



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



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2015

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ORO LOMA SANITARY DISTRICT

Comprehensive Annual Financial Report Year Ended June 30, 2016

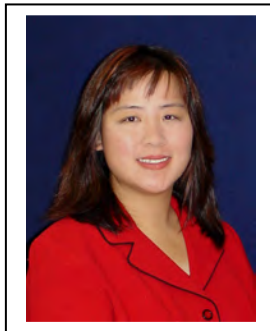
with Comparative Financial Statements for Year Ended June 30, 2015

Presented by:



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Prepared by the Finance Department:



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ORO LOMA SANITARY DISTRICT
Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2016
With Comparative Financial Statements for Year Ended June 30, 2015

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ORO LOMA SANITARY DISTRICT

December 15, 2016

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, 2016.

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, 2016. 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 is predominantly residential and has grown by merely 0.99% over the last 10 years. Sewage collection and treatment services are provided to 47,104 customers, comprised of: residential 45,857 units (97.35%), commercial and light industrial 1,243 units (2.64%), and, 4 significant industrial customers (0.01%). The population served within the District's boundaries is approximately 134,820.

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 flow of 12.2 million gallons of sewage is treated each day.
- The plant uses primary and secondary treatment processes to clean wastewater to protect human health and the environment. The treated 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 47,104 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 2010-2014 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, \$74,283 with 3.27 persons per household; for the City of San Leandro, \$64,279 with 2.77 persons per household; and, for the City of Hayward, \$62,691 with 3.20 persons per household. The region has shown significant recovery from the economic downturn which began in late 2008. The average unemployment rate in 2015-2016 was 5.3%, as compared to the record high at 9.1% in 2011. Median housing sale price in 2015-2016 was \$499,000, almost returning to its peak in June 2007 (\$537,000), and reflected a promising growth from its lowest level 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 1.1% annually; and, inflation adjusted per capita income is forecasted to increase by 1.4% 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 \$6.4 million per year are allocated to renewing the existing collection system and facilities. Other major long-range plans include building the Geographic Information System (GIS) into a central reference source for asset management and customer service, developing biosolids dewatering alternatives, rehabilitating the secondary clarifiers, and 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. In 2016, the Board approved a 5-year sewer rate plan, with 7.5% annual rate increases, 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, 2016, the District's cash and investments balance was \$21.7 million in a well diversified portfolio. Approximately \$7.2 million was in liquid assets. The remaining \$14.5 million was 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 are sufficient funds to meet identified needs. 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 30 miles of sewer pipelines in the next 10 years.

With increasing concern for the sustainability of public employees retirement benefits, the District has taken steps to move towards fully funding its pension liability within the next 10 years. After identifying an \$11.5 million liability in 2013, the District has paid down \$8.35 million above its current obligations. Current pension liabilities are estimated at \$4.69 million.

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 concern 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, 2016, the annual single family residential sewer rate of \$221 is 61% below the average of \$566 within the County.
- As of September 1, 2016, the monthly garbage and recycling rate for a 35-gallon container in unincorporated Alameda is \$21.64, 37% less than the average of \$34.37 within the County.
- The District won the 2011 California Water Environment Association (CWEA)'s Treatment Plant of the Year (5-20 mgd) at the San Francisco Bay Section level.
- The District achieved 554 days between April 2012 and October 2013, and 540 days between May 2015 and November 2016 without a sanitary sewer overflow, the longest periods 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 (CSRMA). The award recognizes excellent management in Safety, Health, Environmental, Liability, and Losses.
- The District won the 2013 CWEA 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 (WEF) George W. Burke Facility Safety Award.
- In March 2015, the District contributed \$6.35 million towards its unfunded pension liability, raising the funded status to 87.9% as of June 30, 2015. In 2016, an additional \$2 million above the required level of employer contribution was paid to further reduce the unfunded liability.
- The District awarded a construction contract to move forward on a multi-purpose project which includes construction of an 8-million gallon storage basin for wet weather equalization, combined with a horizontal levee for demonstration of wetland for dry weather flows. 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 anticipated cost is \$8.9 million, shared among the District (65%) and Castro Valley Sanitary District (35%), and funded partly by a \$1.9 million grant from the State of California. Construction began in April 2015 and is expected to be completed in FY 2016-17.

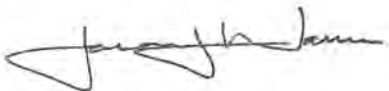
- The District won the 2015-16 CSRMA Workers' Compensation Excellence Award, and was recognized for its ergonomic assessments of plant and field operations, for focusing on back injury prevention, and for keeping policies up to date on an ongoing basis.
- The District was honored with the Government Finance Officers Association (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, 2015. This was the 21st 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, Director Roland Dias and Director Timothy Becker, and to the audit team of 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

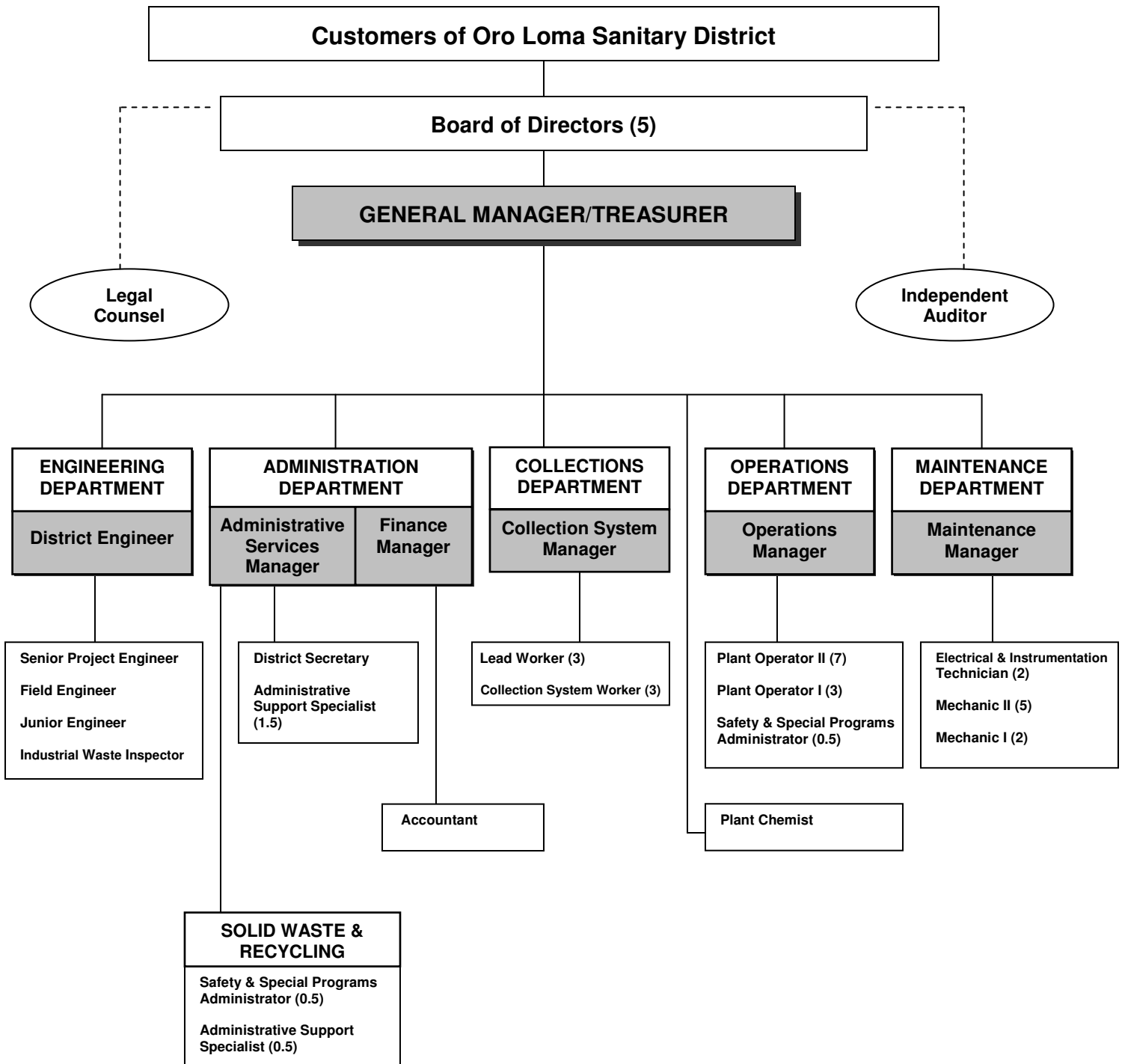
**Oro Loma Sanitary District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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.



Shelia Young, President

Term Expires 2018

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

Ms. Young is 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.



Dan Walters, Vice President

Term Expires 2020

Chairperson of Operations Committee, member of Solid Waste Committee, and alternate representative to ACWMA and EBDA.

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



Rita Duncan, Secretary

Term Expires 2018

Chairperson of Personnel/Safety/Public Information Committee, member of Operations Committee.

Ms. Duncan was the Director of Human Resources at a Bay Area manufacturing company. She was appointed to fill a Board vacancy in December 2015, and was elected in November 2016.



Timothy Becker, Director

Term Expires 2018

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

Mr. Becker has over 30 years of experience in the environmental services industry, and has been managing his own consulting business for over 10 years. He has been a member of the Board of Directors since 2007.



Roland Dias, Director

Term Expires 2020

Chairperson of Finance & Insurance Committee, member of Construction Committee..

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.

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 controls and reporting system, including budgeting, cash flow, investments, billings, payments, payroll, financial audits and compliance. Ensures that the District is meeting its fiduciary responsibilities. Assists other managers in budget monitoring and project costing.

COLLECTIONS



Lenny A. Rather, Collection System Manager (from 1997)

Manages the inspection, assessment, and maintenance of the sewer collection system. Performs regulatory reporting and maintains continuous emergency response. Ensures that exemplary customer service is provided when the crew performs sewer line work throughout District neighborhoods.

ORO LOMA SANITARY DISTRICT

MANAGEMENT TEAM

ENGINEERING



William D. Halsted, District Engineer (from 2009)

Manages the Engineering Department. Administers the Capital and Renewal & Replacement programs. Oversees the Geographic Information System (GIS) and Asset Management programs, issuance of permits for construction, repairs and annexations, reviews plans and specifications, and pretreatment compliance.

TREATMENT PLANT



Manuel Talledo-Garcia, Operations Manager (from 2012)

Manages continuous operations of the treatment plant and water reclamation facilities. Oversees processes for energy optimization, grease acceptance for digesters efficiency, and sludge dewatering. Maintains primary responsibility for regulatory compliance with the District's National Pollutant Discharge Elimination System (NPDES) permit.



Scott Von der Lieth, Maintenance Manager (from 2011)

Manages treatment facilities and equipment maintenance and provides support to the Operations and Collections Departments. Maintains efficient response to remote site pump station failures. Collaborates with the Engineering Department in various projects. Maintains primary responsibility for compliance with the Air Board's regulations.

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 an 800-acre 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
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California Sanitation Risk Management Authority

Safety, Health, Environment, Liability and Losses (SHELL) Award	FY 2012-13
Safety Superstar	FY 2006-07, 2009-10
Workers' Compensation Excellence Award	FY 2015-16

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)



The District received a \$44,094 rebate from PG&E for energy efficiency measures taken by the District with the Fine Bubble Aeration Project. The project was designed to reduce the power consumption of the treatment plant by replacing six 150-horsepower mechanical aerators with a 75-horsepower blower and fine bubble diffusers.

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, 2016, 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, 2016, 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.

Emphasis of a Matter

New Accounting Pronouncements

As discussed in Note 2 to the financial statements, the District adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective June 30, 2016. Our opinion is not modified with respect to these matters.

Other Matters

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, schedule of funding progress for the retiree health benefit plan, and any other schedules as listed in required supplementary information section of 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, combining schedules, statistical, budgetary comparison information, and any other supplemental information 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, descriptions of funds, stewardship 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 combining schedules and budgetary comparison information are the responsibility of management and were derived from and relate 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 combining schedules and budgetary comparison information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 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 UP

October 13, 2016
San Jose, California

MANAGEMENT DISCUSSION & ANALYSIS

SERVICE RECOGNITIONS

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

25 Years



Lenny Rather
Collection System Manager

15 Years



William Halsted
District Engineer



Anthony Monteiro
Electrical & Instrumentation
Technician



Gustav Schier
Mechanic II

10 Years



Jason Warner
General Manager/Treasurer

5 Years



Jimmy Dang
Senior Project Engineer

ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 its operations, sets policies, establishes fees, and ensures that its mission in serving the public is achieved.

This 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, 2016. 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, 2016

- The ending net position as of June 30, 2016 was \$93,777,464, reflecting an increase of \$2,866,289 (3.2%) from the prior year net position of \$90,911,175. Prior period pension-related adjustments of \$192,869 were made to the net position, pertaining to GASB Statement No. 68 requirements. The net result was an adjusted beginning net position of \$91,104,044 for FY 2015-16.
- Total assets were \$100,346,093, reflecting a increase of \$2,341,393 (2.4%) from the prior year (\$98,004,700). Cash and cash equivalents increased by \$3,984,243 partly due to \$2.5 million in matured securities being held for reinvestment. This was combined with increases in capital assets and accumulated depreciation, work in progress, and OPEB asset, and, decreases in accounts receivable and investment in East Bay Dischargers Authority (EBDA).
- Total liabilities were \$7,460,749, reflecting an decrease of \$3,479,374 (31.8%) from the prior year (\$10,940,123). Increases in accounts payable were offset by decreases in other benefits set aside for day-to-day payments of post-employment benefits. The net pension liability decreased 41.8% from \$8,249,005 last year to \$4,797,739. This amount represents the District's proportionate share of CalPERS' Miscellaneous risk pool for the June 30, 2015 measurement date.
- Deferred outflows of resources decreased 19.9% from \$7,131,734 to \$5,714,923, while deferred inflows of resources increased 46.8% from \$3,285,136 to \$4,822,803. 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, 2016**

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 inflows of resources. It also provides a basis for evaluating liquidity, financial flexibility, and the capital structure.
- 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 resources have been successfully recovered 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

Total net position increased by \$2,866,289 (3.2%) during 2016. This was a combined result of a net prior period adjustment of \$192,869 and current year's increase in net position of \$2,673,420. These changes are reflected in the following table.

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

Period Ended June 30	2016	2015	Change in 2016		2014	Change in 2015	
			\$	%		\$	%
Current and other assets	30,169,331	29,280,127	889,204	3.0%	34,832,988	(5,552,861)	-15.9%
Capital assets	70,176,762	68,724,573	1,452,189	2.1%	66,742,699	1,981,874	3.0%
Total assets	<u>100,346,093</u>	<u>98,004,700</u>	<u>2,341,393</u>	<u>2.4%</u>	<u>101,575,687</u>	<u>(3,570,987)</u>	<u>-3.5%</u>
Deferred outflows of resources	<u>5,714,923</u>	<u>7,131,734</u>	<u>(1,416,811)</u>	<u>-19.9%</u>	<u>-</u>	<u>7,131,734</u>	<u>100%</u>
Current liabilities	2,361,614	2,011,637	349,977	17.4%	2,395,438	(383,801)	-16.0%
Non-current liabilities	5,099,135	8,928,486	(3,829,351)	-42.9%	910,969	8,017,517	880.1%
Total liabilities	<u>7,460,749</u>	<u>10,940,123</u>	<u>(3,479,374)</u>	<u>-31.8%</u>	<u>3,306,407</u>	<u>7,633,716</u>	<u>230.9%</u>
Deferred inflows of resources	<u>4,822,803</u>	<u>3,285,136</u>	<u>1,537,667</u>	<u>46.8%</u>	<u>-</u>	<u>3,285,136</u>	<u>100.0%</u>
Net position							
Net investment in capital assets	70,176,762	68,724,573	1,452,189	2.1%	66,742,699	1,981,874	3.0%
Unrestricted	23,600,702	22,186,602	1,414,100	6.4%	31,526,581	(9,339,979)	-29.6%
Total net position	<u>93,777,464</u>	<u>90,911,175</u>	<u>2,866,289</u>	<u>3.2%</u>	<u>98,269,280</u>	<u>(7,358,105)</u>	<u>-7.5%</u>

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

This ending net position of \$93,777,464 is made up of the following components:

- \$70,176,762 – 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 the District (75%) and Castro Valley Sanitary District (CVSD) (25%). Under a long-term agreement, CVSD reimburses the District and capitalizes its share of capital assets on its own financial records. Assets that do not pertain to the operations and maintenance of the water pollution control plant are fully owned by the District.
- \$23,600,702 – Unrestricted category. This amount is comprised of:
 - \$6,331,498 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. Sewer service 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 capital improvement programs.
 - \$500,000 reserved for self-insurance and catastrophic events. The deductible is \$250,000 per occurrence.
 - \$8,366,704 Unreserved/unrestricted net position

ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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

