mgmt	791,397	755,676	728,946	1,014,122	1,177,161
Recycling residential charges	2,295,385	2,286,977	2,285,768	2,285,609	2,281,257
Recycling commercial charges	102,060	87,783	71,686	96,011	99,721
Landfill fees-Measure D	329,606	327,570	342,132	322,360	337,996
Others	682,873	763,138	719,682	761,461	812,882
Total operating revenues	18,439,176	18,306,664	18,121,840	17,615,677	17,205,466
OPERATING EXPENSES:					
Engineering	698,221	712,859	694,142	585,037	756,806
Sewage collections	2,897,622	2,727,099	2,375,275	2,207,219	2,426,428
Sewage treatment operations	3,507,420	3,768,468	3,961,746	3,833,846	3,616,626
Sewage treatment maintenance	2,155,643	1,951,508	2,100,408	2,419,194	1,831,130
Sewage disposal-EBDA	684,638	645,786	682,807	696,967	638,715
Administration and general	1,332,934	1,206,450	1,405,494	1,215,432	1,320,909
Pension expense - GASB 68	(547,141)	-	-	-	-
OPEB expense and adjustments	(182,991)	-	-	-	-
Depreciation	3,329,414	3,179,437	3,133,447	2,993,361	3,134,347
Decrease in EBDA equity	89,455	95,162	92,055	104,088	98,084
Solid waste	305,189	296,535	330,769	395,554	397,390
Recycling	2,591,742	2,599,618	2,682,645	2,662,165	2,688,271
Total operating expenses	16,862,146	17,182,922	17,458,788	17,112,863	16,908,706
OPERATING INCOME (LOSS)	1,577,030	1,123,742	663,052	502,814	296,760
NON-OPERATING REVENUES:					
Investment income	216,318	217,367	194,227	157,237	190,115
Increase in the fair value of investments	-	53,279	19,345	(157,399)	-
Rents, leases & license fees	92,741	84,856	132,159	394,141	375,087
Castro Valley side fund reimbursement	-	-	-	-	297,151
Gain on disposal of capital assets	-	14,643	-	-	-
Recovery of uncollectible accounts	11,343	11,702	9,821	16,172	69,587
Other miscellaneous revenues	140,798	177,063	220,500	200,510	171,846
EBDA agreement and other refunds	79,371	79,371	79,371	79,371	79,371
Grant revenues	-	-	36,948	-	497,206
Total non-operating revenues	540,571	638,281	692,371	690,032	1,680,363
NON-OPERATING EXPENSES:					
Interest on bonds payable	-	-	-	-	-
CalPERS side fund contribution	-	-	-	-	1,640,762
Grant expenses	-	10,725	444	34,623	30,268
Decrease in the fair value of investments	58,326	-	-	-	-
Write-off plant & equipment	-	78	-	260,034	389
Write-off uncollectible accounts	863	1,502	8,757	2,217	466
Other miscellaneous expenses	-	-	-	-	-
Total non-operating expenses	59,189	12,305	9,201	296,874	1,671,885
INCOME BEFORE CONTRIBUTIONS	2,058,412	1,749,718	1,346,222	895,972	305,238
Connection fees	1,076,699	135,600	69,759	112,127	99,905
Sewer upsizing fees	-	-	-	-	-
Developers' contributions	-	-	-	-	-
CVSD contrib. for transferred vehicle	-	637	-	-	-
CHANGES IN NET POSITION	3,135,111	1,885,955	1,415,981	1,008,099	405,143
NET POSITION-BEGINNING	98,269,280	96,383,325	94,967,344	93,959,245	93,554,102
Prior period adjustment - GASB 68 pension adj	(10,768,191)	-	-	-	-
Prior period adjustment - OPEB adjustments	274,975	-	-	-	-
NET POSITION-ENDING	90,911,175	98,269,280	96,383,325	94,967,344	93,959,245

ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3 (continued)

Statement of Revenues and Expenses & Changes in Net Position (2010 - 2006)

	2010	2009	2008	2007	2006
OPERATING REVENUES:					
District service charges	\$10,120,561	\$10,098,745	\$10,739,082	\$10,651,466	\$9,202,424
Agency treatment charges	2,213,303	2,321,971	2,065,201	2,018,058	1,741,473
Sanitary truck waste charges	43,921	48,960	63,160	56,752	61,847
Grease receiving facilities	7,135	-	-	-	-
Permits & inspection fees	132,534	138,888	209,411	174,584	213,158
Contract fees-Waste Mgmt	1,231,477	1,249,130	1,205,948	1,198,607	1,142,866
Recycling residential charges	2,277,284	2,272,570	2,266,025	2,257,179	2,252,303
Recycling commercial charges	80,824	59,895	37,731	36,958	36,313
Landfill fees-Measure D	358,386	311,732	452,342	496,637	467,607
Others	753,313	828,072	848,235	672,065	695,383
Total operating revenues	17,218,738	17,329,963	17,887,135	17,562,306	15,813,374
OPERATING EXPENSES:					
Engineering	637,505	631,004	813,103	723,286	679,844
Sewage collections	2,350,901	2,880,750	2,076,666	1,667,692	1,348,268
Sewage treatment operations	4,405,258	4,262,868	4,470,520	3,761,510	3,024,097
Sewage treatment maintenance	1,846,305	1,895,607	1,705,618	1,903,645	1,461,440
Sewage disposal-EBDA	478,693	501,112	543,574	511,412	522,603
Administration and general	1,168,674	1,246,174	1,247,944	1,354,111	1,070,921
Pension expense - GASB 68	-	-	-	-	-
OPEB expense and adjustments	-	-	-	-	-
Depreciation	3,148,568	3,079,226	3,053,867	2,131,024	2,009,381
Decrease in EBDA equity	78,973	13,365	41,273	68,875	87,079
Solid waste	435,618	516,185	503,793	215,554	202,821
Residential recycling	2,657,699	2,656,868	2,601,130	2,567,667	2,593,569
Total operating expenses	17,208,194	17,683,159	17,057,488	14,904,776	13,000,023
OPERATING INCOME (LOSS)	10,544	(353,196)	829,647	2,657,530	2,813,351
NON-OPERATING REVENUES:					
Investment income	197,078	584,497	1,122,335	1,452,998	778,659
Increase in the fair value of investments	-	-	-	-	-
Rents, leases & license fees	382,120	364,982	395,427	565,367	564,132
Castro Valley side fund reimbursement	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Recovery of uncollectible accounts	-	-	-	-	-
Other miscellaneous revenues	203,125	232,112	316,738	313,146	405,621
EBDA agreement and other refunds	79,371	89,138	82,010	87,011	78,673
Grant revenues	134,213	154,170	58,481	57,677	77,881
Total non-operating revenues	995,907	1,424,899	1,974,991	2,476,199	1,904,966
NON-OPERATING EXPENSES:					
Interest on bonds payable	4,367	150,926	173,576	195,626	217,076
CalPERS side fund contribution	-	-	-	-	-
Grant expenses	19,240	244,863	48,988	56,114	32,550
Decrease in the fair value of investments	-	-	-	-	-
Write-off plant & equipment	-	8,837	51,020	92,303	33,934
Write-off uncollectible accounts	8,824	31,398	25,376	25,590	18,490
Other miscellaneous expenses	139,370	15,544	15,544	3,015,644	15,444
Total non-operating expenses	171,801	451,568	314,504	3,385,277	317,494
INCOME BEFORE CONTRIBUTIONS	834,650	620,135	2,490,134	1,748,452	4,400,823
Connection fees	49,953	367,611	1,198,135	455,873	1,459,278
Sewer upsizing fees	-	-	-	168,519	206,669
Developers' contributions	-	-	103,525	-	-
CVSD contrib. for transferred vehicle	-	-	-	-	-
CHANGES IN NET POSITION	884,603	987,746	3,791,794	2,372,844	6,066,770
NET POSITION-BEGINNING	92,669,499	91,681,753	87,889,959	85,517,115	79,450,345
Prior period adjustment - GASB 68 pension adj	-	-	-	-	-
Prior period adjustment - OPEB adjustments	-	-	-	-	-
NET POSITION-ENDING	93,554,102	92,669,499	91,681,753	87,889,959	85,517,115