Period Ended June 30	2016	2015	Change (\$)	Change (%)	2014	Change (\$)	Change (%)
Operating revenues							
District service charges	\$11,949,883	\$11,678,040	\$271,843	2.3%	\$11,583,176	\$94,864	0.8%
Agency treatment charges	2,430,769	2,190,362	240,407	11.0%	2,206,459	(16,097)	-0.7%
Permits and inspection fees	162,898	170,994	(8,096)	-4.7%	126,143	44,851	35.6%
Sanitary truck waste charges	90,621	56,454	34,167	60.5%	48,815	7,639	15.6%
Grease receiving charges	158,967	142,005	16,962	11.9%	120,927	21,078	17.4%
Grit receiving charges	4,860	-	4,860	100.0%	-	-	0.0%
Contract fees	937,750	791,397	146,353	18.5%	755,676	35,721	4.7%
Recycling charges-residential/green waste	2,306,542	2,295,385	11,157	0.5%	2,286,977	8,408	0.4%
Recycling charges-commercial/industrial	110,721	102,060	8,661	8.5%	87,783	14,277	16.3%
Landfills fees-Measure D	319,719	329,606	(9,887)	-3.0%	327,570	2,036	0.6%
Others	586,197	682,873	(96,676)	-14.2%	763,138	(80,265)	-10.5%
Total operating revenues	19,058,927	18,439,176	619,751	3.4%	18,306,664	132,512	0.7%
Operating expenses							
Engineering	684,704	698,221	(13,517)	-1.9%	712,859	(14,638)	-2.1%
Sewage collections	2,637,991	2,897,622	(259,631)	-9.0%	2,727,099	170,523	6.3%
Sewage treatment operations	3,483,009	3,507,420	(24,411)	-0.7%	3,768,468	(261,048)	-6.9%
Sewage treatment maintenance	2,498,881	2,155,643	343,238	15.9%	1,951,508	204,135	10.5%
Sewage disposal - EBDA	779,476	684,638	94,838	13.9%	645,786	38,852	6.0%
Administration and general	1,256,629	1,332,934	(76,305)	-5.7%	1,206,450	126,484	10.5%
Pension expense - GASB 68	1,192,396	(547,141)	1,739,537	317.9%	-	(547,141)	-100.0%
OPEB expense and adjustments	(315,916)	(182,991)	(132,925)	-72.6%	-	(182,991)	-100.0%
Depreciation	3,351,201	3,329,414	21,787	0.7%	3,179,437	149,977	4.7%
Decrease in carrying value of EBDA	165,735	89,455	76,280	85.3%	95,162	(5,707)	-6.0%
Solid waste	306,213	305,189	1,024	0.3%	296,535	8,654	2.9%
Recycling-residential and commercial	2,574,922	2,591,742	(16,820)	-0.6%	2,599,618	(7,876)	-0.3%
Total operating expenses	18,615,241	16,862,146	1,753,095	10.4%	17,182,922	(320,776)	-1.9%
Operating income (loss)	443,686	1,577,030	(1,133,344)	-71.9%	1,123,742	453,288	40.3%
Non-operating revenues							
Investment income	128,479	216,318	(87,839)	-40.6%	217,367	(1,049)	-0.5%
Increase in the fair value of investments	86,020	-	86,020	100.0%	53,279	(53,279)	-100.0%
Rents, leases and personal license fees	79,956	92,741	(12,785)	-13.8%	84,856	7,885	9.3%
Gain on disposal of capital assets	-	-	-	0.0%	14,643	(14,643)	-100.0%
Recovery of uncollectible accounts	17,203	11,343	5,860	51.7%	11,702	(359)	-3.1%
Other miscellaneous revenues	339,028	140,798	198,230	140.8%	177,063	(36,265)	-20.5%
EBDA and other agreement refunds	79,371	79,371	-	0.0%	79,371	-	0.0%
Total non-operating revenues	730,057	540,571	189,486	35.1%	638,281	(97,710)	-15.3%
Non-operating expenses							
Grant expenses	-	-	-	0.0%	10,725	(10,725)	-100.0%
Decrease in the fair value of investments	-	58,326	(58,326)	-100.0%	-	58,326	100.0%
Write-offs	1,515	863	652	75.6%	1,580	(717)	-45.4%
Total non-operating expenses	1,515	59,189	(57,674)	-97.4%	12,305	46,884	381.0%
Income before contributions and transfers	1,172,228	2,058,412	(886,184)	-43.1%	1,749,718	308,694	17.6%
Connection fees and other contributions	298,612	1,076,699	(778,087)	-72.3%	136,237	940,462	690.3%
Capital Grants	1,202,580	-	1,202,580	100.0%	-	-	0.0%
Change in net position	2,673,420	3,135,111	(461,691)	-14.7%	1,885,955	1,249,156	66.2%
Net position – beginning, as reported	90,911,175	98,269,280	(7,358,105)	-7.5%	96,383,325	1,885,955	2.0%
Prior period adjustment-GASB 68 pension	192,869	(10,768,191)	10,961,060	101.8%	-	(10,768,191)	-100.0%
Prior period adjustment-OPEB	-	274,975	(274,975)	-100.0%	-	274,975	100.0%
Net position – beginning, as adjusted	\$91,104,044	\$87,776,064	\$3,327,980	3.8%	\$96,383,325	(\$8,607,261)	-8.9%
Net position – ending	\$93,777,464	90,911,175	\$2,866,289	3.2%	\$98,269,280	(\$7,358,105)	-7.5%

ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

As presented in Table 2:

Total Operating Revenues \$19.1 million (2016) and \$18.4 million (2015) – Operating revenues increased by \$619,751 (3.4%) in 2016 and \$132,512 (0.7%) in 2015. This was mainly due to changes in revenues in the following categories:

- **District sewer service charges** increased by \$271,843 (2.3%) in 2016 and \$94,864 (0.8%) in 2015. In 2016, a 3% sewer rate increase was implemented. This was the last increase within a five-year rate plan. The \$279,369 growth in residential sewer revenues was partly offset by a \$99,039 (5.8%) decrease in commercial sewer revenues, which were based on water consumption and continually impacted by the drought in the area. Revenues from significant industrial customers increased by \$138,481 (18.5%), a recovery from last year's decrease of \$83,334 (10.0%). Sewer service charges from new permits decreased by \$24,314 (71.9%), reflecting a return to its normal level, as compared to last year's spike of \$29,311 (over 600%) attributed to new residential developments in 2015.
- **Agency treatment charges** increased by \$240,407 (11.0%) in 2016 and decreased by \$16,097 (0.7%) in 2015. Of the 2016 increase, \$192,550 was from operations and maintenance (O&M) and renewal and replacement (R&R) charges to CVSD, billed based on its contribution of sewage flow to the treatment plant. Revenues from the City of Hayward increased by \$41,971 (36.2%), a portion of which was additional revenues assessed from the prior year. Charges to other agencies, City of San Leandro and EBDA, reflect modest increase from 2015.
- **Permits and inspection fees** decreased by \$8,096 (4.7%) in 2016. The \$14,888 (12.3%) decrease in engineering permit fees reflected an ease in pace in new construction activities compared to last year. In 2015, the number of engineering permits issued increased by almost 10% from 2014, in addition to \$16,768 in plan check and inspection revenues being recognized from tract deposits. Increase in 2016 industrial permits (\$6,792) partly offset the above decrease.
- **Sanitary truck waste** increased by \$34,167 (60.5%) as a result of an acquisition of Ajax Portable Service by United Site Services, which has a larger customer base for potable toilet services.
- **Rents and leases** decreased by \$12,785 (13.8%) due to the discontinuance of yard rental by a contractor in 2016.
- **Contract fees** increased by \$146,353 (18.5%) in 2016 and \$35,721 (4.7%) in 2015. The District provides solid waste services to its customers under an agreement with Waste Management of Alameda County (WMAC). The 2016 growth was a combination of two factors. First, a 1% increase (from 5% to 6%) was adopted in franchise fees from WMAC's garbage revenues. Secondly, the contracted garbage rates went up in September 2015 based on the weighted average of the CPI and WMAC's teamsters wage and benefit increases. The garbage rate increases were 2.63% in 2016 and 3.54% in 2015.
- **All remaining operating revenue categories** for 2016 and 2015 showed various fluctuations. Grease receiving charges increased by \$16,962 (11.9%) in 2016 and \$21,078 (17.4%) in 2015. Commercial and industrial recycling charges increased by \$11,157 (0.5%) in 2016 and \$14,277 (16.3%) in 2015 as a result of higher commercial recycling volume. Landfill fees - Measure D decreased by \$9,887 (3.0%) in 2016 and \$14,562 (4.3%) in 2015 as a result of less garbage being sent to the landfills.

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Total Operating Expenses \$18.6 million (2016) and \$16.9 million (2015) – Operating expenses increased by \$1,753,095 (10.4%) in 2016 and \$320,776 (1.9%) in 2015, and experienced significantly impact from the implementation of GASB Statement No. 68. In 2016, \$1,192,396 in pension expense was recognized, and \$496,315 in current year employer pension contributions was deferred to the next year. In 2015, \$676,848 in employer pension contributions was deferred, and a negative pension expense of \$547,141 was recognized. These amounts were calculated based on CalPERS' valuation report for the measurement dates of June 30, 2015 and 2014. In addition, the District recorded an OPEB asset of \$773,882 in 2016, an increase from \$457,966 in 2015, resulting in a negative OPEB expense of \$315,916 in 2016. For year to year comparison purposes, excluding the effects of pension and OPEB adjustments, net operating expenses were \$34,050 (0.2%) lower than in 2015. Due to the \$6.35 million pay down in pension liability in March 2015, the District recognized almost half a million in savings in its required employer's contributions for 2016. Overall decrease in employee benefits from 2015 to 2016 was \$270,339 (12.6%). This decrease was offset by several other factors such as a \$252,058 (13.6%) increase in Renewal & Replacement projects being performed this year; and a \$97,158 reduction in election expense due to the non-election year. Furthermore, a \$89,251 (2.7%) savings in contractual services resulted largely from an operational change in sludge drying and full catch-up of sludge hauling in 2015. Other offsetting increases include \$74,193 in operating supplies, repairs and maintenance (7.4%), \$21,787 in depreciation (0.7%), and \$76,280 in the of the carrying value of EBDA (85.3%).

Total Non-operating Revenues \$0.73 million (2016) and \$0.54 million (2015) – Non-operating revenues increased by \$189,486 (35.1%) in 2016 and decreased by \$97,710 (15.3%) in 2015. In 2016, investment income dropped by \$87,839 (40.6%) with a decreasing investment portfolio due to capital spending and a \$1 million pension pay down in March 2016. This decrease was offset by a \$86,020 increase in fair value of investments resulting from improving market conditions.

Total Non-operating Expenses \$1,515 (2016) and \$59,189 (2015) – Non-operating expenses decreased by \$57,674 (97.4%) in 2016 due to the fair value of investments changing from a \$58,326 unrealized loss in 2015 to a \$86,020 unrealized gain (classified as non-operating revenue) in 2016.

Capital Assets

On June 30, 2016, the District had \$70,176,762 (net of accumulated depreciation) invested in a broad range of capital assets, as compared to \$68,724,573 in 2015. 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 2016, several major projects were finished and added to the capital asset inventory, including the completion of nearly 3 miles of sewer pipeline replacements for \$2.2 million, installation of a \$125,796 valve vault at Wickman lift station, modification of part of the aerator system to fine bubble technology for \$494,562, and the upgrade of the SCADA network system for \$427,968. Ongoing work includes finishing other pipeline replacement projects, 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 \$8.9 million, which was funded partly by a State grant of \$1.9 million.

The annual comparison of capital assets is shown in Table 3, reflecting a \$4,781,058 (3.6%) increase in 2016 and \$5,112,682 (4.0%) increase in 2015. Assets are recorded at cost and depreciated over their useful lives.

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

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

Period Ended June 30	2016	2015	2014
Land	\$ 846,034	\$ 846,034	\$ 846,034
Construction in progress	6,279,801	4,724,765	6,352,012
Subsurface lines	59,547,118	57,339,635	57,154,775
Engineering	40,825	40,825	50,815
Collections	6,977,734	6,811,255	6,762,222
Operations	55,755,300	54,958,325	48,535,435
Maintenance	3,480,675	3,403,258	3,322,410
Administration	1,860,614	1,882,946	1,868,189
District vehicles	2,189,491	2,189,491	2,189,491
Subtotal – Sewer Services	129,851,757	126,625,735	119,883,337
Subtotal – Solid Waste	2,177	2,177	2,177
Subtotal – Recycling	26,045	26,045	28,514
Total capital assets	\$ 137,005,814	\$ 132,224,756	\$ 127,112,074
Increase (decrease) over prior year	\$ 4,781,058	\$ 5,112,682	\$ 7,705,491

Table 4 summarizes the changes in capital assets, net of accumulated depreciation. The net increase in capital assets was \$1,452,189 (2.1%) in 2016 and \$1,981,874 (3.0%) in 2015. 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	2016	2015	2014
Balance at beginning of year	\$ 132,224,756	\$ 127,112,074	\$ 119,406,583
Additions	7,262,365	11,066,066	10,437,923
Retirements, write-offs and transfers	(2,481,307)	(5,953,384)	(2,732,432)
Total capital assets	137,005,814	132,224,756	127,112,074
Accumulated depreciation at beginning of year	(63,500,183)	(60,369,375)	(58,071,689)
Depreciation - retired assets	22,332	198,606	881,751
Annual depreciation	(3,351,201)	(3,329,414)	(3,179,437)
Accumulated depreciation at end of year	(66,829,052)	(63,500,183)	(60,369,375)
Capital assets at end of year, net of depreciation	\$ 70,176,762	\$ 68,724,573	\$ 66,742,699
Increase (decrease) over prior year	\$ 1,452,189	\$ 1,981,874	\$ 5,407,805

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Debt Administration

The outstanding bonds in the amount of \$3,389,904 were redeemed in August 2009. The District has been debt free ever since.

Economic Factors & Decisions for the Future

With the mission 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 charge in Alameda County, and one of the lowest in the State of California. The single family residential sewer service charge for FY 2015-16 was \$206, or 63% less than the average rate of \$563 in Alameda County.

The District took initiative in March 2015 to pay down \$6.35 million of its \$11.5 million unfunded pension liability, and additionally, a total of \$2 million in March and July 2016. Capital projects have long been funded by using existing cash reserves. As a result, in 2015, cash on hand reached below \$20 million for the first time since 1994. The Board closely examined a cash flow projection in April 2016, and approved a 5-year, 7.5% annual rate increase to rebuild cash reserves for meeting future needs. The single family residential charge effective July 1, 2016 is \$221, and will progress towards \$296 in five years.

In 2015, the Ten-Year Strategic Plan was updated, which clarifies the mission statement and establishes a clear vision of commitment to continual improvements. Its purpose is 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 at www.oroloma.org. Currently, the Board and staff are in the final stages of defining a communications plan for public outreach and community engagement. Plans for next year include using performance metrics with published industry benchmarks to achieve national best practices and to make prudent management decisions.

Request for Information

This report aims to provide the public with a financial overview, to maintain transparency, and to highlight the successes in 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, 2016 AND 2015**

ASSETS

	2016	2015
Current assets		
Cash and cash equivalents	\$ 7,209,536	\$ 3,225,293
Investments at fair value	14,526,362	17,040,626
Interest receivable	60,063	69,130
Accounts receivable	1,165,315	1,882,392
Prepaid and other items	102,675	107,487
Total current assets	<u>23,063,951</u>	<u>22,324,928</u>
Non-current assets		
Other post-employment benefits (OPEB) asset	<u>773,882</u>	<u>457,966</u>
Investment in sewage discharge facilities - EBDA	<u>6,331,498</u>	<u>6,497,233</u>
Capital assets		
Land	846,034	846,034
Sewer service assets	129,851,757	126,625,735
Solid waste assets	2,177	2,177
Recycling assets	26,045	26,045
Construction in progress	6,279,801	4,724,765
Less: accumulated depreciation	<u>(66,829,052)</u>	<u>(63,500,183)</u>
Total capital assets (net of accumulated depreciation)	<u>70,176,762</u>	<u>68,724,573</u>
Total non-current assets	<u>77,282,142</u>	<u>75,679,772</u>
Total assets	<u><u>\$ 100,346,093</u></u>	<u><u>\$ 98,004,700</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension benefits and adjustments	<u><u>\$ 5,714,923</u></u>	<u><u>\$ 7,131,734</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, 2016 AND 2015**

(CONTINUED)

LIABILITIES

	2016	2015
Current liabilities		
Accounts payable	\$ 1,645,345	\$ 1,305,611
Accrued salaries and wages	147,642	116,920
Customers deposit payable	271,697	277,106
Accrued compensated absences (current)	53,000	62,000
Other benefits set-aside (current)	243,930	250,000
Total current liabilities	<u>2,361,614</u>	<u>2,011,637</u>
Non-current liabilities		
Accrued compensated absences	301,396	353,462
Other benefits set-aside	-	326,019
Net pension liability	4,797,739	8,249,005
Total non-current liabilities	<u>5,099,135</u>	<u>8,928,486</u>
Total liabilities	<u>\$ 7,460,749</u>	<u>\$ 10,940,123</u>
DEFERRED INFLOWS OF RESOURCES		
Pension obligations and adjustments	<u>\$ 4,822,803</u>	<u>\$ 3,285,136</u>
NET POSITION		
Net investment in capital assets	70,176,762	68,724,573
Unrestricted	23,600,702	22,186,602
Total net position	<u>\$ 93,777,464</u>	<u>\$ 90,911,175</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating revenues		
District service charges	\$ 11,949,883	\$ 11,678,040
Agency treatment charges	2,430,769	2,190,362
Permits and inspection fees	162,898	170,994
Sanitary truck waste charges	90,621	56,454
Grease receiving charges	158,967	142,005
Grit receiving charges	4,860	0
Contract fees	937,750	791,397
Recycling charges - residential and green waste	2,306,542	2,295,385
Recycling charges - commercial and industrial	110,721	102,060
Landfills fees - Measure D	319,719	329,606
Other	586,197	682,873
Total operating revenues	<u>19,058,927</u>	<u>18,439,176</u>
Operating expenses		
Engineering	684,704	698,221
Sewage collections	2,637,991	2,897,622
Sewage treatment operations	3,483,009	3,507,420
Sewage treatment maintenance	2,498,881	2,155,643
Sewage disposal - EBDA	779,476	684,638
Administration and general	1,256,629	1,332,934
Pension expense - GASB 68	1,192,396	(547,141)
OPEB expense and adjustments	(315,916)	(182,991)
Depreciation	3,351,201	3,329,414
Decrease in carrying value of EBDA	165,735	89,455
Solid waste	306,213	305,189
Recycling - residential, green waste commercial, industrial	2,574,922	2,591,742
Total operating expenses	<u>18,615,241</u>	<u>16,862,146</u>
Operating income	<u>\$ 443,686</u>	<u>\$ 1,577,030</u>

The accompanying notes are an integral part of these financial statements

ORO LOMA SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES (CONTINUED)
AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Non-operating revenues		
Investment income	\$ 128,479	\$ 216,318
Increase in the fair value of investments	86,020	-
Rents, leases and personal license fees	79,956	92,741
Recovery of uncollectible accounts	17,203	11,343
Other miscellaneous revenues	339,028	140,798
EBDA and other agreement refund	79,371	79,371
Total non-operating revenues	<u>730,057</u>	<u>540,571</u>
Non-operating expenses		
Decrease in the fair value of investments	-	58,326
Write-off of uncollectible accounts	1,515	863
Total non-operating expenses	<u>1,515</u>	<u>59,189</u>
Income before contributions	1,172,228	2,058,412
Connection and other developers' fees	298,612	1,076,699
Capital Grants	1,202,580	-
Change in net position	<u>2,673,420</u>	<u>3,135,111</u>
Net position - beginning (as reported)	90,911,175	98,269,280
Prior period adjustment - GASB 68 pension adjustments	192,869	(10,768,191)
Prior period adjustment - OPEB adjustments	-	274,975
Net position - beginning (as adjusted)	91,104,044	87,776,064
Net position - ending	<u>\$ 93,777,464</u>	<u>\$ 90,911,175</u>

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Receipts from customers and users	\$19,776,004	\$18,180,889
Payments to suppliers	(8,767,543)	(7,791,787)
Payments to employees and employee benefit plans	(6,975,408)	(12,820,755)
Net cash provided by operating activities	<u>4,033,053</u>	<u>(2,431,652)</u>
Cash flows from non-capital financing activities		
EBDA agreement refund	79,371	79,371
Other revenues	418,984	233,539
Recovery of uncollectible accounts	17,203	11,343
Net cash provided by non-capital and related financing activities	<u>515,558</u>	<u>324,253</u>
Cash flows from capital and related financing activities		
Connection and other developers' fees	298,612	1,076,699
Additions to property, plant and equipment	(4,803,390)	(5,311,288)
Capital grants	1,202,580	-
Net cash used by capital and related financing activities	<u>(3,302,198)</u>	<u>(4,234,589)</u>
Cash flows from investing activities		
Interest on investments	137,546	196,811
Proceeds from investments	2,600,284	708,710
Net cash provided by investing activities	<u>2,737,830</u>	<u>905,521</u>
Net decrease in cash and cash equivalents	3,984,243	(5,436,468)
Cash and cash equivalents, beginning of year	<u>3,225,293</u>	<u>8,661,761</u>
Cash and cash equivalents, end of year	<u>\$ 7,209,536</u>	<u>\$ 3,225,293</u>

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

ORO LOMA SANITARY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	\$ 443,686	\$ 1,577,030
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	3,351,201	3,329,414
Pension expense adjustments - GASB 68	(303,919)	(6,365,784)
Other post-employment benefit adjustments	(315,916)	(182,991)
Write off of uncollectible accounts	(1,515)	(863)
(Increase) decrease in accounts receivables	717,077	(258,287)
(Increase) decrease in other current assets	4,812	(4,338)
Decrease in EBDA discharge facilities	165,735	89,455
Increase (decrease) in accounts payable	339,734	(307,535)
Increase (decrease) in deposits payable	(5,409)	(97,810)
Increase (decrease) in accrued salaries and compensated absences	(30,344)	24,525
Increase (decrease) in benefits set-aside	(332,089)	(234,469)
Net cash provided (used) by operating activities	<u>4,033,053</u>	<u>(2,431,652)</u>
End of period		
Unrestricted cash and equivalents	7,209,536	3,225,293
Restricted assets	-	-
Total cash and cash equivalents	<u><u>\$ 7,209,536</u></u>	<u><u>\$ 3,225,293</u></u>
Schedule of non-cash investing and financing activities		
Change in fair value of investments not held as cash equivalents	\$ 86,020	\$ (58,326)

The accompanying notes are integral part of these financial statements

BOARD OF DIRECTORS



Three re-elected Directors took the Oath of Office on December 6, 2016.
(From left to right) Director Roland Dias, Director Dan Walters, Director Rita Duncan,
officiated by legal counsel Jen Faught.



The Oro Loma Sanitary District Board of Directors, December 2016.
(Back) Timothy Becker (Director), Shelia Young (President), Roland Dias (Director).
(Front) Dan Walters (Vice President), Rita Duncan (Secretary).

NOTES TO FINANCIAL STATEMENTS

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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. Its 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 day-to-day 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, 2016, and has reported all funds that are controlled by or are dependent upon its Board of Directors. Its relationship with East Bay Dischargers Authority (EBDA) is reflected based upon its proportionate share of the investment in the discharge facilities of the EBDA.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016

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. Refer to Note 3 for details.

Investments

Investments are reported in the Statement of Net Position at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in fair value 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. See Note 3 for detailed disclosures.

Inventories

Inventories of fuel 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. Note 4 presents in-depth information on capital assets.

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. Depreciation of capital assets starts in the year following 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 capital improvements.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Debt

The District does not have any long-term debt at June 30, 2016. 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, 2015		\$ 415,462
Addition for employees with accrued compensated absences earned	47,685	
Deduction for employees with accrued compensated absences used	(108,751)	
Net change in accrued compensated absences		<u>(61,066)</u>
Balance at June 30, 2016		<u><u>\$ 354,396</u></u>

The current portion of the compensated absences liability to be used within the next year is estimated by management to be \$53,000 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 assets and deferred outflow of resources over liabilities and deferred inflow of resources, 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 on June 30, 2016.
- 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 sewer, garbage and recycling charges. 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, 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, 2016

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. Note 6 and the Required Supplementary Information section provide further details on pension liability and other related information.

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 annual required contributions (ARC) and unfunded liabilities. In addition, an OPEB trust has been established with CalPERS, and an in-house set-aside account is maintained, from which day-to-day OPEB obligations may be disbursed. 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 and 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, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current and 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 for FY 2014-15, resulting in a prior period adjustment in that year. 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. This Statement has no effect on the District's financial statements.

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. This Statement has no effect on its financial statements.

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 for FY 2014-15. See Note 6 for information related to the financial statement impact of this statement.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. 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 fair value measurements for financial reporting purposes based on one the following valuation techniques:

- Market approach – Market price information on identical or comparable asset.
- Cost approach – Amount required to replace the present service capacity of an asset.
- Income approach – Future income discounted to current dollars.

This Statement also establishes a hierarchy of inputs to the above valuation techniques:

- Level 1 inputs – Quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs – Quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 inputs – Unobserved inputs, such as management's assumption of the default rate among underlying mortgage-backed security, or a property valuation or appraisal.

This Statement has been implemented for FY 2015-16. Related financial disclosures are included in Note 3.

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 requirements in this Statement are effective beginning FY 2015-16, 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 beginning FY 2016-17. 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, 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.

This Statement has no effect on the District's financial statements.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 74 – Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. This Statement replaces GASB Statement No. 43, and sets new reporting standards for Other Post-Employment Benefit (OPEB) plans administered through irrevocable trusts that provide OPEB to plan members in accordance with benefit terms. This Statement is effective beginning FY 2016-17, and may impact the financial reporting of the California Employers' Retirement Benefit Trust (CERBT) which administers the District's OPEB assets. 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.

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 FY 2017-18. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other post-employment benefits (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 are also addressed.

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.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 creditors of the plan members.

This Statement will likely impact the District's FY 2017-18 financial statements through the recognition of an OPEB liability on the Statement of Net Position, which was last valued at \$7.17 million (inclusive of the value of future subsidized premiums, per Actuarial Standard of Practice No. 6).

GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement redefines the GAAP hierarchy to two authoritative categories – GASB Statements of governmental accounting standards; and, GASB technical bulletins, implementation guides, and GASB-approved guidance from the AICPA. It also addresses the use of authoritative and non-authoritative literature for situations when GAAP does not dictate a specific accounting treatment. This Statement took effect in FY 2015-16. There is no material impact on the District's financial statements.

GASB Statement No. 77 – Tax Abatement Disclosures. The requirements of this Statement are effective beginning FY 2016-17. This Statement requires governments that enter into tax abatement agreements to disclose 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, commitments made by the tax abatement recipients and the government, and gross dollar amount of taxes abated during the period. This Statement has no effect on the District's financial statements.

GASB Statement No. 78 – Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans. This Statement amends the scope of GASB Statement No. 68 to exclude plans that are not a state or local government pension plan, that contain both government and non-government employers, with no predominant government employer in the plans. This exclusion eases the burden for governments with these non-governmental plans to obtain information for GASB 68 reporting. It takes effect beginning FY 2016-17, and has no impact on the District's financial statements.

GASB Statement No. 79 – Certain External Investment Pools & Pool Participants. This Statement establishes criteria for an external investment pool to qualify for electing to report its investments at amortized cost, rather than fair value. It takes effect beginning FY 2015-16. There is no direct impact on the District's financial statements.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 80 – Blended Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. It takes effect beginning FY 2017-18, and is not applicable to the District.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements. Split-interest agreements are arrangements by which a donor provides resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities and deferred inflow of resources at the inception of the agreement. Revenue is recognized when the resources become applicable to the reporting period. This Statement takes effect beginning FY 2017-18. The District does not have this type of agreement. The Statement has no effect on its financial statements.

GASB Statement No. 82 – Pension Issues – An Amendment of GASB Statements No. 67, No. 68 & No. 73. This Statement amends the payroll basis used by GASB Statements No. 67, No. 68, and No. 73 from "covered-employee payroll" (the payroll of employees that are provided with pensions) to that of "covered payroll" (the payroll on which contributions to a pension plan are based). In addition, employer-paid member contributions will be classified as plan member contributions for Statement No. 67 and as employee contributions for Statement No. 68. It takes effect beginning FY 2016-17. This Statement has no material impact on the District's financial statements.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The District had \$21,735,898 in cash, cash equivalents and investments, which are reported at fair value as of June 30, 2016. GASB Statement No. 72, *Fair Value Measurement and Application*, established a hierarchy of inputs to the valuation techniques. Below is the distribution of inputs used to measure the fair value of the District's cash equivalents and investments.

- Level 1 inputs – Quoted market prices

U.S. Treasury Notes	\$1,753,487
U.S. Government Bonds	\$3,524,758
Certificates of Deposit	\$6,629,017
Corporate Bonds	\$2,619,100

- Level 2 inputs – Observable inputs other than quoted market prices

California Local Agency Investment Fund (LAIF)	\$6,285,290
Wells Fargo Money Market Account	\$98,120
U.S. Bank Checking Account	\$823,626

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

The following table provides details on the District's cash, cash equivalents and investments at June 30, 2016, as reported in the Statement of Net Position of the basic financial statements:

Cash and cash equivalents	\$ 7,209,536
Investments	<u>14,526,362</u>
Total cash, cash equivalents and investments	<u>\$ 21,735,898</u>
Cash, cash equivalents and investments as of June 30, 2016 consist of:	
Petty cash	\$ 2,500
Deposits with financial institutions	
Checking account – U.S. Bank	823,626
Money market account – Wells Fargo IRT*	98,120
California Local Agency Investment Fund (LAIF)	<u>6,285,290</u>
Subtotal cash and cash equivalents	<u>7,209,536</u>
Investments	
U.S. Treasury Notes – Wells Fargo IRT*	1,753,487
U.S. Government Bonds – Wells Fargo IRT*	3,524,758
Certificates of Deposit – Wells Fargo IRT*	6,629,017
Corporate Bonds – Wells Fargo IRT*	<u>2,619,100</u>
Subtotal investments	<u>14,526,362</u>
Total cash, cash equivalents and investments	<u>\$ 21,735,898</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, 2016**

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:

	<u>State of California Limits</u>			<u>District Policy</u>
<u>Authorized Investment Type with Minimum Rating Requirements where applicable</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum of Portfolio</u>	<u>Maximum in Single Issuer</u>	<u>Maximum of Portfolio / Maximum in Single Issuer</u>
U.S. Treasury obligations	5 years	None	None	None
U.S. Government ¹ and GNMA securities	5 years	None	None	None / 30%
Banker's acceptance [A-1, A for senior debt]	180 days	40%	30%	20% / 5%
Commercial papers ["Prime"]	270 days	25%	10%	25% / 5%
Negotiable 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% / 10%
Local Agency Investment Fund	N/A	\$50 million	None	\$50 million
Bank deposits	N/A	None	None	20%
Corporate notes, medium term [A]	5 years	30%	None	30% / 5%

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).

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, 2016

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 short-term and long-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 by maturity. The actual ratings as of the June 30, 2016 for each investment type are shown.

(Source: Moody's)

Investment Type	Maturities of Instruments			Rating as of June 30, 2016	Total	Percentage of Portfolio
	12 months or less	12 – 24 months	25 months or longer			
U.S. treasury notes	\$ 1,753,487	\$ -	\$ -	Aaa	\$ 1,753,487	8%
U.S. government bonds						
FFCB	-	-	750,443	Aaa	750,443	3%
FHLB	-	-	1,022,630	Aaa	1,022,630	5%
FHLMC	-	-	750,225	Aaa	750,225	3%
FNMA	1,001,460	-	-	Aaa	1,001,460	5%
Corporate bonds	-	1,503,600	1,115,500	A2 – Aaa	2,619,100	13%
Certificates of deposit	<u>2,833,077</u>	<u>-</u>	<u>3,795,940</u>	FDIC insured	<u>6,629,017</u>	<u>30%</u>
Total investments	5,588,024	1,503,600	7,434,738		14,526,362	67%
Cash and money market	924,246	-	-	Not required	924,246	4%
LAIF State investment pool	<u>6,285,290</u>	<u>-</u>	<u>-</u>	Not required	<u>6,285,290</u>	<u>29%</u>
Total cash & investments	\$ <u>12,797,560</u>	\$ <u>1,503,600</u>	\$ <u>7,434,738</u>		<u>\$21,735,898</u>	<u>100%</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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. The District's investment policy limits the amount that can be invested in any one issuer. As of June 30, 2016, all concentrations are within the amounts permitted.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, deposits may not be returnable. California Government Code Sections 53651.6 and 53651(p) require that a financial institution secure deposits by pledging securities in an undivided collateral pool held by a depository regulated under State law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The collateral and deposit pool balance is monitored by the Administrator of Local Security Program of the State of California. State law also 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, 2016, the amount of deposits in U.S. Bank (\$1,691,191, 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 contracted with Cutwater Asset Management and Wells Fargo Securities, both authorized to carry out investment transactions in compliance with the requirements of the investment policy. 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 under a custody agreement dated June 20, 2011. As of October 1, 2015, Cutwater Asset Management has withdrawn its interest in providing investment advisory services.

Investment in the State's Investment Pool

The District participates 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 investments in the pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value provided by LAIF for the entire 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, 2016 was \$6,285,290.

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is summarized as follows:

	<u>Useful Life</u>	<u>Balance June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Non-depreciable capital assets					
Land		\$ 846,034	\$ -	\$ -	\$ 846,034
Construction in progress		4,724,765	4,014,011	(2,458,975)	6,279,801
Total non-depreciable capital assets		5,570,799	4,014,011	(2,458,975)	7,125,835
Depreciable capital assets					
<u>Sewer Service</u>					
Subsurface lines	20-80yrs	57,339,635	2,207,483	-	59,547,118
Engineering	5-20 yrs	40,825	-	-	40,825
Collections	5-20 yrs	6,811,255	166,479	-	6,977,734
Operations	2-20 yrs	54,958,325	796,975	-	55,755,300
Maintenance	5-20 yrs	3,403,258	77,417	-	3,480,675
Administration	5-20 yrs	1,882,946	-	(22,332)	1,860,614
District vehicles	5-10 yrs	2,189,491	-	-	2,189,491
Subtotal - Sewer Service		126,625,735	3,248,354	(22,332)	129,851,757
<u>Solid Waste</u>					
Subtotal - Solid Waste	5 yrs	2,177	-	-	2,177
<u>Recycling</u>					
Subtotal - Recycling	10 yrs	26,045	-	-	26,045
Total depreciable capital assets		126,653,957	3,248,354	(22,332)	129,879,979
Total capital assets		\$ 132,224,756	\$ 7,262,365	\$ (2,481,307)	\$ 137,005,814

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Less: accumulated depreciation				
<u>Sewer Service</u>				
Subsurface lines	\$ (26,940,318)	\$ (791,338)	\$ -	\$ (27,735,656)
Engineering	(34,300)	(2,175)	-	(36,475)
Collections	(3,783,076)	(245,986)	-	(4,029,062)
Operations	(27,191,572)	(1,996,496)	-	(29,188,068)
Maintenance	(2,351,712)	(184,652)	-	(2,536,364)
Administration	(1,847,249)	(5,970)	22,332	(1,830,887)
District vehicles	(1,323,734)	(120,584)	-	(1,444,318)
Subtotal - Sewer Service	<u>(63,471,961)</u>	<u>(3,351,201)</u>	<u>22,332</u>	<u>(66,800,830)</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>(26,045)</u>	<u>-</u>	<u>-</u>	<u>(26,045)</u>
Total accumulated depreciation	<u>(63,500,183)</u>	<u>(3,351,201)</u>	<u>22,332</u>	<u>(66,829,052)</u>
Net depreciable capital assets	<u>63,153,774</u>	<u>(102,847)</u>	<u>-</u>	<u>63,050,927</u>
Net capital assets	\$ <u>68,724,573</u>	\$ <u>3,911,164</u>	\$ <u>(2,458,975)</u>	\$ <u>70,176,762</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Construction commitments

The District has active construction projects as of June 30, 2016. Significant projects include sewer line replacements and repairs, lift station and treatment plant improvements, and the construction of a wet weather equalization basin with a horizontal levee. As of June 30, 2016, the total outstanding construction commitments was \$3,570,850.

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 into 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 is reported as Investment in Sewage Discharge Facilities - EBDA under capital assets in the amount of \$6,331,498 for 2016 and \$6,497,233 for 2015. The respective changes of \$165,735 and \$89,455 are reported under Decrease in Carrying Value of EBDA, as operating expenses.
- The District's share of payments to EBDA is reported as Sewage Disposal - EBDA, an operating expense on the financial statements. Payments were \$779,476 and \$684,638 respectively during the fiscal years ended 2016 and 2015.
- The District received from EBDA \$79,371 per year in 2016 and 2015 for its share of revenues from the long-term agreement between EBDA and Livermore-Amador Valley Water Management Agency (LAVWMA). These amounts are reported as EBDA and Other Agreement Refunds under non-operating revenues.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**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 into 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, 2015 and 2014 (latest available) is as follows:

	Fiscal Year Ended June 30	
	<u>2015</u>	<u>2014</u>
Net position at beginning of year	\$ 33,655,699	\$ 34,119,077
Prior period adjustment	(518,711)	-
Net income before depreciation	560,104	426,418
Depreciation	<u>(899,897)</u>	<u>(889,796)</u>
Changes in net position	<u>(858,504)</u>	<u>(463,378)</u>
Net position at end of year	<u>\$ 32,797,195</u>	<u>\$ 33,655,699</u>
Comprised of		
Total assets	34,069,451	34,477,100
Deferred outflow of resources	61,061	-
Total liabilities	(1,084,270)	(821,401)
Deferred inflow of resources	<u>(249,047)</u>	<u>-</u>
Total net position	<u>\$ 32,797,195</u>	<u>\$ 33,655,699</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	6,497,233	6,586,688
Decrease in carrying value of sewage discharge facilities of EBDA	<u>(165,735)</u>	<u>(89,455)</u>
Investment in sewage discharge facilities (EBDA) - end of year (listed as a non-current asset on the Statement of Net Position)	<u>\$ 6,331,498</u>	<u>\$ 6,497,233</u>

* 19.305% is derived from the District's share (65%) of the 29.7% of EBDA's facilities jointly owned by the District and Castro Valley Sanitary District.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Plan Description

Qualified employees are eligible to participate in one of the District’s three pension rate plans (Plans) administered by the California Public Employees’ Retirement System (CalPERS). Each Plan has a unique pension formula: 2.5% at 55 (Tier 1), 2.0% at 60 (Tier 2), and 2.0% at 62 (Tier 3, commonly known as the PEPRA Tier, as a result of the Public Employees’ Pension Reform Act of 2013). These Plans are established by Board resolutions and fall within CalPERS’ Miscellaneous Risk Pool, a cost-sharing multiple employer defined benefit pension plan for employers with less than 100 active members. Reports providing further information on the Risk Pool can be found on CalPERS’ website at www.calpers.ca.gov.

Benefits Provided

CalPERS administers service and disability retirement benefits, annual cost of living adjustments, and death benefits to the Plans’ members and beneficiaries, based on the pension formula of the Plans, the member’s years of service, age, and final compensation. Benefit levels are established by State statute and based on the contract between CalPERS and the District. Members may elect to retire at an earlier age with statutorily reduced benefits. 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, 2015 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, 2015)	8%	7%	6.5%
Required employer contribution rate (as of measurement date June 30, 2015)	16.601%	8.715%	6.7%

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Employees Covered

Participant Status	Number of Participants
Inactive employees receiving benefits	66
Inactive employees entitled to but not receiving benefits	19
Active members	41
Total	126

Employer 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 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 amounts of employer contributions during the last three years are as follows.