ORO LOMA SANITARY DISTRICT

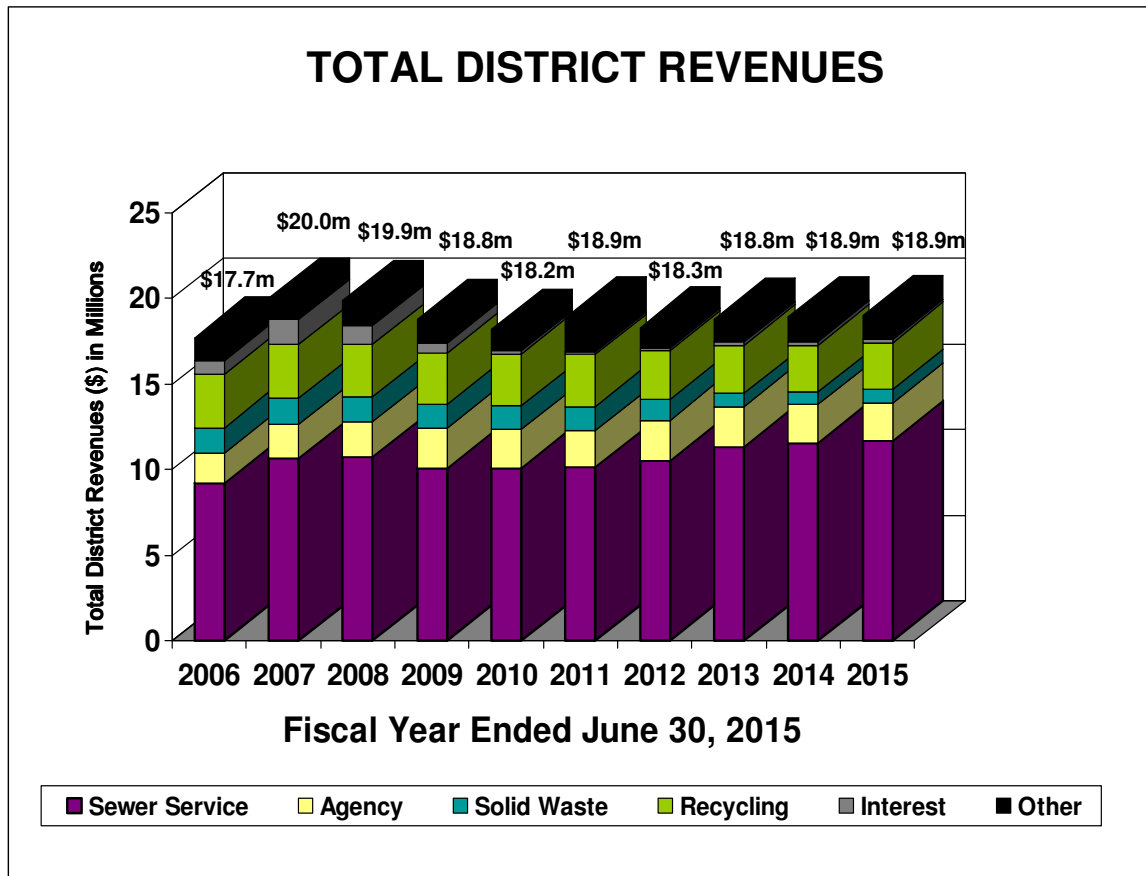
REVENUE CAPACITY

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 2015 Total	61.5%	11.5%	4.2%	14.5%	1.1%	7.1%	100.0%
2015	\$11,678,040	\$2,190,362	\$803,007	\$2,743,838	\$216,318	\$1,348,182	\$18,979,747
2014	11,583,176	2,206,459	767,501	2,721,425	217,367	1,449,017	18,944,945
2013	11,368,931	2,341,562	765,379	2,805,924	194,227	1,338,188	18,814,211
2012	10,539,022	2,356,508	1,199,728	2,869,376	157,237	1,183,838	18,305,709
2011	10,183,687	2,113,496	1,405,010	3,009,099	190,115	1,984,422	18,885,829
2010	10,120,561	2,213,303	1,390,374	3,039,228	197,078	1,254,101	18,214,645
2009	10,098,745	2,321,971	1,407,685	2,983,776	584,497	1,358,188	18,754,862
2008	10,739,082	2,065,201	1,469,998	3,024,376	1,122,335	1,441,134	19,862,126
2007	10,651,466	2,018,058	1,527,112	3,123,992	1,452,998	1,264,879	20,038,505
2006	9,202,424	1,741,473	1,523,589	3,109,515	778,659	1,362,680	17,718,340

GRAPH C



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

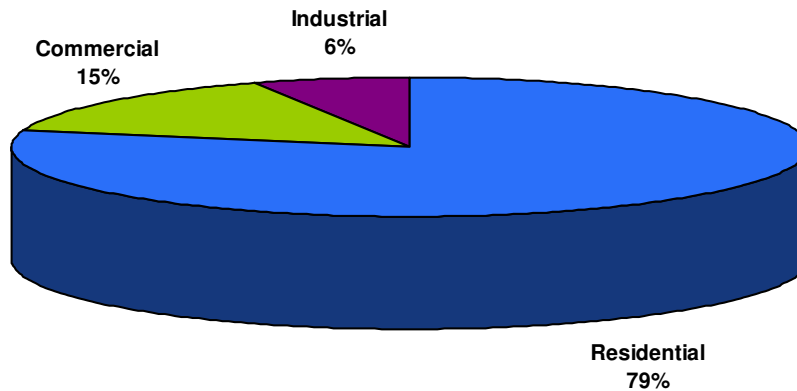
TABLE 5

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	
2015	\$9,223,995	79%	\$1,693,427	15%	\$760,619	6%	\$11,678,040
2014	8,959,561	77%	1,782,630	16%	840,985	7%	11,583,176
2013	8,677,340	76%	1,771,964	16%	919,627	8%	11,368,931
2012	8,394,231	80%	1,541,786	15%	603,005	5%	10,539,022
2011	8,163,543	80%	1,422,552	14%	597,591	6%	10,183,686
2010	8,148,938	81%	1,432,635	14%	538,988	5%	10,120,561
2009	8,146,161	81%	1,485,963	15%	466,621	4%	10,098,745
2008	8,588,078	80%	1,643,004	15%	508,000	5%	10,739,082
2007	8,547,142	80%	1,629,825	15%	474,499	5%	10,651,466
2006	7,493,077	81%	1,398,952	15%	310,395	4%	9,202,424

GRAPH D

SEWER SERVICE REVENUES BY CUSTOMER TYPE FY 2014-15



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 2001 to Present Ordinance 37 with Resolution #3536