Employer Contributions	Tier 1	Tier 2	Tier 3	Total
FY 2013-14	\$ 502,916	\$ 21,486	\$ 16,724	\$ 541,126
FY 2014-15	7,024,743	17,040	33,403	7,075,186
FY 2015-16	1,428,734	17,869	49,712	1,496,315

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Total and Net Pension Liabilities

The District’s net pension liability is measured as a proportionate share of the Risk Pool’s net pension liability (NPL), measured as of June 30, 2015. The total pension liability of the Plan used to calculate the net pension liability was determined by CalPERS’ actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard actuarial roll forward methods. The proportionate share of the Risk Pool’s net pension liability was based on a projection of the District’s long-term share of contributions relative to the projected contributions of all participating employers (actuarially determined). As of June 30, 2014 and June 30, 2015, the proportionate shares of the Risk Pool’s net pension liability and changes during the measurement period were as follows:

Net Pension Liability as of	Proportionate Share of Risk Pool’s NPL (\$)	Proportionate Share of Risk Pool’s NPL (%)
June 30, 2014	\$8,254,184	0.132651%
June 30, 2015	\$4,797,739	0.069898%
Change	(\$3,456,445)	(0.062753%)

The District’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, 2014	\$48,636,258	\$40,382,074	\$8,254,184
Balance at Measurement Date June 30, 2015	\$49,414,283	\$44,616,544	\$4,797,739
Net Changes	\$778,025	\$4,234,470	(\$3,456,445)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Pension Expenses and Deferred Outflows/Inflows of Resources

For the fiscal year ended June 30, 2016, the District recognized a pension expense of \$1,192,396, a net decrease in deferred outflows of resources of \$1,509,417, and a net increase in deferred inflows of resources of \$1,643,109. The detailed balances of various deferred outflows and inflows at June 30, 2016 are as follows.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,614	\$ -
Changes of assumptions	-	441,009
Net differences between projected and actual earnings on plan investments	-	221,083
Change in employer's proportion	95,885	3,899,771
Differences between the employer's contributions and the employer's proportionate share of contributions	4,076,109	260,940
Pension contributions subsequent to measurement date	1,496,315	-
Balances at June 30, 2016	<u>\$ 5,714,923</u>	<u>\$ 4,822,803</u>

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

Fiscal Year Ending June 30,	Deferred Outflows (Inflows) of Resources to be Recognized as Pension Expense
2017	\$ (337,468)
2018	(319,129)
2019	(230,196)
2020	282,598

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Actuarial Assumptions

For the measurement period ended June 30, 2015 (the measurement date), total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 and June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Amortization method/period	Based on the method used in the June 30, 2012 funding valuation report
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%. net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for 1997-2007.
Mortality rate table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for 1997-2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

The following presents the District’s proportionate share of the Risk Pool’s net pension liability, calculated using the discount rate of 7.65%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate.

Changes in Discount Rate	Discount Rate	Proportionate Share of Risk Pool’s NPL
1% decrease	6.65%	\$11,527,306
Current discount rate	7.65%	\$4,797,739
1% increase	8.65%	(\$758,300)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Description of Benefits

The District provides other post-employment benefits (OPEB) to eligible employees and Board members in accordance with various labor contracts. Employees hired before July 1, 2006 are eligible to receive 50% to 100% of Kaiser's 2-party premium, at age 55 or older and with at least 15 years of service. Employees hired between July 1, 2006 and June 26, 2011 need to be at least age 60 to be eligible for the same benefit. Coverage for those with hire dates after June 26, 2011 is further adjusted to Kaiser's 1-party premium.

The District manages accountability for OPEB benefits through an in-house account known as Other Benefits Set-Aside, from which payments are distributed. As presented in the Statement of Net Position, the account totaled \$249,930 in 2016 and \$576,019 in 2015.

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 an account with CalPERS' California Employers' Retiree Benefit Trust (CERBT) with an initial deposit of \$5 million to prefund its OPEB costs. The objective of the CERBT is to seek favorable returns through a diverse asset allocation and market exposure. Participating employers own units of the portfolio that invests in accordance with the approved strategic asset allocation. They do not have direct ownership of the securities in the portfolio. The unit value changes with market condition. The CERBT is a self-funded program. The program cost is charged to each participating employers 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 fair value of the CERBT account, as of June 30 of each year.

	2016	2015	2014
Fair value – beginning of year	\$ 7,184,581	\$ 7,199,979	\$ 6,083,475
Contributions	-	-	-
Gain (loss) on investment	74,621	(8,140)	1,125,720
Administrative expenses	(5,926)	(7,258)	(9,216)
Fair value – end of year	\$ 7,253,276	\$ 7,184,581	\$ 7,199,979
Change	1.0%	(0.2%)	18%

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Actuarial Value of Assets, Methods & Assumptions

The CERBT requires biennial valuation. To comply with this requirement, an actuarial analysis of retiree health benefits as of July 1, 2015 was performed by an independent actuary. Based on that analysis, the annual required contributions (ARC) and annual OPEB cost (AOC) for fiscal years 2015-16 and 2016-17 were established.

The actuary used the following actuarial method and assumptions:

Valuation date	July 1, 2015
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
Investment rate of return	7.28%
Projected salary increases	3.00% of covered payroll
Inflation	General-3.00% per year; Medical Premium increases 5% for 2017 and later
Rates of death and disability	2014 CalPERS OPEB Assumptions Model for Miscellaneous Public Employees
Number of retirees receiving benefits	42

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

The following table, based on the July 1, 2015 actuarial valuation, shows the components of the annual OPEB cost, amounts actually contributed to the plan, and changes in the net OPEB obligation (asset).

Funding & Net OPEB Obligation (Asset)	2016	2015	2014
Annual required contribution (ARC)	\$154,214	\$127,000	\$117,200
Interest on OPEB obligation	(33,340)	-	(10,239)
Adjustment to annual required contribution	58,608	-	16,424
Annual OPEB cost (AOC)	179,482	127,000	123,385
Contributions made	(332,089)	(309,991)	(261,844)
Subsidized Premiums	(163,309)	-	-
Increase in net OPEB obligation	(315,916)	(182,991)	(138,459)
Net OPEB obligation (asset) – beginning	(457,966)	(274,975)	(136,516)
Adjustment to OPEB obligation	-	-	-
Net OPEB obligation (asset) – ending	(\$773,882)	(\$457,966)	(274,975)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

Fiscal Year Ended	Annual OPEB Cost (AOC)	Contributions	Subsidized Premiums	Contributions as % of AOC	Net OPEB Obligation (Asset)
June 30, 2014	\$123,385	\$261,844	\$ -	212.2%	(\$274,975)
June 30, 2015	\$127,000	\$309,991	\$ -	244.1%	(\$457,966)
June 30, 2016	\$179,482	\$332,089	\$163,309	215.3%	(\$773,882)

The following summarizes the funded status and progress of the plan as of June 30, 2016.

Actuarial accrued liability (AAL)	\$7,166,078
Actuarial value of plan assets	7,224,470
Unfunded actuarial accrued liability (UAAL)	<u>(\$58,392)</u>
Funded ratio (actuarial value of plan assets / AAL)	100.8%
Projected covered payroll (active plan members)	\$4,430,000
UAAL as of % of covered payroll	(1.3%)

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. Employees and the District each contributes 0.32% of gross salary into the plan. In addition, \$0.50 for each \$1.00 of employee voluntary contributions is matched, up to a maximum of \$750 per employee per calendar year. Employees may defer additional amounts up to the Internal Revenue Code limits (from all sources). Generally, deferred compensation is available for withdrawal upon retirement, termination of employment, disability, or death. Contributions are made to, and accumulated in, a trust maintained by the administrator, Lincoln Financial Group, for the benefit of individual participants.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Changes in the plan assets for fiscal years ended June 30, 2016 and 2015 are summarized as follows:

Lincoln – 457(b)	2016	2015
Plan assets – beginning of year	\$ 7,830,365	\$ 7,751,693
Contributions by:		
Employer	39,080	41,133
Employee pre-tax deductions	342,439	369,887
Employee rollover	71,869	3,399
Investment earnings	95,263	100,379
Withdrawals and fees	(1,181,334)	(436,126)
Plan assets – end of year	<u>\$ 7,197,682</u>	<u>\$ 7,830,365</u>

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

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

The PARS-ARS plan was put into effect on July 1, 2008. It is an alternative to Social Security, a qualified defined contribution plan under Section 457(b), and tax-exempt under Section 501(a) of the Internal Revenue Code, and is available to part-time employees and Board members who are not eligible for CalPERS. It is administered by Public Agency Retirement System (PARS).

Enrollment in the PARS-ARS plan is mandatory for all qualified employees upon employment. The selection of investment choices for the plan resides with the District. Participating employees contribute 6.20% of salary, 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, 2016 and 2015 are summarized as follows:

PARS-ARS – 457(b)	2016	2015
Plan assets – beginning of year	\$ 99,055	\$ 90,812
Contributions by:		
Employer	3,444	3,318
Employee (pre-tax)	9,705	9,350
Investment earnings	1,339	1,520
Withdrawals and fees	(21,735)	(5,945)
Plan assets – end of year	<u>\$ 91,808</u>	<u>\$ 99,055</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, 2016**

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

Section 401(a) Defined Contribution Plan

The defined contribution plan (IRS Section 401(a)) was established in 1997. Eligible participants include the General Manager, management and confidential employees, and Board members. 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, 2016 and 2015 are summarized as follows:

ICMA – 401(a)	2016	2015
Plan assets – beginning of year	\$ 1,609,405	\$ 1,540,672
Contributions by:		
Employer	84,882	82,090
Employee (pre-tax)	41,240	40,545
Employee loan repayments (pre-tax)	3,073	2,482
Investment earnings	(22,488)	31,753
Withdrawals and fees	(312,731)	(88,137)
Plan assets – end of year	\$ 1,403,381	\$ 1,609,405

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

NOTE 9 – RISK MANAGEMENT AND 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. It 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. The layers of coverage within the general and automobile liability program are 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)

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – RISK MANAGEMENT AND INSURANCE (CONTINUED)

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

The District paid \$994, \$708 and \$0 in insurance claims during fiscal years ended June 30, 2016, 2015 and 2014 respectively, and has no outstanding claims, or carried no liabilities related thereto in its financial statements. The amount of claims paid were within the \$250,000 deductible limit.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Administration	\$ 167,768	\$ 156,899	\$ 149,887
Insurance premiums	201,289	211,226	230,424
Losses and settlements	994	708	-
	<u>\$ 370,051</u>	<u>\$ 368,833</u>	<u>\$ 380,311</u>

Since no liabilities for claims has been provided in the financial statements as of June 30, 2016, 2015, and 2014, the indicated claims paid above represent the claims experience for the last three fiscal years.

As of June 30, 2016, the District has no current or anticipated litigation.

Insurance related expenses are distributed to the following departments.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Engineering	\$ 29,340	\$ 23,912	\$ 22,308
Collections	106,173	106,099	117,386
Operations	128,590	136,581	138,378
Maintenance	72,714	70,801	72,414
Administration	33,234	31,440	29,825
	<u>\$ 370,051</u>	<u>\$ 368,833</u>	<u>\$ 380,311</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

**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 (WMAC) to provide solid waste, residential and green waste recycling services. On March 1, 2004, the original agreement was extended. On January 1, 2012, a new agreement was signed with an expiration date of August 31, 2024.

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: $[0.5 \times (\text{April CPI-U for all urban consumer items in San Francisco, Oakland, and San Jose, as published by the US Department of Labor, Bureau of Statistics – Series CUURA422SA0})] + [0.5 \times (\text{Weighted average of Teamsters Wage, benefits and pension contract increases for the following year})]$.

District-related:

- Under the new agreement, WMAC purchased new collection vehicles and placed them into service within the District's service area.
- 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 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 the District. These funds are used to support public outreach, information and education campaigns – newsletters, bill inserts, Earth Day poster contests, and other events. The balance in this account as of June 30, 2016 was \$171,783.

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 involved building an ecotone slope, or horizontal levee, to emulate a natural upland.



Oro Loma Field Engineer Kristopher Decker providing a tour of the Horizontal Levee Project during construction in October 2015.

The District partnered with Save the Bay to produce the needed 70,000 native wetlands plants for the levee. Seeds were harvested from around the Bay and grown to seedlings in greenhouses. The seedlings were then transferred to onsite Oro Loma planter beds to mature before they were harvested for the levee.



Save the Bay volunteers planted the levee using color coded flags representing different plant species.

Levee growth after a few months from planting.



REQUIRED SUPPLEMENTARY INFORMATION

**ORO LOMA SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

Schedule of the District's Proportionate Share of the Plan's (PERF C) Net Pension Liability

	Fiscal Year Ended	
	June 30, 2016	June 30, 2015
Measurement date	June 30, 2015	June 30, 2014
District's proportion of net pension liability	0.069898%	0.132651%
District's proportionate share of net pension liability	\$4,797,739	\$8,254,184
District's covered-employee payroll for fiscal year ended on measurement date	\$4,332,992	\$3,885,932
District's proportionate share of net pension liability as a % of covered-employee payroll	110.73%	212.41%
Plan's fiduciary net position as a % of Plan's total pension liability	78.40%	79.82%

Schedule of the District's Contributions

	Fiscal Year Ended	
	June 30, 2016	June 30, 2015
Contributions for the fiscal year ended		
Actuarially determined contribution	\$ 496,315	\$ 727,291
Contributions in relation to actuarially determined contribution	1,496,315	7,075,186
Contribution deficiency (excess)	(1,000,000)	(6,347,895)
District's covered-employee payroll for the fiscal year	4,373,734	4,332,992
Contributions as a % of covered-employee payroll	34.21%	163.29%

**ORO LOMA SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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%)
July 1, 2015	\$ 7,224,470	\$ 7,166,078	\$ (58,392)	100.81%	\$ 4,430,000	(1.32%)

OTHER SUPPLEMENTARY INFORMATION

**ORO LOMA SANITARY DISTRICT
DESCRIPTION OF FUNDS UTILIZED
JUNE 30, 2016**

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, 2016
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015
SCHEDULE 1**

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,702,491	\$ (3,744,037)	\$ 1,264,705
Investments at fair value	-	6,629,017	7,897,345
Interest receivable	9,833	13,610	33,901
Accounts receivable	968,210	(3,896)	30,787
Prepaid and other items	102,675	-	-
Total current assets	8,783,209	2,894,694	9,226,738
Non-current assets			
Other post-employment benefits (OPEB) asset	773,882	-	-
Investment in sewage discharge facilities - EBDA	6,331,498	-	-
Capital assets			
Land	846,034	-	-
Sewer service assets	129,851,757	-	-
Solid waste assets	-	-	-
Recycling assets	-	-	-
Construction in progress	-	-	6,279,801
Less: accumulated depreciation	(66,800,830)	-	-
Total capital assets	63,896,961	-	6,279,801
Total non-current assets	71,002,341	-	6,279,801
Total assets	\$ 79,785,550	\$ 2,894,694	\$ 15,506,539
DEFERRED OUTFLOWS OF RESOURCES			
Pension benefits and adjustments	\$ 5,714,923	\$ -	\$ -

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION
ALL DISTRICT SERVICES
AS OF JUNE 30, 2016
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015
SCHEDULE 1 (continued)

<u>Solid Waste Services</u>		<u>Recycling Services</u>			
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	Combined June 30,		\$ Change	% Change
		2016	2015		
\$ 912,367	\$ 1,074,010	\$ 7,209,536	\$ 3,225,293	\$ 3,984,243	123.5%
-	-	14,526,362	17,040,626	(2,514,264)	-14.8%
1,173	1,546	60,063	69,130	(9,067)	-13.1%
123,267	46,947	1,165,315	1,882,392	(717,077)	-38.1%
-	-	102,675	107,487	(4,812)	-4.5%
<u>1,036,807</u>	<u>1,122,503</u>	<u>23,063,951</u>	<u>22,324,928</u>	<u>739,023</u>	<u>3.3%</u>
-	-	773,882	457,966	315,916	40.8%
-	-	6,331,498	6,497,233	(165,735)	-2.6%
-	-	846,034	846,034	-	0.0%
-	-	129,851,757	126,625,735	3,226,022	2.5%
2,177	-	2,177	2,177	-	0.0%
-	26,045	26,045	26,045	-	0.0%
-	-	6,279,801	4,724,765	1,555,036	32.9%
(2,177)	(26,045)	(66,829,052)	(63,500,183)	(3,328,869)	5.2%
-	-	70,176,762	68,724,573	1,452,189	2.1%
-	-	77,282,142	75,679,772	1,602,370	2.1%
<u>\$ 1,036,807</u>	<u>\$ 1,122,503</u>	<u>\$ 100,346,093</u>	<u>\$ 98,004,700</u>	<u>\$ 2,341,393</u>	<u>2.4%</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,714,923</u>	<u>\$ 7,131,734</u>	<u>\$ (1,416,811)</u>	<u>-19.9%</u>

To be continued on the following pages

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2016

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015

SCHEDULE 1 (continued)

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
LIABILITIES			
Current liabilities			
Accounts payable	\$ 219,689	\$ 307,696	\$ 921,016
Accrued salaries and wages	147,642	-	-
Customers deposit payable	146,748	27,221	97,728
Accrued compensated absences (current)	53,000	-	-
Other benefits set-aside (current)	243,930	-	-
Total current liabilities	811,009	334,917	1,018,744
Non-current liabilities			
Accrued compensated absences	301,396	-	-
Other benefits set-aside	-	-	-
Net pension liability	4,797,739	-	-
Total non-current liabilities	5,099,135	-	-
Total liabilities	\$ 5,910,144	\$ 334,917	\$ 1,018,744
DEFERRED INFLOWS OF RESOURCES			
Pension obligations and adjustments	\$ 4,822,803	\$ -	\$ -
NET POSITION			
Net investment in capital assets	\$ 63,896,961	\$ -	\$ 6,279,801
Unrestricted	10,870,565	2,559,777	8,207,994
Total net position	\$ 74,767,526	\$ 2,559,777	\$ 14,487,795

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION
ALL DISTRICT SERVICES
AS OF JUNE 30, 2016
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015
SCHEDULE 1 (continued)

<u>Solid Waste Services</u>		<u>Recycling Services</u>					
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	Combined June 30,		\$ Change	% Change		
		2016	2015				
\$ 14,291	\$ 182,653	\$ 1,645,345	\$ 1,305,611	\$ 339,734	26.0%		
-	-	147,642	116,920	30,722	26.3%		
-	-	271,697	277,106	(5,409)	-2.0%		
-	-	53,000	62,000	(9,000)	-14.5%		
-	-	243,930	250,000	(6,070)	-2.4%		
14,291	182,653	2,361,614	2,011,637	349,977	17.4%		
-	-	301,396	353,462	(52,066)	-14.7%		
-	-	-	326,019	(326,019)	-100.0%		
-	-	4,797,739	8,249,005	(3,451,266)	-41.8%		
-	-	5,099,135	8,928,486	(3,829,351)	-42.9%		
\$ 14,291	\$ 182,653	\$ 7,460,749	\$ 10,940,123	\$ (3,479,374)	-31.8%		
\$ -	\$ -	\$ 4,822,803	\$ 3,285,136	\$ 1,537,667	46.8%		
\$ -	\$ -	\$ 70,176,762	\$ 68,724,573	\$ 1,452,189	2.1%		
1,022,516	939,850	23,600,702	22,186,602	1,414,100	6.4%		
\$ 1,022,516	\$ 939,850	\$ 93,777,464	\$ 90,911,175	\$ 2,866,289	3.2%		