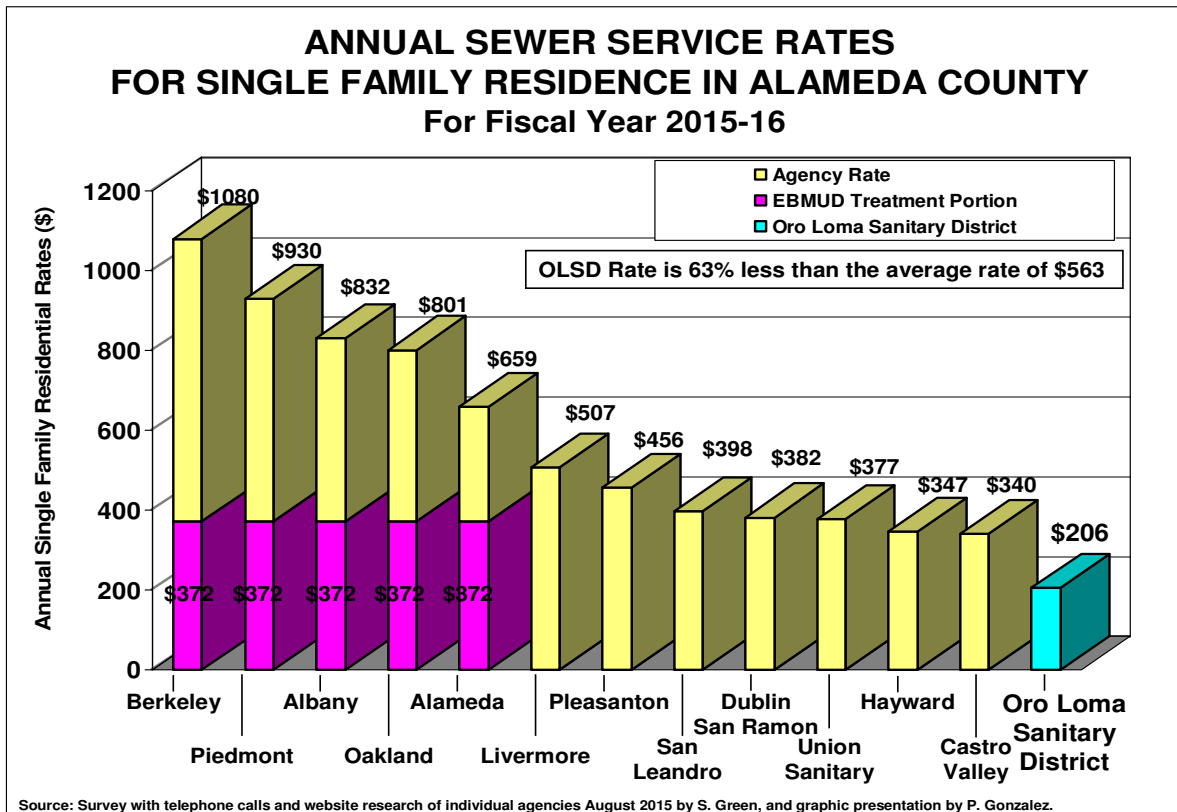
Fiscal Year Ended June 30	Ord. #	Residential						Commercial & Significant Industrial Users		Total Customer Base
		Single Family Dwellings		Apartment Units		Mobile Homes		# of customers	per 100 cf of water used	
		# of units	Annual Rate	# of units	Annual Rate	# of units	Annual Rate			
2015	R#3536	29,762	\$200.00	14,845	\$200.00	1,229	\$163.00	1,259	\$2.956	47,095
2014	R#3536	29,739	195.00	14,848	195.00	1,245	158.00	1,274	2.870	47,106
2013	R#3536	29,742	189.00	14,849	189.00	1,261	153.00	1,237	2.786	47,089
2012	37-27	29,696	183.00	14,773	183.00	1,311	149.00	1,162	2.705	46,942
2011	37-26	29,632	178.00	14,862	178.00	1,261	145.00	1,141	2.626	46,896
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

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 2014-15.

21.0% ← \$2,454,046 out of \$11,678,040 total sewer service revenues were derived from commercial (\$1,693,427) and industrial (\$760,619) customers

12.5% ← \$1,456,349 out of \$11,678,040 total sewer service revenues were derived from the twenty largest commercial and industrial customers

59.3% ← \$1,456,349 out of \$2,454,046 total commercial and industrial sewer service revenues were derived from the twenty largest commercial and industrial customers.

TABLE 7 **Twenty Largest Commercial Customers**

Source: 2014 East Bay Municipal Utility District water consumption and billing report and 2014 significant industrial users invoices.

Customer	Type of Business	Sewer Charges	% of Sewer Revenues
Santini Foods	Food manufacturing	\$ 425,281	3.6%
Ghirardelli Chocolate	Food manufacturing	173,027	1.5%
Madison Bayfair	Shopping mall	109,556	0.9%
The Hillshire Brands	Food manufacturing	106,624	0.9%
Hayward Area Recreation & Park District	Recreation and parks	102,572	0.9%
Fairmont Hospital Complex	Hospital, medical clinics and correctional facilities	95,850	0.8%
San Lorenzo Unified School District	School District	90,495	0.8%
County of Alameda General Services	Government services	82,917	0.7%
Hayward Unified School District	School district	52,621	0.5%
Greenhouse Marketplace	Retail businesses	42,226	0.4%
San Leandro Hospital (SLCO)	Hospital	29,778	0.3%
Budget Inn	Hotel	21,236	0.2%
Save Mart Supermarket	Grocery store	18,593	0.2%
Kaiser Foundation Health Plan	Medical clinics	16,444	0.1%
San Lorenzo Car Wash	Car Wash	15,474	0.1%
Launderworld	Laundromat	15,313	0.1%
Washington Manor Convalescent Hospital	Convalescent home	15,053	0.1%
Guadalajara Enterprises	Retail businesses	14,563	0.1%
Mercy Housing	Senior housing and assisted living	14,403	0.1%
Raybern Foods	Food manufacturing	14,323	0.1%
Total		\$ 1,456,349	12.5%

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

ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

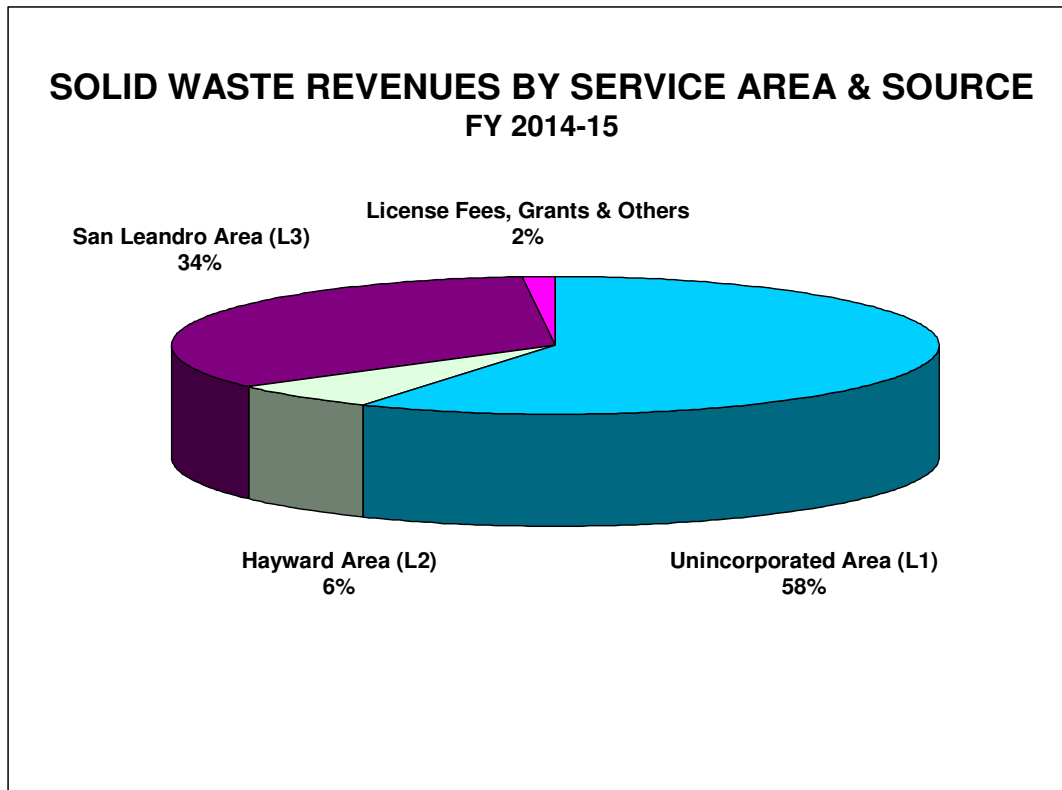
TABLE 8

Solid Waste Revenues by Service Area & Source

Fiscal Year Ended June 30	Unincorporated Area (L1)	Hayward Area (L2)	San Leandro Area (L3)	License Fees, Grants & Others	Total
2015	\$467,799	\$52,194	\$270,764	\$12,250	\$803,007
2014	442,829	49,122	263,393	12,157	767,501
2013	437,719	38,856	252,371	36,433	765,379
2012	612,959	56,455	344,708	185,606	1,199,728 *
2011	726,120	68,902	408,818	201,170	1,405,010
2010	751,591	65,919	413,967	158,897	1,390,374
2009	764,607	67,553	416,970	158,555	1,407,685
2008	735,235	65,217	405,496	264,050	1,469,998
2007	710,704	59,323	428,580	328,505	1,527,112
2006	673,211	46,283	423,372	380,723	1,523,589

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

GRAPH F



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

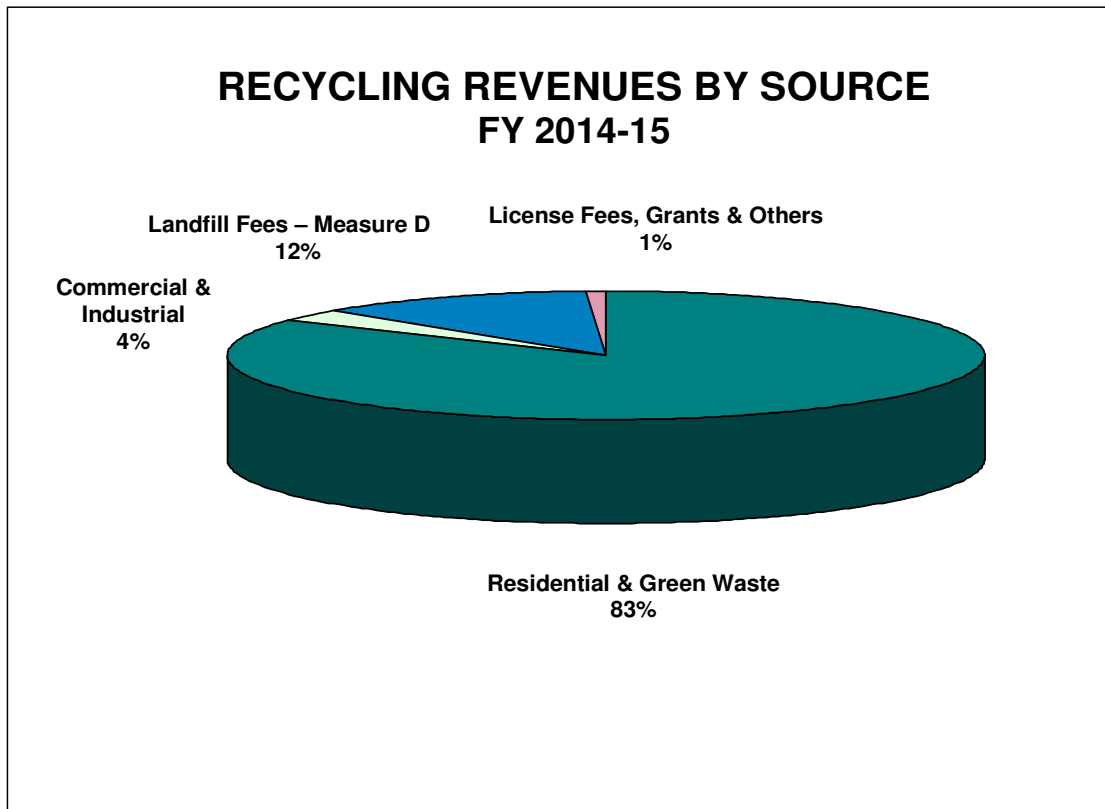
~ SIGNIFICANT SINGLE SOURCE REVENUES ~

TABLE 9

Recycling Revenues by Source

Fiscal Year Ended June 30	Recycling Charges		Landfill Fees Measure D	License Fees, Grants & Others	Total
	Residential & Green Waste	Commercial & Industrial			
2015	\$2,295,385	\$102,060	\$329,606	\$16,787	\$2,743,838
2014	2,286,977	87,783	327,570	19,095	2,721,425
2013	2,285,768	71,686	342,132	106,337	2,805,924
2012	2,285,609	96,011	322,360	165,396	2,869,376
2011	2,281,257	99,721	337,996	290,125	3,009,099
2010	2,277,284	80,824	358,386	322,734	3,039,228
2009	2,272,570	59,895	311,732	339,579	2,983,776
2008	2,266,025	37,731	452,342	268,278	3,024,376
2007	2,257,179	36,958	496,637	333,218	3,123,992
2006	2,252,303	36,313	467,607	353,292	3,109,515

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
2015	34-40	\$8.32	\$9.60	\$16.60	\$19.25	\$33.24	\$38.45	\$108.59	\$125.63	\$4.60	\$4.32	\$46.68	\$49.02
2014	34-39	8.02	9.25	15.99	18.55	32.02	37.04	104.63	121.01	4.60	4.32	44.98	47.23
2013	34-38	7.75	8.94	15.44	17.91	30.93	35.78	101.05	116.87	4.60	4.32	43.44	45.62
Sep 1, 2012	34-37	7.56	8.72	15.07	17.48	30.18	34.91	98.59	114.04	4.60	4.32	42.39	44.51
Jan 1, 2012	34-36	7.26	8.37	14.47	16.78	28.98	33.52	94.66	109.49	4.60	4.32	40.70	42.74
2011	34-35	6.31	7.17	12.58	14.38	25.20	28.72	81.93	93.41	4.60	4.32	35.25	36.46
2010	34-34	6.09	6.92	12.15	13.87	24.34	27.71	79.12	90.11	4.60	4.32	34.03	35.16
2009	34-33	5.98	6.80	11.94	13.62	23.91	27.22	77.72	88.49	4.60	4.32	33.45	34.54
2008	34-32	5.88	6.68	11.75	13.38	23.52	26.75	76.48	86.96	4.60	4.32	33.93	33.94
2007	34-31	5.70	6.48	11.40	12.97	22.81	25.94	74.18	84.31	4.60	4.32	32.91	-
2006	34-30	5.46	6.20	10.92	12.41	21.84	24.82	71.99	81.77	4.60	4.32	32.91	-
2005	34-29	5.25	5.25	10.50	10.50	21.00	21.00	69.28	-	4.60	4.32	-	-

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.