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ALL DISTRICT SERVICES FOR THE FISCAL YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015 SCHEDULE 2

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
Operating revenues			
District service charges	\$ 8,349,883	\$ 3,600,000	\$ -
Agency treatment charges	2,238,483	192,286	-
Permits and inspection fees	162,898	-	-
Sanitary truck waste charges	90,621	-	-
Grease receiving charges	158,967	-	-
Grit receiving charges	4,860	-	-
Contract fees	-	-	-
Recycling charges - residential and green waste	-	-	-
Recycling charges - commercial and industrial	-	-	-
Landfills fees - Measure D	-	-	-
Other	586,197	-	-
Total operating revenues	11,591,909	3,792,286	-
Operating expenses			
Engineering	682,832	1,872	-
Sewage collections	1,400,964	1,237,027	-
Sewage treatment operations	3,225,555	257,454	-
Sewage treatment maintenance	2,020,181	478,700	-
Sewage disposal - EBDA	660,226	119,250	-
Administration and general	1,239,813	16,816	-
Pension expense - GASB 68	1,192,396	-	-
OPEB expense and adjustments	(315,916)	-	-
Depreciation	3,351,201	-	-
Decrease in carrying value of EBDA	165,735	-	-
Solid waste	-	-	-
Recycling - residential, green waste, commercial and industrial	-	-	-
Total operating expenses	13,622,987	2,111,119	-
Operating income (loss)	(2,031,078)	1,681,167	-
Non-operating revenues			
Investment income	26,075	68,951	27,167
Increase in the fair value of investments	-	26,436	59,584
Rents, leases and personal license fees	79,956	-	-
Recovery of uncollectible accounts	-	-	-
Other miscellaneous revenues	293,899	159	33,162
EBDA and other agreement refunds	-	-	79,371
Total non-operating revenues	399,930	95,546	199,284
Non-operating expenses			
Decrease in the fair value of investments	-	-	-
Write-off of uncollectible accounts	-	-	-
Total non-operating expenses	-	-	-
Income (loss) before contributions and transfers	(1,631,148)	1,776,713	199,284
Connection and other developers' fees	-	-	298,612
Transfers in (out) of capital assets	3,248,353	-	(3,248,353)
Capital Grants	-	-	1,202,580
Equity transfers in (out)	123,000	(3,000,000)	3,000,000
Change in net position	1,740,205	(1,223,287)	1,452,123
Net position - beginning (as reported)	72,834,452	3,783,064	13,035,672
Prior period adjustment - GASB 68 pension adjustments	192,869	-	-
Prior period adjustment - OPEB adjustments	-	-	-
Net position - beginning (as adjusted)	73,027,321	3,783,064	13,035,672
Net position - ending	\$ 74,767,526	\$ 2,559,777	\$ 14,487,795

ORO LOMA SANITARY DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015
SCHEDULE 2 (continued)**

Solid Waste Services		Recycling Services					
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	Combined June 30,		Change		Change	
		2016	2015	\$		%	
\$	\$	\$	\$	\$			
-	-	11,949,883	11,678,040	271,843		2.3%	
-	-	2,430,769	2,190,362	240,407		11.0%	
-	-	162,898	170,994	(8,096)		-4.7%	
-	-	90,621	56,454	34,167		60.5%	
-	-	158,967	142,005	16,962		11.9%	
-	-	4,860	-	4,860		100.0%	
937,750	-	937,750	791,397	146,353		18.5%	
-	2,306,542	2,306,542	2,295,385	11,157		0.5%	
-	110,721	110,721	102,060	8,661		8.5%	
-	319,719	319,719	329,606	(9,887)		-3.0%	
-	-	586,197	682,873	(96,676)		-14.2%	
937,750	2,736,982	19,058,927	18,439,176	619,751		3.4%	
-	-	684,704	698,221	(13,517)		-1.9%	
-	-	2,637,991	2,897,622	(259,631)		-9.0%	
-	-	3,483,009	3,507,420	(24,411)		-0.7%	
-	-	2,498,881	2,155,643	343,238		15.9%	
-	-	779,476	684,638	94,838		13.9%	
-	-	1,256,629	1,332,934	(76,305)		-5.7%	
-	-	1,192,396	(547,141)	1,739,537		317.9%	
-	-	(315,916)	(182,991)	(132,925)		-72.6%	
-	-	3,351,201	3,329,414	21,787		0.7%	
-	-	165,735	89,455	76,280		85.3%	
306,213	-	306,213	305,189	1,024		0.3%	
-	2,574,922	2,574,922	2,591,742	(16,820)		-0.6%	
306,213	2,574,922	18,615,241	16,862,146	1,753,095		10.4%	
631,537	162,060	443,686	1,577,030	(1,133,344)		-71.9%	
3,134	3,152	128,479	216,318	(87,839)		-40.6%	
-	-	86,020	-	86,020		100.0%	
-	-	79,956	92,741	(12,785)		-13.8%	
17,203	-	17,203	11,343	5,860		51.7%	
220	11,588	339,028	140,798	198,230		140.8%	
-	-	79,371	79,371	-		0.0%	
20,557	14,740	730,057	540,571	189,486		35.1%	
-	-	-	58,326	(58,326)		-100.0%	
1,515	-	1,515	863	652		75.6%	
1,515	-	1,515	59,189	(57,674)		-97.4%	
650,579	176,800	1,172,228	2,058,412	(886,184)		-43.1%	
-	-	298,612	1,076,699	(778,087)		-72.3%	
-	-	-	-	-		0.0%	
-	-	1,202,580	-	1,202,580		100.0%	
(123,000)	-	-	-	-		0.0%	
527,579	176,800	2,673,420	3,135,111	(461,691)		-14.7%	
494,937	763,050	90,911,175	98,269,280	(7,358,105)		-7.5%	
-	-	192,869	(10,768,191)	10,961,060		101.8%	
-	-	-	274,975	(274,975)		-100.0%	
494,937	763,050	91,104,044	87,776,064	3,327,980		3.8%	
\$ 1,022,516	\$ 939,850	\$ 93,777,464	\$ 90,911,175	\$ 2,866,289		3.2%	

**ORO LOMA SANITARY DISTRICT
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
JUNE 30, 2016**

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.
- 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 2015-16 and 2016-17 was approved by Resolution No. 3612, dated May 19, 2015, and was subsequently amended by the following Board actions:

The budget for FY 2015-16 was amended by:

- Resolution No. 3620 – Amendment No. 1, dated October 20, 2015, with a net increase to Renewal & Replacement and Capital Improvement Program of \$1,138,650.
- Subsequent funding allocations by Board motions between January and June 2016, authorizing a total net increase to Renewal & Replacement and Capital Improvement Program of \$1,065,000.

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, 2016 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, 2016**

SCHEDULE 3

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
Operating revenues			
District service charges	\$ 8,148,800	\$ 8,349,883	\$ 201,083
Agency treatment charges	2,222,000	2,238,483	16,483
Permits and inspection fees	113,000	162,898	49,898
Sanitary truck waste charges	50,000	90,621	40,621
Grease receiving charges	120,000	158,967	38,967
Grit receiving charges	-	4,860	4,860
Other	580,000	586,197	6,197
Total operating revenues	11,233,800	11,591,909	358,109
Operating expenses			
Engineering	862,100	682,832	179,268
Sewage collections	1,691,000	1,400,964	290,036
Sewage treatment operations	4,112,500	3,225,555	886,945
Sewage treatment maintenance	2,255,800	2,020,181	235,619
Sewage disposal - EBDA	674,000	660,226	13,774
Administration and general	1,634,900	1,239,813	395,087
Pension expense - GASB 68	-	1,192,396	(1,192,396)
OPEB expense and adjustments	-	(315,916)	315,916
Depreciation	3,600,000	3,351,201	248,799
Decrease in carrying value of EBDA	100,000	165,735	(65,735)
Total operating expenses	14,930,300	13,622,987	1,307,313
Operating income (loss)		(2,031,078)	
Non-operating revenues			
Interest income	16,000	26,075	10,075
Rents and leases	80,000	79,956	(44)
Other miscellaneous revenues	100,000	293,899	193,899
Total non-operating revenues	196,000	399,930	203,930
Non-operating expenses			
Write-off of plant and equipment	-	-	-
Write-off of uncollectible accounts	10,000	-	10,000
Other expenses	1,160,000	-	1,160,000
Total non-operating expenses	1,170,000	-	1,170,000
Income (loss) before contributions and transfers	\$ (4,670,500)	\$ (1,631,148)	\$ 3,039,352
Transfers of plant and equipment from Capital Improvement Program		3,248,353	
Equity transfers in (out)		123,000	
Change in net position		1,740,205	
Net position - beginning (as reported)		72,834,452	
Prior period adjustment - GASB 68 pension adjustments		192,869	
Prior period adjustment - OPEB adjustments		-	
Net position - beginning (as adjusted)		73,027,321	
Net position - ending		\$ 74,767,526	

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, 2016
SCHEDULE 4**

	Budgeted Amounts	Actual Amounts by Account Category	Variance with Final Budget Favorable (Unfavorable)
Operating expenses			
Salaries	\$ 4,145,700	\$ 3,872,463	\$ 273,237
Employee benefits	2,232,100	1,379,643	852,457
Directors' benefits and fees	210,000	163,966	46,034
Election expenses	-	-	-
Gasoline, oil and fuel	101,800	61,910	39,890
Insurance	552,500	370,051	182,449
Office expenses	53,600	41,963	11,637
Operating supplies	707,600	531,738	175,862
Safety supplies	32,100	32,774	(674)
Contractual services	1,119,000	932,145	186,855
Professional services	191,300	149,231	42,069
Memberships, printing and publications	79,000	59,968	19,032
Rents and leases	23,200	20,965	2,235
Repairs and maintenance	467,500	506,254	(38,754)
Research and monitoring	102,000	57,520	44,480
Travel, meetings and training	106,800	69,529	37,271
Recognition program	35,100	24,582	10,518
Utilities	397,000	294,643	102,357
Departmental expenses	10,556,300	8,569,345	1,986,955
Sewage disposal - EBDA	674,000	660,226	13,774
Pension expense - GASB 68	-	1,192,396	(1,192,396)
OPEB expense and adjustments	-	(315,916)	315,916
Depreciation	3,600,000	3,351,201	248,799
Decrease in carrying value of EBDA	100,000	165,735	(65,735)
Non-departmental expenses	4,374,000	5,053,642	(679,642)
Total operating expenses	14,930,300	13,622,987	1,307,313
Non-operating expenses:			
Write-off of uncollectible accounts	10,000	-	10,000
Other miscellaneous expenses	1,160,000	-	1,160,000
Total non-operating expenses	1,170,000	-	1,170,000
Total expenses	\$ 16,100,300	\$ 13,622,987	\$ 2,477,313

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, 2016
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	\$ 334,260	\$ 785,775	\$ 1,486,854	\$ 854,475	\$ 411,099
Employee benefits	193,264	241,672	437,490	266,270	240,947
Directors' benefits and fees	-	-	-	-	163,966
Election expenses	-	-	-	-	-
Gasoline and oil	2,157	31,224	9,534	18,464	531
Insurance	29,340	106,173	128,590	72,714	33,234
Office expenses	5,275	1,669	4,701	2,937	27,381
Operating supplies	2,789	44,640	453,438	30,871	-
Safety supplies	1,362	10,181	11,418	9,075	738
Contractual services	80,177	32,998	402,640	263,573	152,757
Professional services	3,385	3,155	13,518	21,069	108,104
Memberships, printing and publications	4,772	1,088	9,980	6,885	37,243
Rents and leases	-	-	8,666	10,253	2,046
Repairs and maintenance	3,665	58,676	5,204	434,678	4,031
Research and monitoring	-	-	56,297	1,223	-
Travel, meetings and training	7,669	3,265	15,993	16,235	26,367
Recognition program	1,598	2,002	4,135	2,556	14,291
Utilities	13,119	78,446	177,097	8,903	17,078
Departmental expenses FY 2015-16	\$ 682,832	\$ 1,400,964	\$ 3,225,555	\$ 2,020,181	\$ 1,239,813
Departmental budget	\$ 862,100	\$ 1,691,000	\$ 4,112,500	\$ 2,255,800	\$ 1,634,900
% of budget used	79%	83%	78%	90%	76%
Departmental expenses FY 2014-15	\$ 697,559	\$ 1,361,622	\$ 3,454,880	\$ 2,014,808	\$ 1,309,910
Change in FY 2015-16 (\$)	\$ (14,727)	\$ 39,342	\$ (229,325)	\$ 5,373	\$ (70,097)
Change in FY 2015-16 (%)	-2.1%	2.9%	-6.6%	0.3%	-5.4%

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, 2016
SCHEDULE 5**

		Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
		Original	Final	Amounts	
Operating revenues					
	District service charges	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ -
	Agency treatment charges	223,400	317,990	192,286	(125,704)
	Total operating revenues	3,823,400	3,917,990	3,792,286	(125,704)
Project #	Project costs				
	<u>Collections system</u>				
104.00	Collections Asset Management - Lift Stations	30,000	8,000	6,713	1,287
141.00	Collections Asset Repair and Maintenance	1,250,000	1,250,000	1,038,085	211,915
144.10	Collections System GIS Updates and Maintenance	25,000	65,000	39,894	25,106
151.10	Easement Clearing and Road Maintenance	50,000	50,000	35,000	15,000
154.00	Hayward High School Easement Road Repair	50,000	50,000	49,447	553
144.00	Source Detection/Hydraulic Model Update	10,000	48,000	43,913	4,087
100.00	Lift Stations - General	80,000	1,000	-	1,000
100.14	Lift Stations - Canyon Drive	-	5,000	4,197	803
100.07	Lift Stations - Deer Trail	-	4,000	3,591	409
100.06	Lift Stations - Monika	-	4,000	450	3,550
100.01	Lift Stations - Trojan	-	10,000	9,984	16
900.91	Unanticipated Critical Equipment	-	15,000	5,754	9,246
	Postponed or Cancelled Projects	-	-	-	-
		1,495,000	1,510,000	1,237,028	272,972
	<u>Treatment plant</u>				
204.00	Asset Management - Treatment Plant	50,000	50,000	9,588	40,412
323.01	Building and Roadway Lighting Repair	30,000	30,000	8,169	21,831
289.00	Concrete Assessment & Rehabilitation	50,000	50,000	-	50,000
281.00	Digesters Facilities Services	-	12,400	1,637	10,763
289.01	Headworks Concrete Coating	250,000	315,000	18,030	296,970
305.00	Gate and Valve Replacements	50,000	43,000	20,596	22,404
237.00	Mosquito Abatement	-	25,000	24,572	428
213.00	Pre-Design Studies	20,000	45,000	38,637	6,363
395.06	Recurring Maintenance - Landscaping and Grounds	25,000	28,000	27,181	819
395.01	Recurring Maintenance - Painting	150,000	377,500	377,080	420
395.07	Recurring Maintenance - Paving/Road Maintenance	40,000	26,000	5,033	20,967
395.02	Recurring Maintenance - Roof Maintenance	25,000	25,000	6,217	18,783
213.02	Recycled Water Study	75,000	151,000	145,939	5,061
239.00	Safety Improvements	30,000	20,000	19,050	950
900.93	Critical Renewal and Replacements	70,000	39,500	34,424	5,076
	Projects Postponed or Tranferred to CIP	-	-	-	-
		865,000	1,237,400	736,153	501,247
	<u>Administration & Engineering</u>				
595.40/45	Computers and Network Maintenance	20,000	20,000	1,872	18,128
524.00	Fiscal Agent Fees	-	8,000	6,864	1,136
900.95	Critical Renewal and Replacements	30,000	30,000	9,952	20,048
626.00	EBDA replacement assessment	106,000	119,250	119,250	-
		156,000	177,250	137,938	39,312
	Total project costs	2,516,000	2,924,650	2,111,119	813,531
	Project costs assigned to category of operating expenses:				
	Operating expenses				
	Engineering			1,872	
	Sewage collections			1,237,027	
	Sewage treatment operations			257,454	
	Sewage treatment maintenance			478,700	
	Sewage disposal - EBDA			119,250	
	Administration			16,816	
	Total operating expenses			2,111,119	
	Operating income (loss)			1,681,167	
	Non-operating revenues (expenses)				
	Investment income	45,000	45,000	68,951	23,951
	Increase (decrease) in the fair value of investments	-	-	26,436	26,436
	Other miscellaneous revenues	-	-	159	159
	Total non-operating revenues	45,000	45,000	95,546	50,546
	Income (loss) before contributions and transfers	\$ 1,352,400	\$ 1,038,340	\$ 1,776,713	\$ 738,373
	Equity transfers in (out)			(3,000,000)	
	Change in net position			(1,223,287)	
	Net position - beginning			3,783,064	
	Net position - ending			\$ 2,559,777	

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, 2016
SCHEDULE 6**

Project #	Project costs	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
		Original	Final		
	<u>Collections system</u>				
100.00	Lift Stations - General	\$ 50,000	\$ 9,000	\$ 8,144	\$ 856
100.13	Lift Stations - Blackstone Surge Suppression	22,500	31,700	3,571	28,129
100.15	Lift Stations - Canyon Ridge Surge Suppression	22,500	28,700	3,521	25,179
100.09	Lift Stations - Clausen Rehabilitation	87,500	87,500	6,594	80,906
100.10	Lift Stations - Edgebrook Rehabilitation	87,500	87,500	-	87,500
100.01	Lift Stations - Trojan MCC / Pump	-	74,600	38,225	36,375
100.05	Lift Stations - Wickman Valve Vault	140,000	126,000	125,797	203
105.00	Lift Stations - Remote Site PLC Upgrades	100,000	80,000	-	80,000
143.02	Pipeline Replacements FY 2014-15	-	70,000	69,266	734
143.03	Pipeline Replacements FY 2015-16	2,000,000	3,020,000	2,070,701	949,299
143.04	Pipeline Replacements FY 2016-17 Design	-	75,000	60,070	14,930
	Postponed or Cancelled projects	50,000	-	-	-
		2,560,000	3,690,000	2,385,889	1,304,111
	<u>Treatment plant</u>				
213.01	Aerator Modifications	-	340,000	311,956	28,044
227.00	Chlorine Contact Basin Water Champ Replacement	20,000	20,000	19,884	116
298.03	Cogeneration Breaker Replacement	75,000	77,000	76,988	12
305.00	Gate and Valve Replacements	-	7,000	6,368	632
284.00	Influent Grinder Rebuild	30,000	31,000	30,920	80
314.00	Laboratory Remodeling	10,000	20,000	19,468	532
308.00	Maintenance Shop Vehicle Lift	50,000	20,000	19,867	133
231.00	Old Heater Building Pipe Trench Sump	35,000	35,000	14,166	20,834
239.00	Safety Improvements - New Heater Building Monorail	-	28,000	27,036	964
319.00	SCADA Network System Replacement and Upgrades	30,000	185,000	182,898	2,102
316.00	Vehicle Replacements	35,000	35,000	-	35,000
293.02	Wet Weather Equalization / Ecotone Project	3,564,000	3,851,000	2,851,141	999,859
900.93	Critical Equipment - Plant	70,000	70,000	42,793	27,207
	Postponed or Cancelled projects	135,000	-	-	-
		4,054,000	4,719,000	3,603,485	1,115,515
	<u>Administration & Engineering</u>				
595.40/45	Computers/Network Upgrades	20,000	20,000	-	20,000
900.95	Critical Equipment - Administration HVAC Replacement	10,000	10,000	-	10,000
		30,000	30,000	-	30,000
	Total project costs	6,644,000	8,439,000	5,989,374	2,449,626
	Less:				
	Additions to plant and equipment			(789,378)	
	Additions to construction in progress			(4,014,010)	
	Castro Valley Sanitary District capital assets			(1,185,986)	
	Operating income (loss)			-	
	Non-operating revenues (expenses)				
	Investment income	55,000	55,000	27,167	(27,833)
	Increase (decrease) in the fair value of investments	-	-	59,584	59,584
	EBDA agreement refund	80,000	80,000	79,371	(629)
	Other miscellaneous revenues	-	-	33,162	33,162
	Total non-operating revenues (expenses)	135,000	135,000	199,284	64,284
	Income (loss) before contributions and transfers	\$ 135,000	\$ 135,000	\$ 199,284	\$ 64,284
	Connection and other developer fees			298,612	
	Transfer of plant and equipment to Operations and Maintenance			(3,248,353)	
	Capital Grants			1,202,580	
	Equity transfers in (out)			3,000,000	
	Change in net position			1,452,123	
	Net position - beginning			13,035,672	
	Net position - ending			\$ 14,487,795	