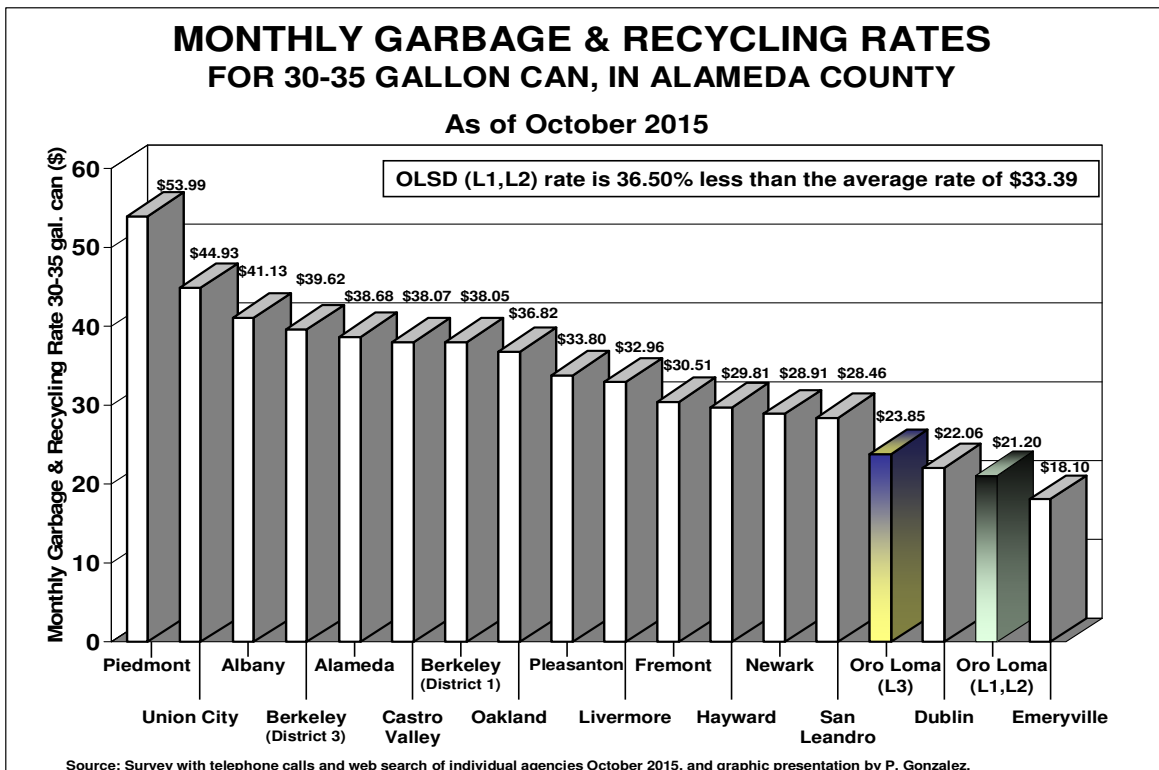
L3 is the area in the City of San Leandro within the District's boundaries, and receives both garbage and recycling services from the District.

* 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

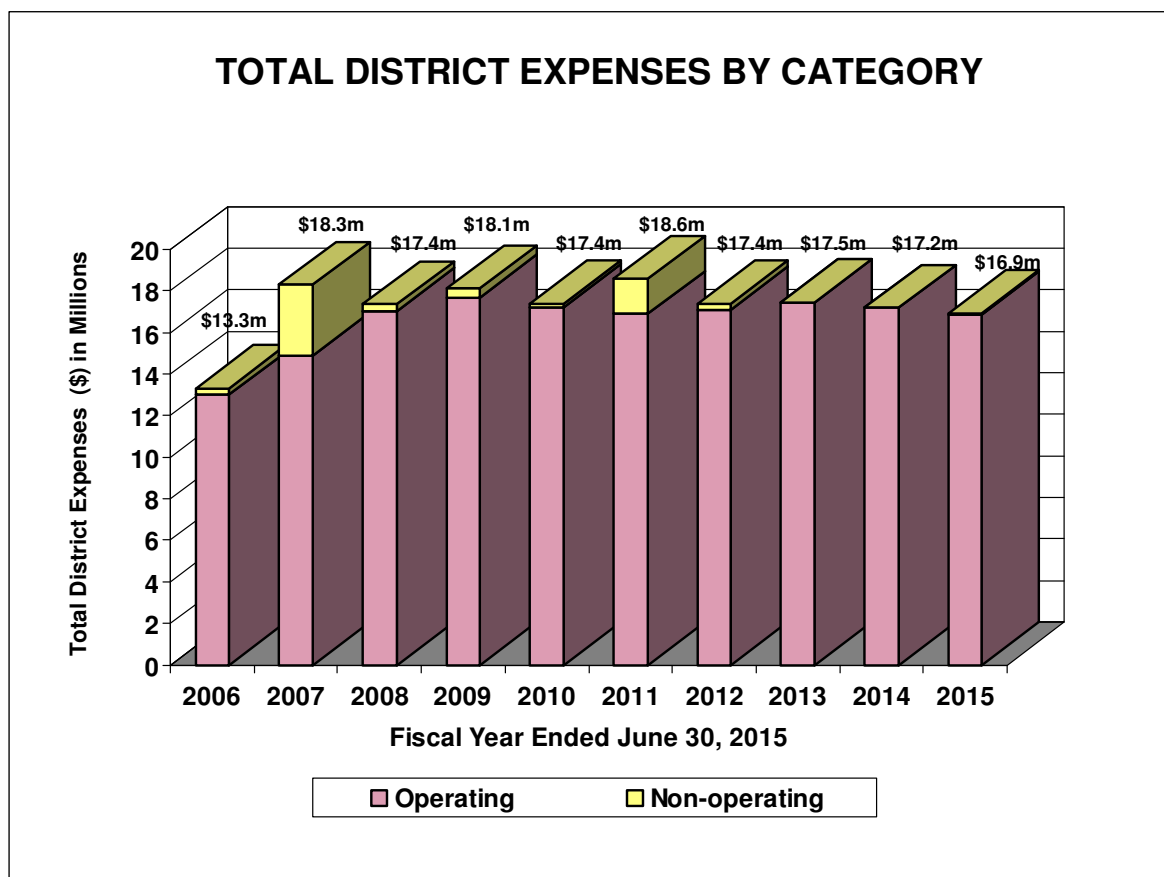
Total Expenses by Category

Fiscal Year Ended June 30	Operating Expenses	Non-operating Expenses	Total Expenses
2015	\$16,862,146	\$59,189	\$16,921,335
2014	17,182,922	12,305	17,195,227
2013	17,458,788	9,201	17,467,989
2012	17,112,863	296,874	17,409,737
2011	16,908,706	** 1,671,885	18,580,591
2010	17,208,194	171,801	17,379,995
2009	17,683,159	451,568	18,134,727
2008	17,057,488	314,504	17,371,992
2007	14,904,776	* 3,385,277	18,290,053
2006	13,000,023	317,494	13,317,517

* 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

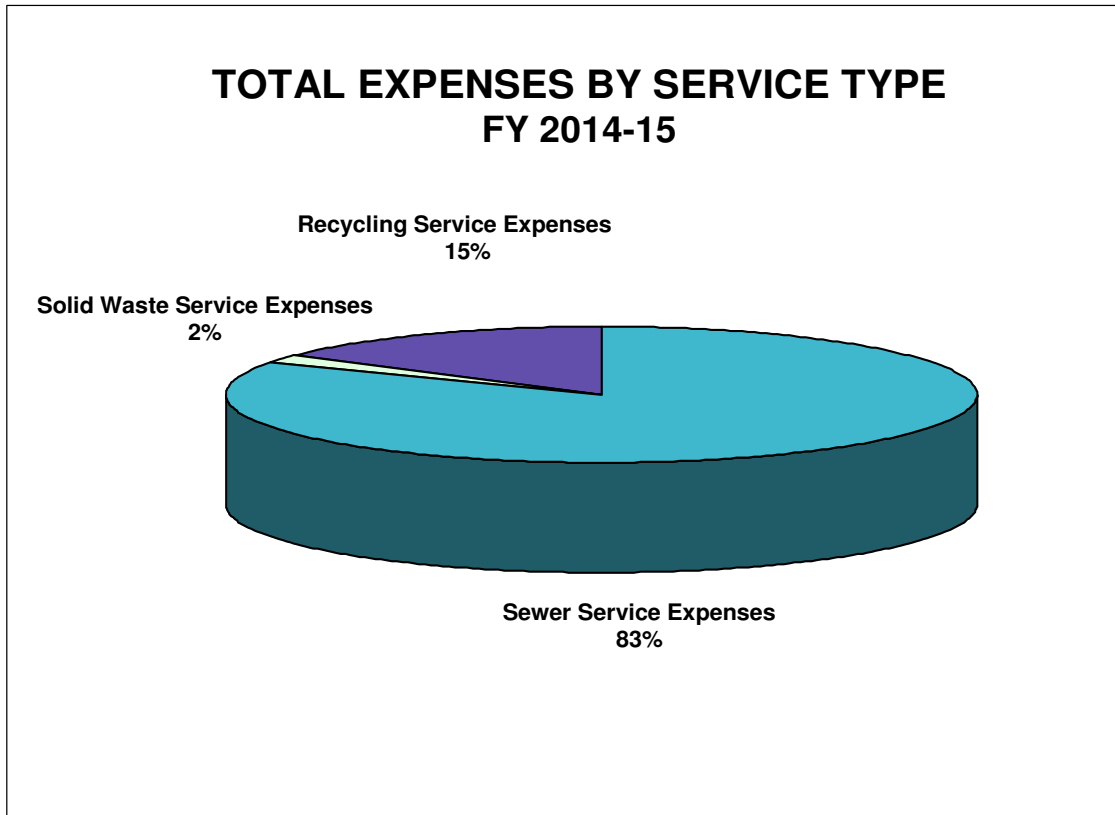
EXPENSES

TABLE 12

Total Expenses by Service Type

Fiscal Year Ended June 30	Sewer Service Expenses	Solid Waste Service Expenses	Recycling Service Expenses	Total Expenses
2015	\$14,023,541	\$306,052	\$2,591,742	\$16,921,335
2014	14,284,243	298,037	2,612,947	17,195,227
2013	14,450,627	331,429	2,685,933	17,467,989
2012	14,312,139	398,206	2,699,392	17,409,737
2011	15,461,512	397,825	2,721,254	18,580,591
2010	14,255,575	444,877	2,679,543	17,379,995
2009	14,682,373	548,018	2,904,336	18,134,727
2008	14,027,924	634,791	2,709,277	17,371,992
2007	15,119,251	441,981	2,728,821	18,290,053
2006	10,163,259	422,149	2,732,109	13,317,517

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		
2015	\$ 11,076,435,677	\$ 2,769,108,919	\$ 415,366,338	none	(\$600,000)	\$ 414,766,338	N/A
2014	10,370,178,948	2,592,544,737	388,881,711	none	(600,000)	388,281,711	N/A
2013	9,916,171,677	2,479,042,919	371,856,438	none	(600,000)	371,256,438	N/A
2012	9,816,257,873	2,454,064,468	368,109,670	none	(600,000)	367,509,670	N/A
2011	9,911,332,229	2,477,833,057	371,674,959	none	(600,000)	371,074,959	N/A
2010	10,103,791,583	2,525,947,896	378,892,184	none	(600,000)	378,292,184	N/A
2009	10,950,055,952	2,737,513,988	410,627,098	none	(600,000)	410,027,098	N/A
2008	10,619,419,639	2,654,854,910	398,228,237	none	(600,000)	397,628,237	N/A
2007	9,812,042,261	2,453,010,565	367,951,585	none	(600,000)	367,351,585	N/A
2006	8,827,106,088	2,206,776,522	331,016,478	none	(600,000)	330,416,478	N/A
2005	8,082,561,459	2,020,640,365	303,096,055	none	(600,000)	302,496,055	N/A

Sewer Revenue Refunding Bonds 2003

From Issue Year 2003 to Redemption in September 2009

TABLE 14

Ratio of Outstanding Debt to Number of Sewer Service Customers

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

TABLE 15

Debt Coverage Ratio

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

ORO LOMA SANITARY DISTRICT

DEMOGRAPHIC & ECONOMIC INFORMATION

~ DEMOGRAPHIC & ECONOMIC INDICATORS ~

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

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

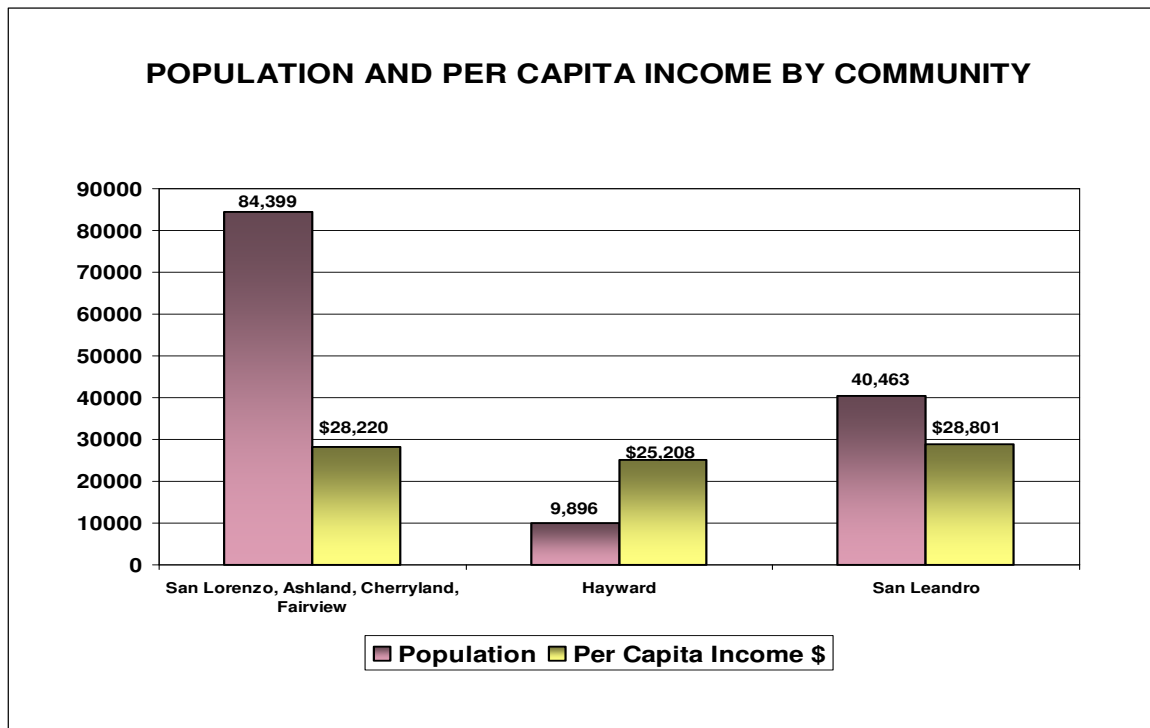
TABLE 16

Population, Per Capita Income & Unemployment Statistics

Source: U.S. Census Bureau 2009-2013; EDD Labor Market Information Division FY 2014-15