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, 2016
SCHEDULE 7**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
Operating revenues			
Contract fees	\$ 900,000	\$ 937,750	\$ 37,750
Total operating revenues	<u>900,000</u>	<u>937,750</u>	<u>37,750</u>
Operating expenses			
Salaries	172,500	135,997	36,503
Overhead	181,500	144,317	37,183
Directors' fees	9,000	8,320	680
Office expenses	3,000	1,180	1,820
Safety supplies	500	-	500
Contractual services	3,000	1,222	1,778
Professional services	15,000	6,323	8,677
Memberships, printing and publications	16,500	7,973	8,527
Repairs and maintenance	500	-	500
Travel, meetings and training	1,000	249	751
Recognition program	600	155	445
Utilities	500	477	23
Depreciation	-	-	-
Contingency and other reserves	50,000	-	50,000
Total operating expenses	<u>453,600</u>	<u>306,213</u>	<u>147,387</u>
Operating income (loss)		<u>631,537</u>	
Non-operating revenues (expenses)			
Investment income	1,700	3,134	1,434
Recovery of uncollectible accounts	10,000	17,203	7,203
Other miscellaneous revenues	-	220	220
Write-off of uncollectible accounts	(3,000)	(1,515)	1,485
Total non-operating revenues (expenses)	<u>8,700</u>	<u>19,042</u>	<u>10,342</u>
Income (loss) before contributions and transfers	<u>\$ 455,100</u>	<u>\$ 650,579</u>	<u>\$ 195,479</u>
Equity transfers in (out)		<u>(123,000)</u>	
Change in net position		<u>527,579</u>	
Net position - beginning		<u>494,937</u>	
Net position - ending		<u>\$ 1,022,516</u>	

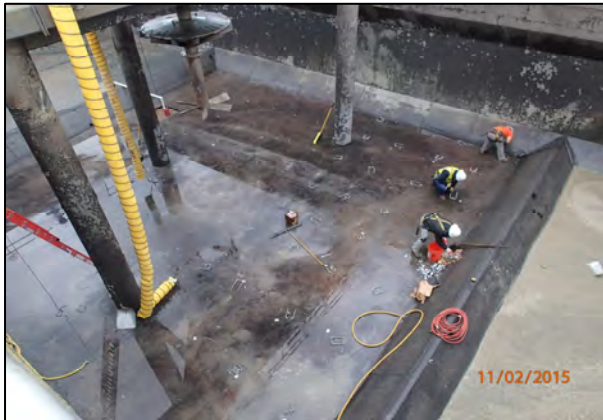
ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
RECYCLING SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
SCHEDULE 8**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Operating revenues			
Recycling charges - residential and green waste	\$ 2,290,000	\$ 2,306,542	\$ 16,542
Recycling charges - commercial and industrial	96,000	110,721	14,721
Landfill fees - Measure D	330,000	319,719	(10,281)
Total operating revenues	<u>2,716,000</u>	<u>2,736,982</u>	<u>20,982</u>
Operating expenses			
Salaries	172,500	144,217	28,283
Overhead	172,500	144,217	28,283
Office expenses	5,000	134	4,866
Contractual services	2,320,000	2,225,659	94,341
Professional services	2,000	-	2,000
Memberships, printing and publications	42,000	25,526	16,474
Travel, meetings and training	500	-	500
San Leandro Measure D	40,000	35,169	4,831
Depreciation	-	-	-
Contingency reserve	30,000	-	30,000
Total operating expenses	<u>2,784,500</u>	<u>2,574,922</u>	<u>209,578</u>
Operating income (loss)		<u>162,060</u>	
Non-operating revenues (expenses)			
Investment income	2,300	3,152	852
Other miscellenous revenues	18,000	11,588	(6,412)
Grant expenses	-	-	-
Write-off of uncollectible accounts	(200)	-	200
Total non-operating revenues (expenses)	<u>20,100</u>	<u>14,740</u>	<u>(5,360)</u>
Income (loss) before contributions and transfers	<u>\$ (48,400)</u>	<u>\$ 176,800</u>	<u>\$ 225,200</u>
Equity transfers in (out)		<u>-</u>	
Change in net position		<u>176,800</u>	
Net position - beginning		<u>763,050</u>	
Net position - ending		<u>\$ 939,850</u>	

AERATOR MODIFICATIONS

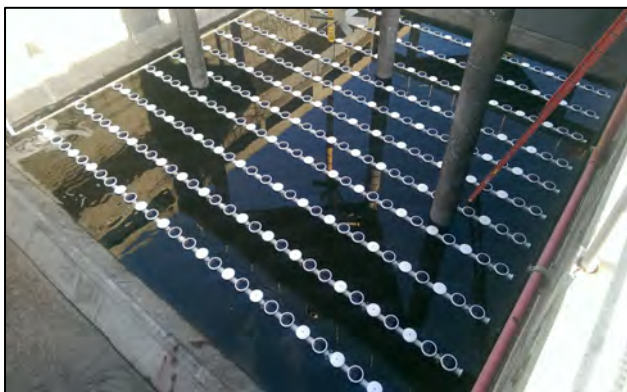
The Fine Bubble Aeration project was designed to to reduce the power consumption of the treatment plant by replacing six 150-horsepower mechanical aerators with a 75-horsepower blower and fine bubble diffusers.



Aeration basin taken out of service for preparation work of new fine bubble diffusers.



Fine bubble diffusers header and branch piping installation.



Fine bubble membrane diffusers being installed.



Testing fine bubble diffusers for leaks.



Aerzen blower for air supply to fine bubble diffusers.



Air header supply feeding air from the blower to all basins.

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2016.

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

October 13, 2016
San Jose, California

HEADWORKS CONCRETE COATING

Due to erosion and corrosion of existing concrete walls, the District coated the barscreen and bypass channels, grit chamber and wet well with Endura-flex coating to prolong equipment life.



Suction piping for bypass system setup.



Bypass pumps with discharge piping.



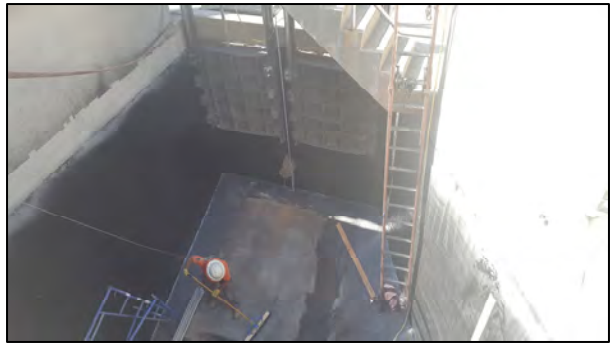
Discharge piping from bypass system along Oro Loma parking lot.



Discharge of bypass system into influent channel to primary clarifiers.



Endura-flex coating along east side of grit chamber at the headworks.



Endura-flex coating in east wet well of headworks.



Endura-flex coating on south side of influent channel of headworks.



Endura-flex coating on east side of influent channel of headworks.

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

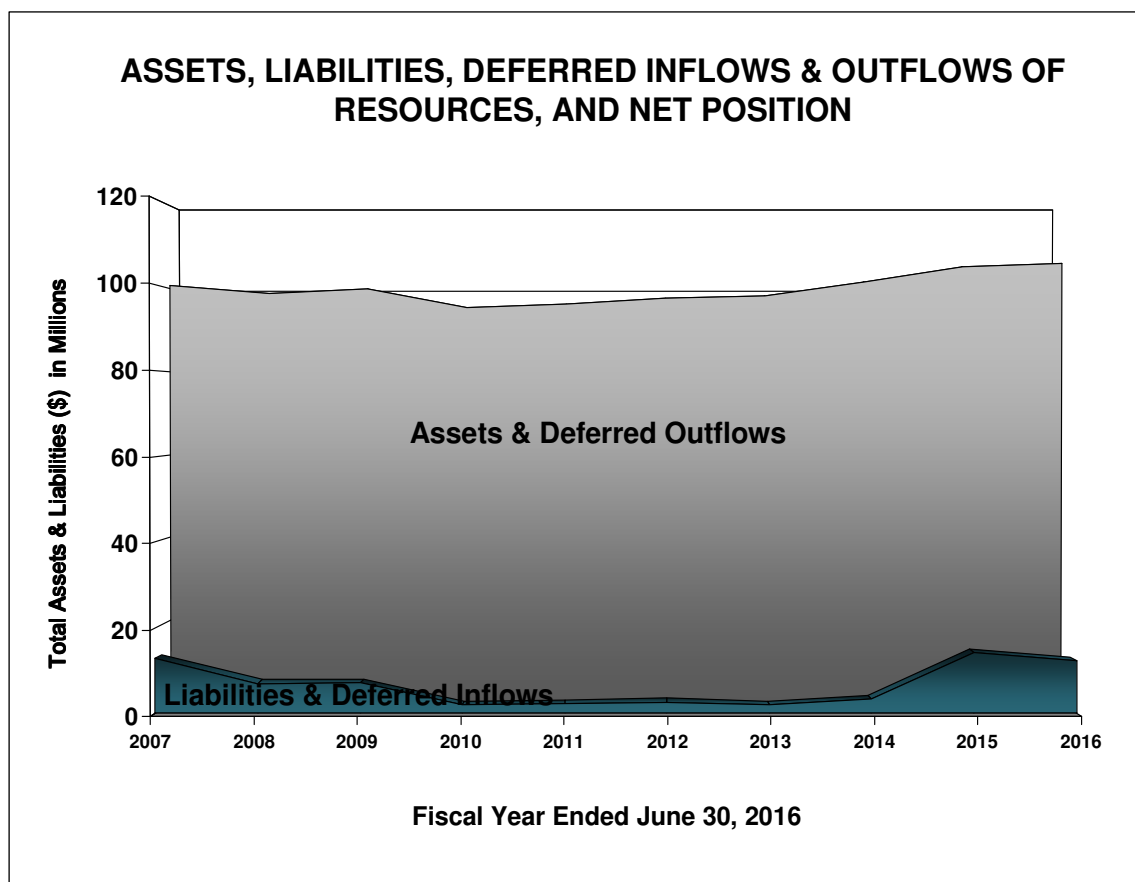
FINANCIAL TRENDS

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
2016	\$ 100,346,093	\$ 5,714,923	\$ 7,460,749	\$ 4,822,803	\$ 70,176,762	\$ -	\$ 23,600,702	\$ 93,777,464
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

GRAPH A



ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

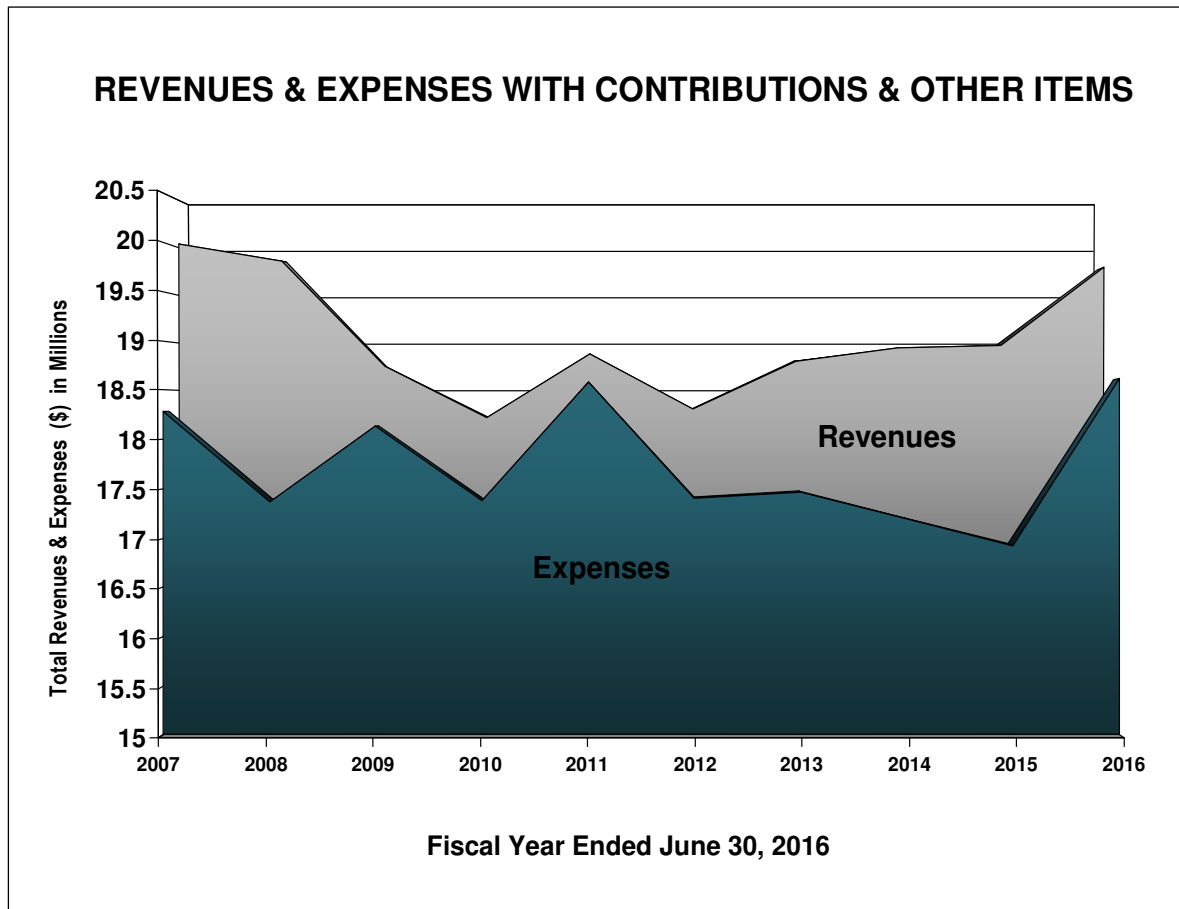
TABLE 2

Revenues, Expenses & Changes in Net Position

Fiscal Year Ended June 30	Revenues	Expenses	Income before Contributions	Contributions & Other Items		Change in Net Position
				Connection & Upsizing Fees	Other Items	
2016	\$19,788,984	\$18,616,756	\$1,172,228	\$298,612	*\$1,202,580	\$1,470,840
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

* In 2016, the District received \$1,202,580 in capital grants from State Water Resources Control Board to partially fund the Wetweather Equalization / Horizontal Levee Demonstration project.

GRAPH B



ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3

Statement of Revenues and Expenses & Changes in Net Position (2016 - 2012)

	2016	2015	2014	2013	2012
OPERATING REVENUES:					
District service charges	\$11,949,883	\$11,678,040	\$11,583,176	\$11,368,931	\$10,539,022
Agency treatment charges	2,430,769	2,190,362	2,206,459	2,341,562	2,356,508
Sanitary truck waste charges	90,621	56,454	48,815	44,614	34,119
Grease receiving facilities	158,967	142,005	120,927	113,397	100,964
Grit receiving facilities	4,860	-	-	-	-
Permits & inspection fees	162,898	170,994	126,143	105,122	105,501
Contract fees-Waste Mgmt	937,750	791,397	755,676	728,946	1,014,122
Recycling residential charges	2,306,542	2,295,385	2,286,977	2,285,768	2,285,609
Recycling commercial charges	110,721	102,060	87,783	71,686	96,011
Landfill fees-Measure D	319,719	329,606	327,570	342,132	322,360
Others	586,197	682,873	763,138	719,682	761,461
Total operating revenues	19,058,927	18,439,176	18,306,664	18,121,840	17,615,677
OPERATING EXPENSES:					
Engineering	684,704	698,221	712,859	694,142	585,037
Sewage collections	2,637,991	2,897,622	2,727,099	2,375,275	2,207,219
Sewage treatment operations	3,483,009	3,507,420	3,768,468	3,961,746	3,833,846
Sewage treatment maintenance	2,498,881	2,155,643	1,951,508	2,100,408	2,419,194
Sewage disposal-EBDA	779,476	684,638	645,786	682,807	696,967
Administration and general	1,256,629	1,332,934	1,206,450	1,405,494	1,215,432
Pension expense - GASB 68	1,192,396	(547,141)	-	-	-
OPEB expense and adjustments	(315,916)	(182,991)	-	-	-
Depreciation	3,351,201	3,329,414	3,179,437	3,133,447	2,993,361
Decrease in EBDA equity	165,735	89,455	95,162	92,055	104,088
Solid waste	306,213	305,189	296,535	330,769	395,554
Recycling	2,574,922	2,591,742	2,599,618	2,682,645	2,662,165
Total operating expenses	18,615,241	16,862,146	17,182,922	17,458,788	17,112,863
OPERATING INCOME (LOSS)	443,686	1,577,030	1,123,742	663,052	502,814
NON-OPERATING REVENUES:					
Investment income	128,479	216,318	217,367	194,227	157,237
Increase in the fair value of investments	86,020	-	53,279	19,345	(157,399)
Rents, leases & license fees	79,956	92,741	84,856	132,159	394,141
Castro Valley side fund reimbursement	-	-	-	-	-
Gain on disposal of capital assets	-	-	14,643	-	-
Recovery of uncollectible accounts	17,203	11,343	11,702	9,821	16,172
Other miscellaneous revenues	339,028	140,798	177,063	220,500	200,510
EBDA agreement and other refunds	79,371	79,371	79,371	79,371	79,371
Grant revenues	-	-	-	36,948	-
Total non-operating revenues	730,057	540,571	638,281	692,371	690,032
NON-OPERATING EXPENSES:					
Interest on bonds payable	-	-	-	-	-
CalPERS side fund contribution	-	-	-	-	-
Grant expenses	-	-	10,725	444	34,623
Decrease in the fair value of investments	-	58,326	-	-	-
Write-off plant & equipment	-	-	78	-	260,034
Write-off uncollectible accounts	1,515	863	1,502	8,757	2,217
Other miscellaneous expenses	-	-	-	-	-
Total non-operating expenses	1,515	59,189	12,305	9,201	296,874
INCOME BEFORE CONTRIBUTIONS	1,172,228	2,058,412	1,749,718	1,346,222	895,972
Connection fees	298,612	1,076,699	135,600	69,759	112,127
Sewer upsizing fees	-	-	-	-	-
Developers' contributions	-	-	-	-	-
CVSD contrib. for transferred vehicle	-	-	637	-	-
Capital Grants	1,202,580	-	-	-	-
CHANGES IN NET POSITION	2,673,420	3,135,111	1,885,955	1,415,981	1,008,099
NET POSITION-BEGINNING	90,911,175	98,269,280	96,383,325	94,967,344	93,959,245
Prior period adjustment - GASB 68 pension adj	192,869	(10,768,191)	-	-	-
Prior period adjustment - OPEB adjustments	-	274,975	-	-	-
NET POSITION-ENDING	93,777,464	90,911,175	98,269,280	96,383,325	94,967,344

ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3 (continued)

Statement of Revenues and Expenses & Changes in Net Position (2011 - 2007)

	2011	2010	2009	2008	2007
OPERATING REVENUES:					
District service charges	\$10,183,687	\$10,120,561	\$10,098,745	\$10,739,082	\$10,651,466
Agency treatment charges	2,113,496	2,213,303	2,321,971	2,065,201	2,018,058
Sanitary truck waste charges	33,369	43,921	48,960	63,160	56,752
Grease receiving facilities	47,248	7,135	-	-	-
Grit receiving facilities	-	-	-	-	-
Permits & inspection fees	118,649	132,534	138,888	209,411	174,584
Contract fees-Waste Mgmt	1,177,161	1,231,477	1,249,130	1,205,948	1,198,607
Recycling residential charges	2,281,257	2,277,284	2,272,570	2,266,025	2,257,179
Recycling commercial charges	99,721	80,824	59,895	37,731	36,958
Landfill fees-Measure D	337,996	358,386	311,732	452,342	496,637
Others	812,882	753,313	828,072	848,235	672,065
Total operating revenues	17,205,466	17,218,738	17,329,963	17,887,135	17,562,306
OPERATING EXPENSES:					
Engineering	756,806	637,505	631,004	813,103	723,286
Sewage collections	2,426,428	2,350,901	2,880,750	2,076,666	1,667,692
Sewage treatment operations	3,616,626	4,405,258	4,262,868	4,470,520	3,761,510
Sewage treatment maintenance	1,831,130	1,846,305	1,895,607	1,705,618	1,903,645
Sewage disposal-EBDA	638,715	478,693	501,112	543,574	511,412
Administration and general	1,320,909	1,168,674	1,246,174	1,247,944	1,354,111
Pension expense - GASB 68	-	-	-	-	-
OPEB expense and adjustments	-	-	-	-	-
Depreciation	3,134,347	3,148,568	3,079,226	3,053,867	2,131,024
Decrease in EBDA equity	98,084	78,973	13,365	41,273	68,875
Solid waste	397,390	435,618	516,185	503,793	215,554
Residential recycling	2,688,271	2,657,699	2,656,868	2,601,130	2,567,667
Total operating expenses	16,908,706	17,208,194	17,683,159	17,057,488	14,904,776
OPERATING INCOME (LOSS)	296,760	10,544	(353,196)	829,647	2,657,530
NON-OPERATING REVENUES:					
Investment income	190,115	197,078	584,497	1,122,335	1,452,998
Increase in the fair value of investments	-	-	-	-	-
Rents, leases & license fees	375,087	382,120	364,982	395,427	565,367
Castro Valley side fund reimbursement	297,151	-	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Recovery of uncollectible accounts	69,587	-	-	-	-
Other miscellaneous revenues	171,846	203,125	232,112	316,738	313,146
EBDA agreement and other refunds	79,371	79,371	89,138	82,010	87,011
Grant revenues	497,206	134,213	154,170	58,481	57,677
Total non-operating revenues	1,680,363	995,907	1,424,899	1,974,991	2,476,199
NON-OPERATING EXPENSES:					
Interest on bonds payable	-	4,367	150,926	173,576	195,626
CalPERS side fund contribution	1,640,762	-	-	-	-
Grant expenses	30,268	19,240	244,863	48,988	56,114
Decrease in the fair value of investments	-	-	-	-	-
Write-off plant & equipment	389	-	8,837	51,020	92,303
Write-off uncollectible accounts	466	8,824	31,398	25,376	25,590
Other miscellaneous expenses	-	139,370	15,544	15,544	3,015,644
Total non-operating expenses	1,671,885	171,801	451,568	314,504	3,385,277
INCOME BEFORE CONTRIBUTIONS	305,238	834,650	620,135	2,490,134	1,748,452
Connection fees	99,905	49,953	367,611	1,198,135	455,873
Sewer upsizing fees	-	-	-	-	168,519
Developers' contributions	-	-	-	103,525	-
CVSD contrib. for transferred vehicle	-	-	-	-	-
Capital Grants	-	-	-	-	-
CHANGES IN NET POSITION	405,143	884,603	987,746	3,791,794	2,372,844
NET POSITION-BEGINNING	93,554,102	92,669,499	91,681,753	87,889,959	85,517,115
Prior period adjustment - GASB 68 pension adj	-	-	-	-	-
Prior period adjustment - OPEB adjustments	-	-	-	-	-
NET POSITION-ENDING	93,959,245	93,554,102	92,669,499	91,681,753	87,889,959

ORO LOMA SANITARY DISTRICT

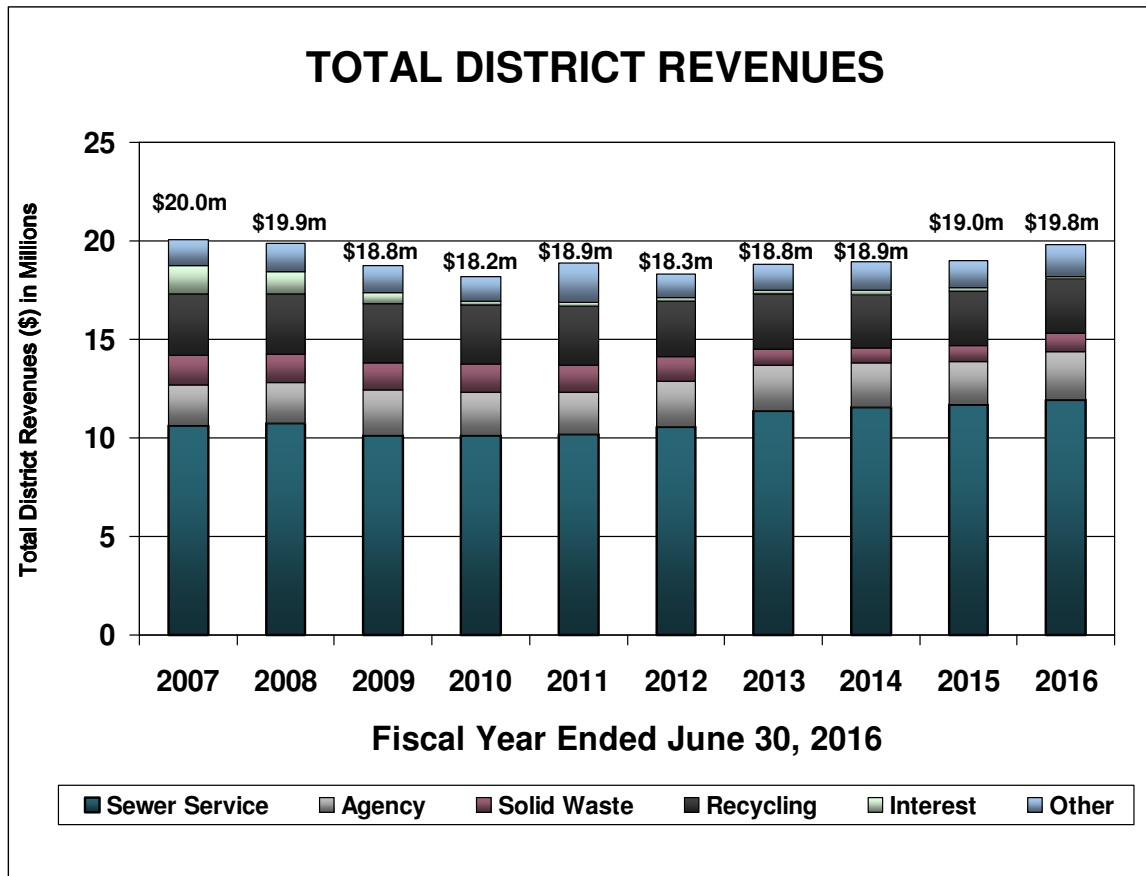
REVENUE CAPACITY

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 2016 Total	60.4%	12.3%	4.8%	13.9%	0.6%	8.0%	100.0%
2016	\$11,949,883	\$2,430,769	\$955,173	\$2,748,570	\$128,479	\$1,576,110	\$19,788,984
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

GRAPH C



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

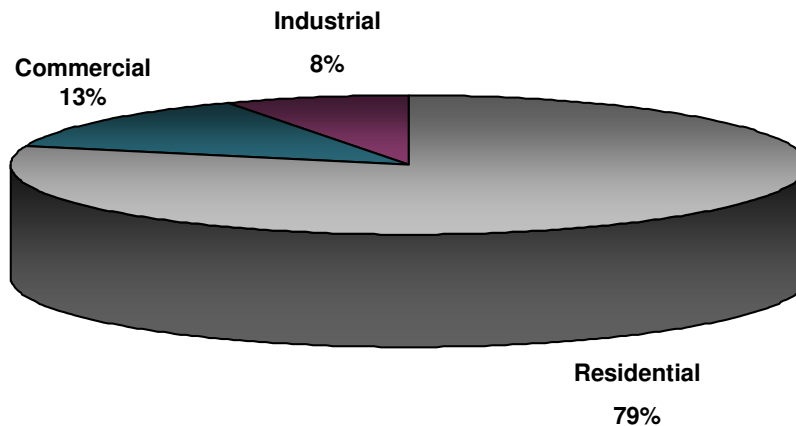
TABLE 5

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	
2016	\$9,479,050	79%	\$1,576,268	13%	\$894,565	8%	\$11,949,883
2015	9,223,995	79%	\$1,693,427	16%	760,618	7%	11,678,040
2014	8,959,561	77%	1,782,630	15%	840,985	7%	11,583,176
2013	8,677,340	76%	1,771,964	16%	919,627	7%	11,368,931
2012	8,394,231	80%	1,541,786	15%	603,005	6%	10,539,022
2011	8,163,543	80%	1,422,552	14%	597,592	6%	10,183,687
2010	8,148,938	81%	1,432,635	14%	538,988	4%	10,120,561
2009	8,146,161	81%	1,485,963	15%	466,621	5%	10,098,745
2008	8,588,078	80%	1,643,004	15%	508,000	6%	10,739,082
2007	8,547,142	80%	1,629,825	15%	474,499	5%	10,651,466

GRAPH D

SEWER SERVICE REVENUES BY CUSTOMER TYPE FY 2015-16



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 Ordinance 37 with Resolution #3536

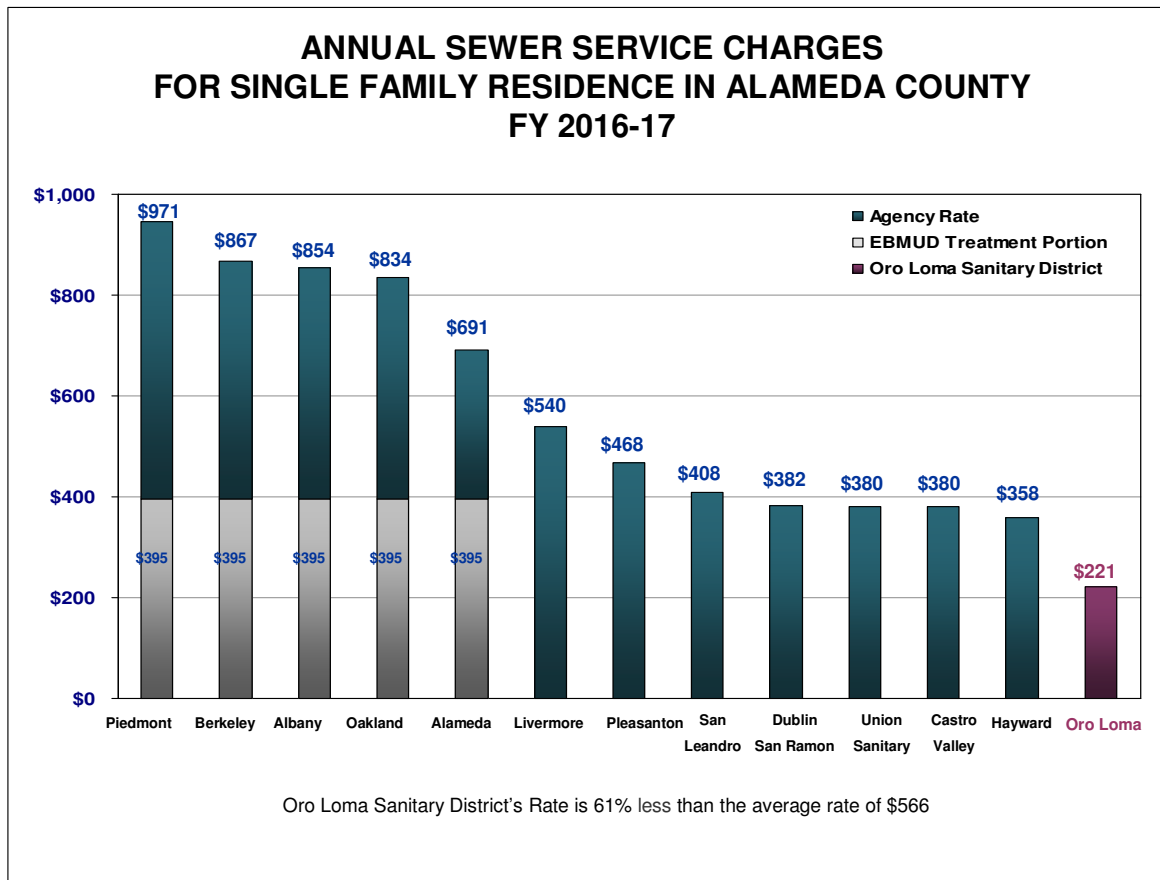
Fiscal Year Ended June 30	Ord. #	Residential						Commercial & Significant Industrial Users		Total Customer Base
		Single Family Dwellings		Apartment Units		Mobile Homes		# of customers	per 100 cf of water used	
		# of units	Annual Rate	# of units	Annual Rate	# of units	Annual Rate			
2016	R#3536	29,779	\$206.00	14,849	\$206.00	1,229	\$168.00	1,247	\$3.045	47,104
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

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 2015-16.

20.7% ← **\$2,470,833** out of **\$11,949,883** total sewer service revenues were derived from commercial (\$1,576,268) and industrial (\$894,565) customers

12.5% ← **\$1,499,602** out of **\$11,949,883** total sewer service revenues were derived from the twenty largest commercial and industrial customers

60.7% ← **\$1,499,602** out of **\$2,470,833** total commercial and industrial sewer service revenues were derived from the twenty largest commercial and industrial customers.

TABLE 7 **Twenty Largest Commercial Customers**

Source: 2015 East Bay Municipal Utility District water consumption and billing report and 2015 significant industrial users invoices.

Customer	Type of Business	Sewer Charges	% of Sewer Revenues
Santini Foods	Food manufacturing	\$ 551,024	4.6%
Ghirardelli Chocolate	Food manufacturing	190,215	1.6%
The Hillshire Brands	Food manufacturing	108,812	0.9%
Madison Bayfair	Shopping mall	90,058	0.8%
Fairmont Hospital Complex	Hospital, medical clinics and correctional facilities	84,025	0.7%
County of Alameda General Services	Government services	66,636	0.6%
Hayward Area Recreation & Park District	Recreation and parks	63,492	0.5%
San Lorenzo Unified School District	School District	49,621	0.4%
Hayward Unified School District	School district	41,822	0.3%
Greenhouse Marketplace	Retail businesses	38,908	0.3%
San Lorenzo Car Wash	Car Wash	31,003	0.3%
San Leandro Hospital (SLCO)	Hospital	30,789	0.3%
Tharco	Packaging materials manufacturing	29,575	0.2%
Save Mart Supermarket	Grocery store	19,611	0.2%
Lorenzo Manor Shopping Center	Retail businesses	18,913	0.2%
Budget Inn	Hotel	18,140	0.2%
Allsafe Self Storage	Storage facility	17,381	0.1%
Driftwood Manor	Assisted living facility	16,718	0.1%
Kaiser Foundation Health Plan	Medical clinics	16,455	0.1%
Guadalajara Enterprises	Retail businesses	16,404	0.1%
Total		\$ 1,499,602	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 ~

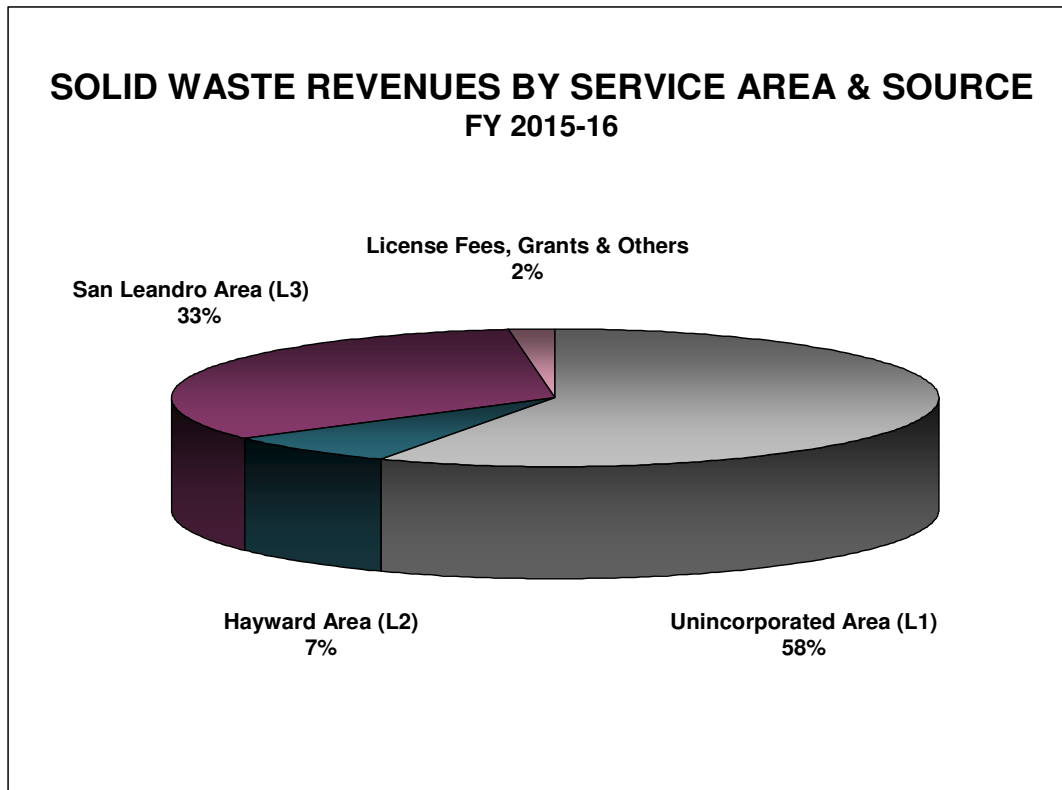
TABLE 8

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
2016	\$549,788	\$71,216	\$316,746	\$17,423	\$955,173
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