Indicator	Communities within the District's Boundaries Located in			All Areas
	San Lorenzo, Ashland, Cherryland, Fairview	Hayward	San Leandro	
Population	84,399	9,896	40,463	134,758
Per Capita Income	\$28,220	\$25,208	\$28,801	\$28,173
Unemployment rate	6.4%	7.3%	5.7%	6.3%

GRAPH K



ORO LOMA SANITARY DISTRICT

DEMOGRAPHIC & ECONOMIC INFORMATION

~ PRINCIPAL EMPLOYERS ~

TABLE 17

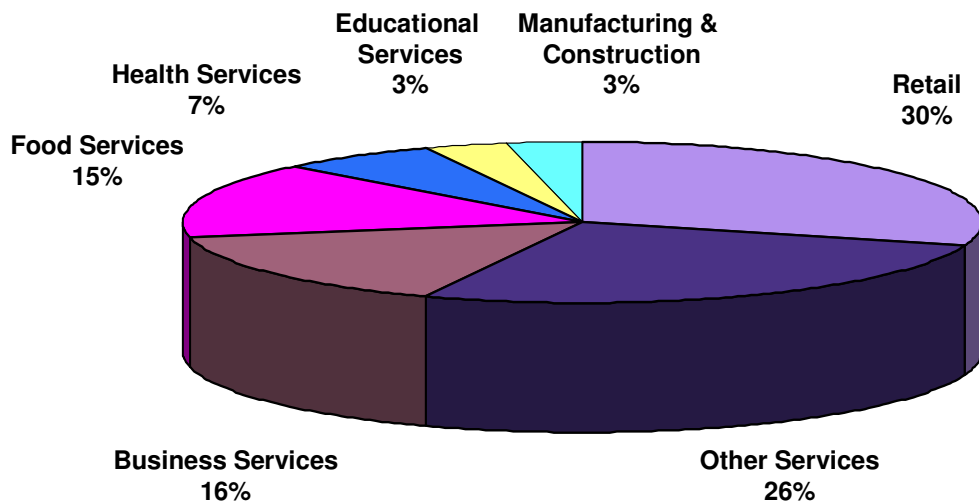
Major Employers Within the District

Source: City of San Leandro Budget 15-16 and CAFR 2014, and Buzzfile company information database.

Employer	Type of Business	Number of Employees
San Lorenzo Unified School District	School district	1205
Kaiser Foundation Health Plan	Medical clinics	1032
County of Alameda	Government services and hospital complex	886
Ghirardelli Chocolate	Food manufacturing	487
San Leandro Hospital	Hospital	460
Kraft	Food manufacturing	400
The Hillshire Brands	Food manufacturing	400
Tharco	Packaging materials manufacturing	350
Hayward Unified School District	School district	293
Target	Department store	255
Walmart (Store 5434)	Department store	206
Safeway	Grocery store	140

GRAPH L

MAJOR INDUSTRIES WITHIN THE DISTRICT FY 2014-15



Source: 2014 East Bay Municipal Utility District water consumption and billing report.

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

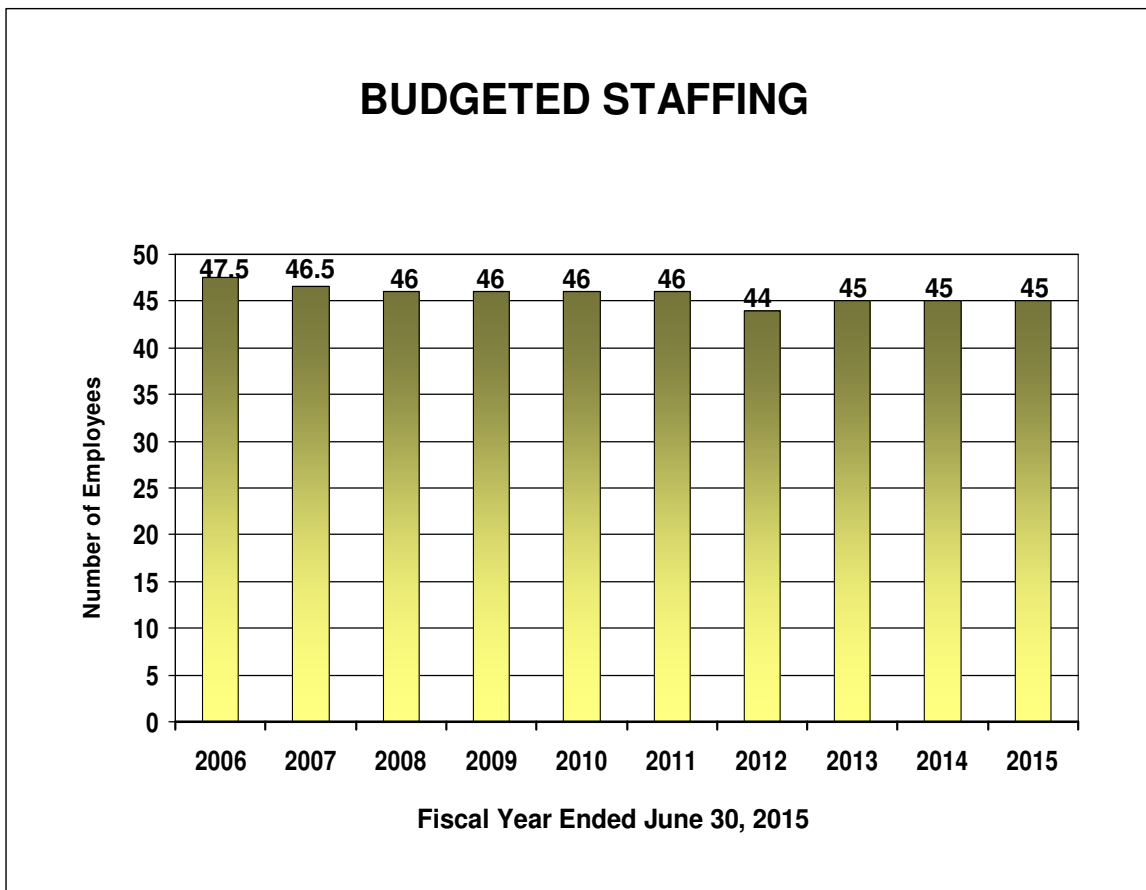
~ EMPLOYEE BASE ~

TABLE 18

Budgeted Staffing by Department

Fiscal Year Ended June 30	Engineering	Collections	Operations	Maintenance	Administration	Solid Waste	Total
2015	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2014	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2013	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2012	4.0	8.0	15.5	10.0	5.5	1.0	44.0
2011	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2010	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2009	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2008	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2007	7.0	7.0	16.0	10.0	5.5	1.0	46.5
2006	7.0	8.0	15.5	10.0	6.0	1.0	47.5

GRAPH M



ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ SERVICE INDICATORS ~

TABLE 19

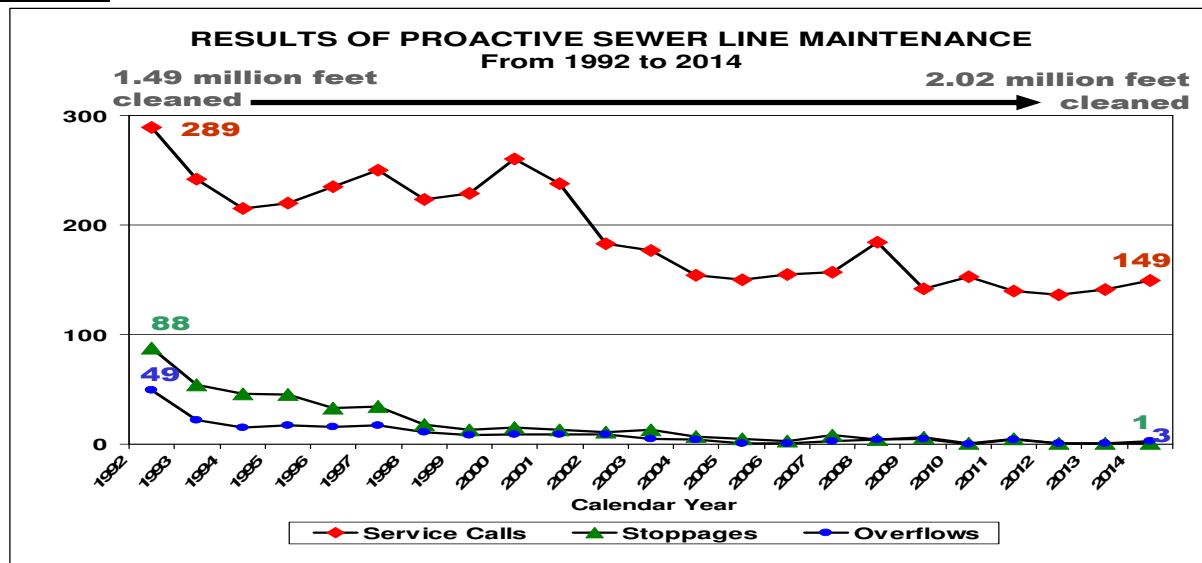
Proactive Sewer Line Maintenance and Results 1992-2014

Calendar Year	Total Cleaned & CCTV'd (ft)	Monthly Average (ft)	Service Calls	Stoppages	Overflows
2014	2,017,473	168,123	149	*1	3
2013	2,217,645	184,804	141	1	1
2012	2,103,762	175,314	136	1	1
2011	2,105,110	175,426	140	5	4
2010	2,200,451	183,371	153	1	-
2009	2,157,948	179,829	142	6	5
2008	2,170,078	180,840	*184	4	4
2007	2,092,457	174,371	157	8	3
2006	2,171,583	180,965	155	3	1
2005	2,189,737	182,478	150	5	1
2004	2,000,385	166,699	154	7	4
2003	2,092,140	174,345	177	13	5
2002	2,048,939	170,745	183	11	9
2001	2,084,782	173,732	238	13	9
2000	1,844,583	153,715	260	15	9
1999	2,126,747	177,229	229	13	8
1998	2,079,746	173,312	223	18	11
1997	1,362,872	113,573	250	34	17
1996	1,341,638	111,803	235	33	16
1995	1,084,987	90,416	220	45	17
1994	1,194,142	99,512	215	46	15
1993	1,405,929	117,161	242	54	22
1992	1,492,549	124,379	289	88	49

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

* 2014 - 2 overflows occurred on Blackstone Ct. Forcemain (no stoppage).

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
2015	35-14	164*	\$6,555	\$1,076,699	286	\$280	\$120,624
2014	35-14	21	6,555	135,600	257	280	75,691
2013	35-14	11	6,555	69,759	220	280	57,798
2012	35-14	17	6,555	112,127	173	280	52,186
2011	35-14	15	6,555	99,905	194	280	56,261
2010	35-14	8	6,555	49,953	233	280	66,708
2009	35-14	56	6,555	367,611	201	280	67,125
2008	35-13	183**	6,555	1,198,135	218	280	134,511
2007	35-12	63	7,261	455,873	196	225	97,208
2006	35-12	217***	6,739	1,459,278	203	225	124,675

* In 2015, two major housing developments contributed a total of \$900,944 in connection fees (140 connections).

** In 2008, 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.

*** In 2006, \$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
2014	14.47	12.4	9.3	3.2	25.8%	50.1	35.8	14.3	28.5%
2013	2.71	12.3	9.1	3.2	26.0%	16.9	12.0	4.9	29.0%
2012	12.23	13.9	10.1	3.8	27.3%	42.2	27.4	14.8	35.1%
2011	13.08	14.2	10.4	3.8	26.8%	43.3	28.3	15.2	35.1%
2010	21.14	14.7	10.7	4.0	27.2%	41.0	27.8	13.2	32.2%
2009	19.62	12.6	9.3	3.4	27.0%	31.4	20.4	11.0	35.0%
2008	17.37	12.3	8.9	3.3	26.8%	36.4	22.0	14.4	39.6%
2007	17.80	13.2	9.6	3.6	27.3%	28.6	20.3	10.2	35.7%
2006	11.17	16.9	12.2	4.7	27.8%	45.5	31.2	14.3	31.4%
2005	20.82	16.8	12.4	4.4	26.2%	56.1	37.3	18.8	33.5%

* 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
2014	4	98%	6	99%	496,260	35,634	94%
2013	5	98%	6	99%	541,967	36,158	94%
2012	4	98%	5	99%	520,182	Solar Powered	100%
2011	5	98%	5	99%	516,241	Solar Powered	100%
2010	12	94%	9	97%	489,411	52,832	90%
2009	9	96%	9	96%	497,001	42,437	92%
2008	8	97%	9	96%	469,268	113,648	81%
2007	8	97%	11	96%	458,642	179,342	72%
2006	12	93%	20	91%	446,084	108,394	80%
2005	13	94%	22	91%	462,676	81,944	85%

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

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

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

Solid Waste, Recycling & Green Waste Services

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

TABLE 23

Highlights of Solid Waste, Recycling & Green Waste Services

Routes for Garbage Pickups (per day, every week)	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 2014 (maximum 2 per single family or multiple with 4 units or less)	6,517
Other Services:	
<ul style="list-style-type: none"> Residential batteries and cell phone collection programs Single stream recycling services provided to all public schools in the District at no additional cost Recycling bins for classrooms provided to all public schools at no additional cost Recycling coordinator at WMAC dedicated to commercial and industrial customers Garbage service provided to all public schools in San Leandro at no additional cost Public Education funds budgeted to promote recycling and environmental awareness 	

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ CAPITAL ASSETS ~



TABLE 24

Sewage Treatment Facilities

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

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

Sewage Collection Facilities

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