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

GRAPH F



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

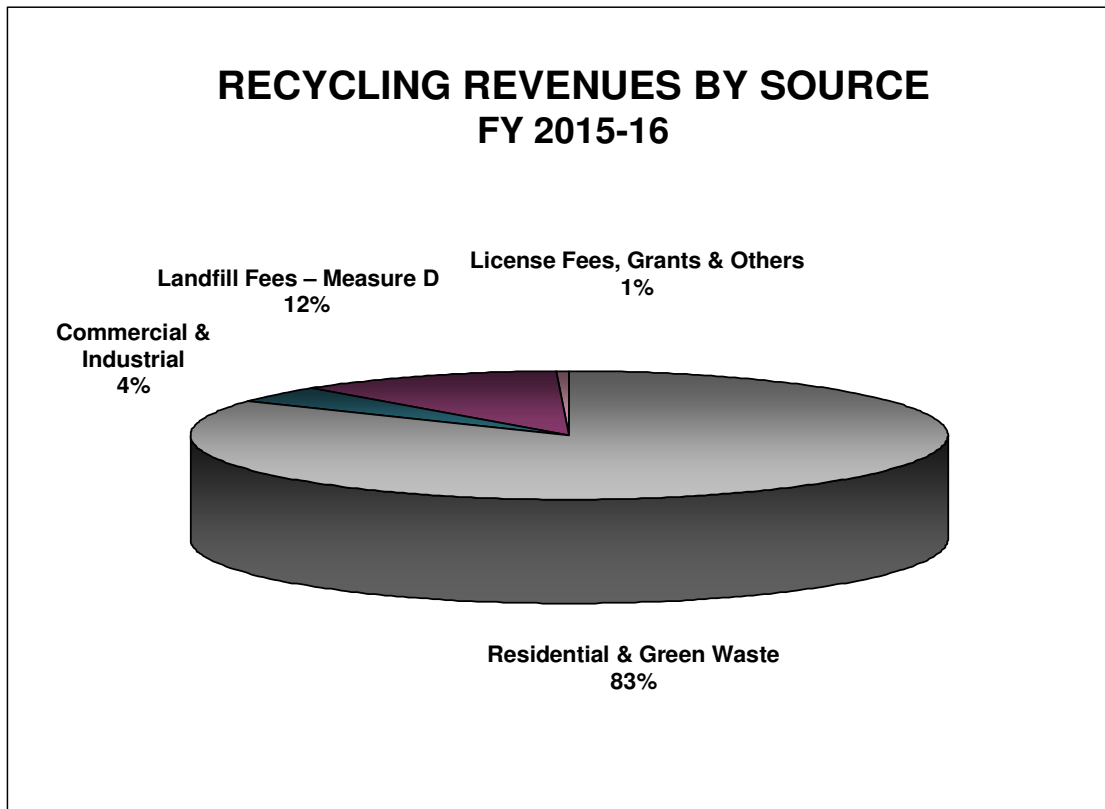
~ SIGNIFICANT SINGLE SOURCE REVENUES ~

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			
2016	\$2,306,542	\$110,721	\$319,719	\$11,588	\$2,748,570
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

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
2016	34-41	\$8.54	\$9.85	\$17.04	\$19.76	\$34.11	\$39.46	\$111.45	\$128.93	\$4.60	\$4.32	\$47.89	\$50.31
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	-

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.

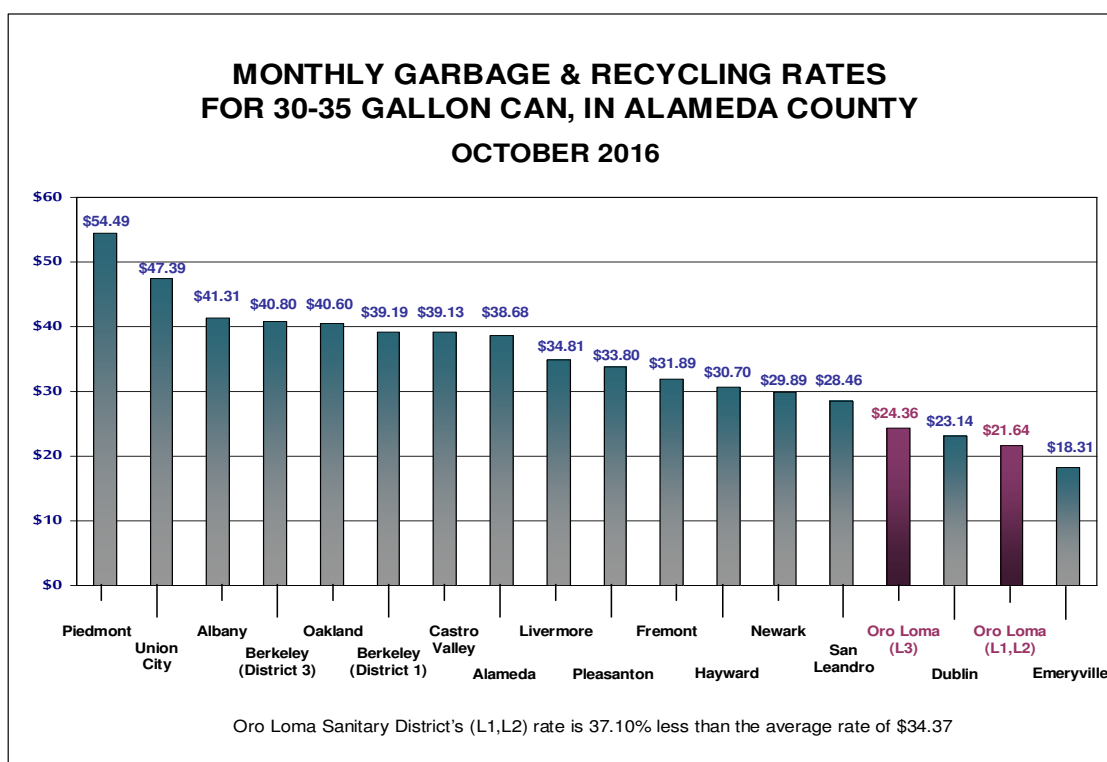
L3 is the area in the City of San Leandro within the District's boundaries, and receives both garbage and recycling services from the District.

* 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

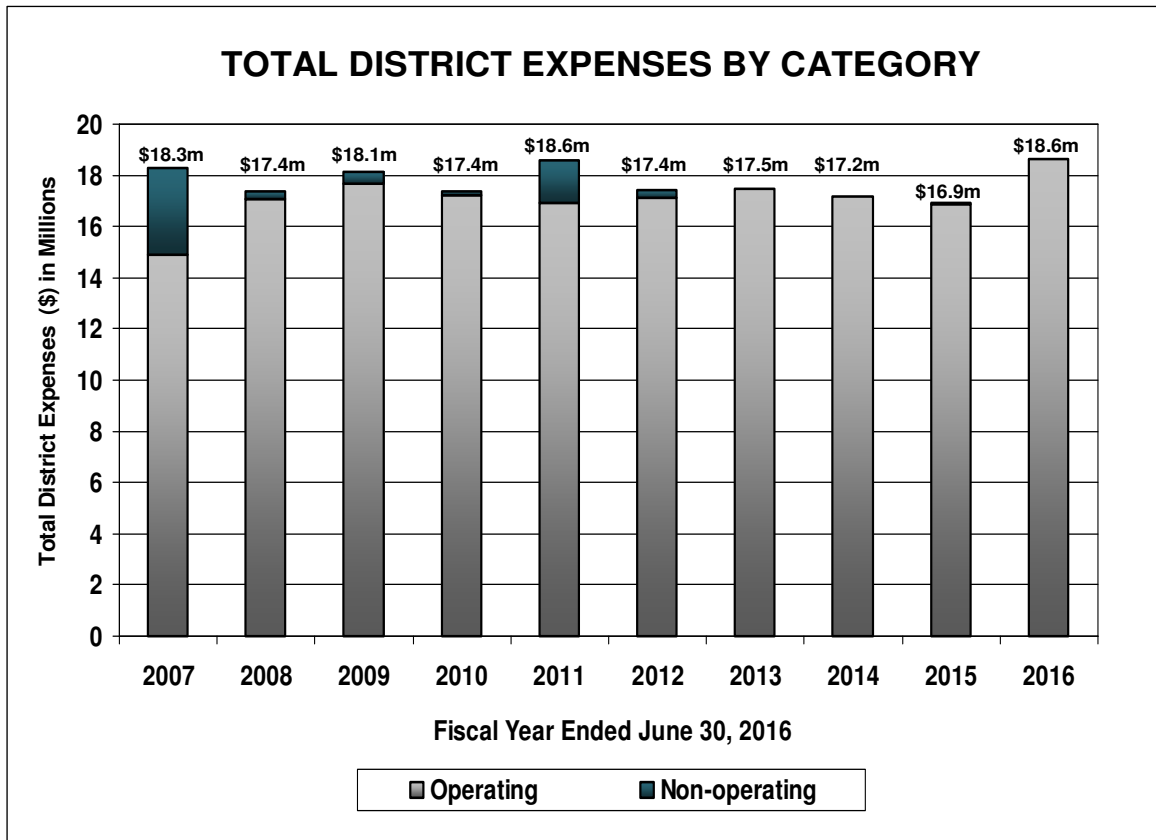
Total Expenses by Category

Fiscal Year Ended June 30	Operating Expenses	Non-operating Expenses	Total Expenses
2016	\$18,615,241	\$1,515	\$18,616,756
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

* 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

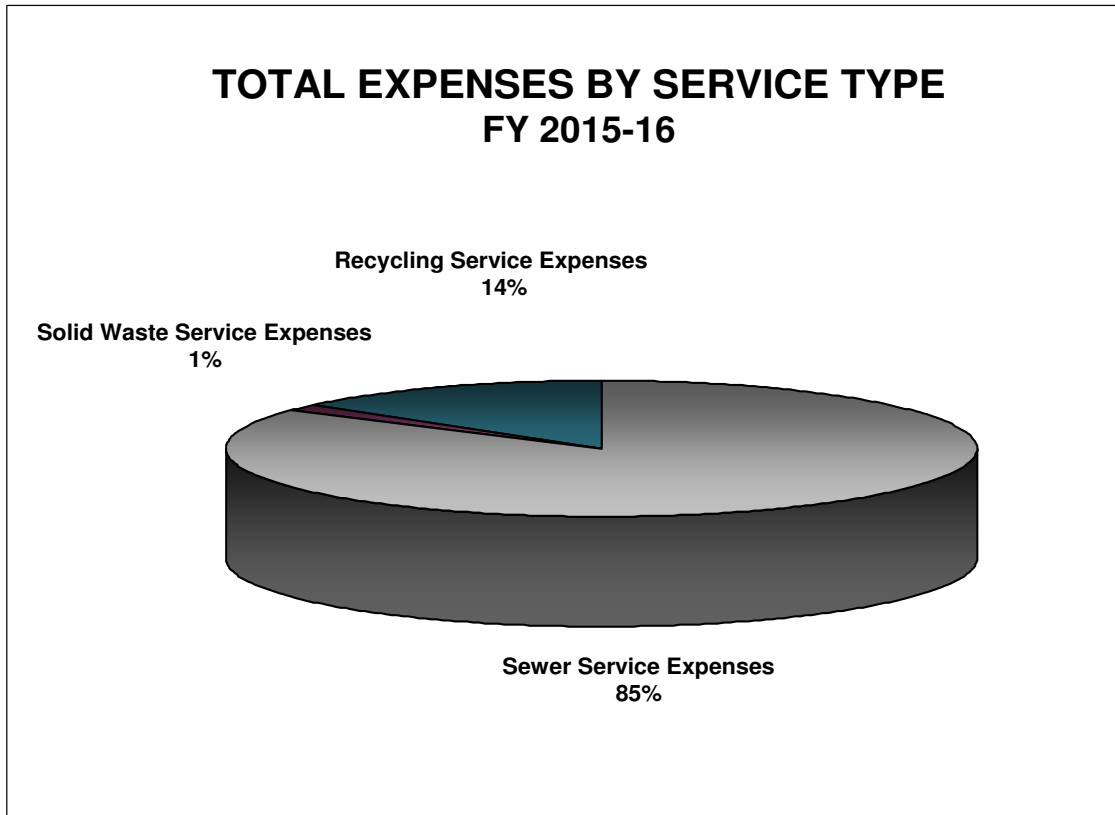
EXPENSES

TABLE 12

Total Expenses by Service Type

Fiscal Year Ended June 30	Sewer Service Expenses	Solid Waste Service Expenses	Recycling Service Expenses	Total Expenses
2016	\$15,734,106	\$307,728	\$2,574,922	\$18,616,756
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

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 then.

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		
2016	\$ 12,128,474,619	\$ 3,032,118,655	\$ 454,817,798	none	(\$600,000)	\$ 454,217,798	N/A
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

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, Fairview, 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.

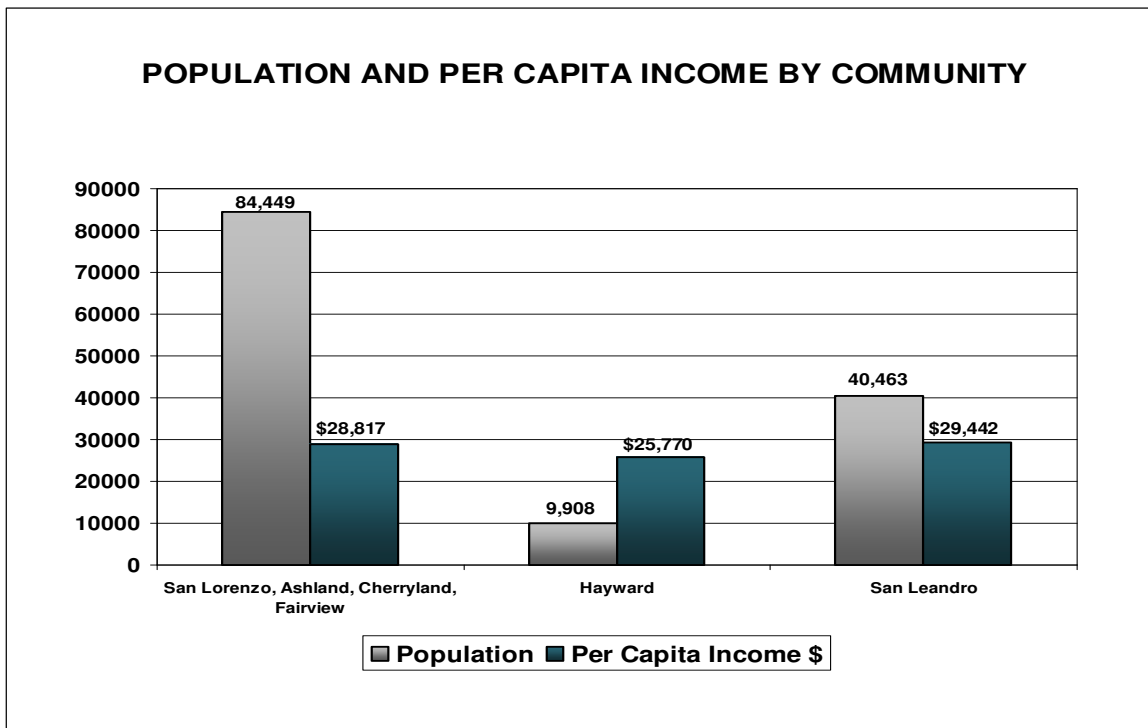
TABLE 16

Population, Per Capita Income & Unemployment Statistics

Source: U.S. Census Bureau 2010-2014; EDD Labor Market Information Division FY 2015-16

Indicator	Communities within the District's Boundaries Located in			All Areas
	San Lorenzo, Ashland, Cherryland, Fairview	Hayward	San Leandro	
Population	84,449	9,908	40,463	134,820
Per Capita Income	\$28,817	\$25,770	\$29,442	\$28,781
Unemployment rate	5.5%	6.2%	4.8%	5.3%

GRAPH K



ORO LOMA SANITARY DISTRICT

DEMOGRAPHIC & ECONOMIC INFORMATION

~ PRINCIPAL EMPLOYERS ~

TABLE 17

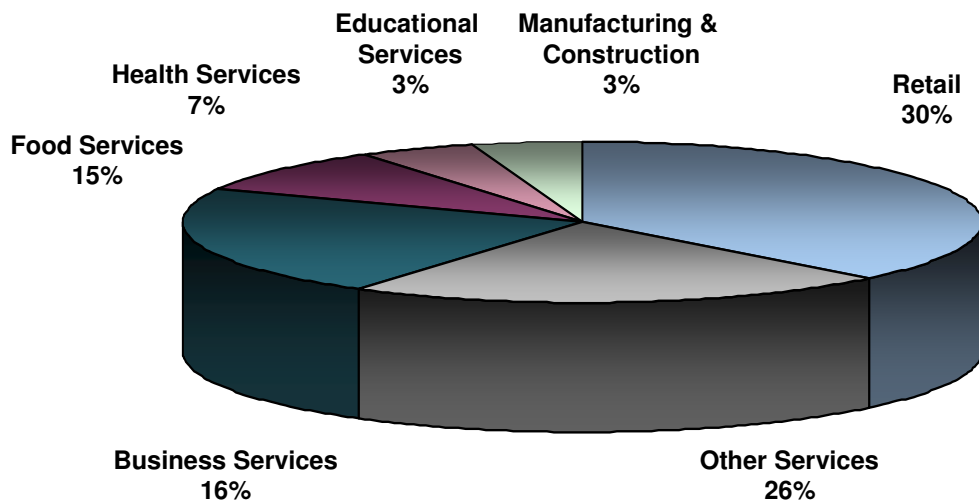
Major Employers Within the District

Source: City of San Leandro Budget 15-16 and CAFR 2015, and Buzzfile company information database.

Employer	Type of Business	Number of Employees
San Lorenzo Unified School District	School district	1225
Kaiser Foundation Health Plan	Medical clinics	893
County of Alameda	Government services and hospital complex	893
Ghirardelli Chocolate	Food manufacturing	406
San Leandro Hospital	Hospital	475
Kraft	Food manufacturing	400
The Hillshire Brands	Food manufacturing	400
Tharco	Packaging materials manufacturing	361
San Leandro Unified School District	School district	295
Hayward Unified School District	School district	293
Target	Department store	200
Safeway	Grocery store	140

GRAPH L

MAJOR INDUSTRIES WITHIN THE DISTRICT FY 2015-16



Source: 2015 East Bay Municipal Utility District water consumption and billing report.

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

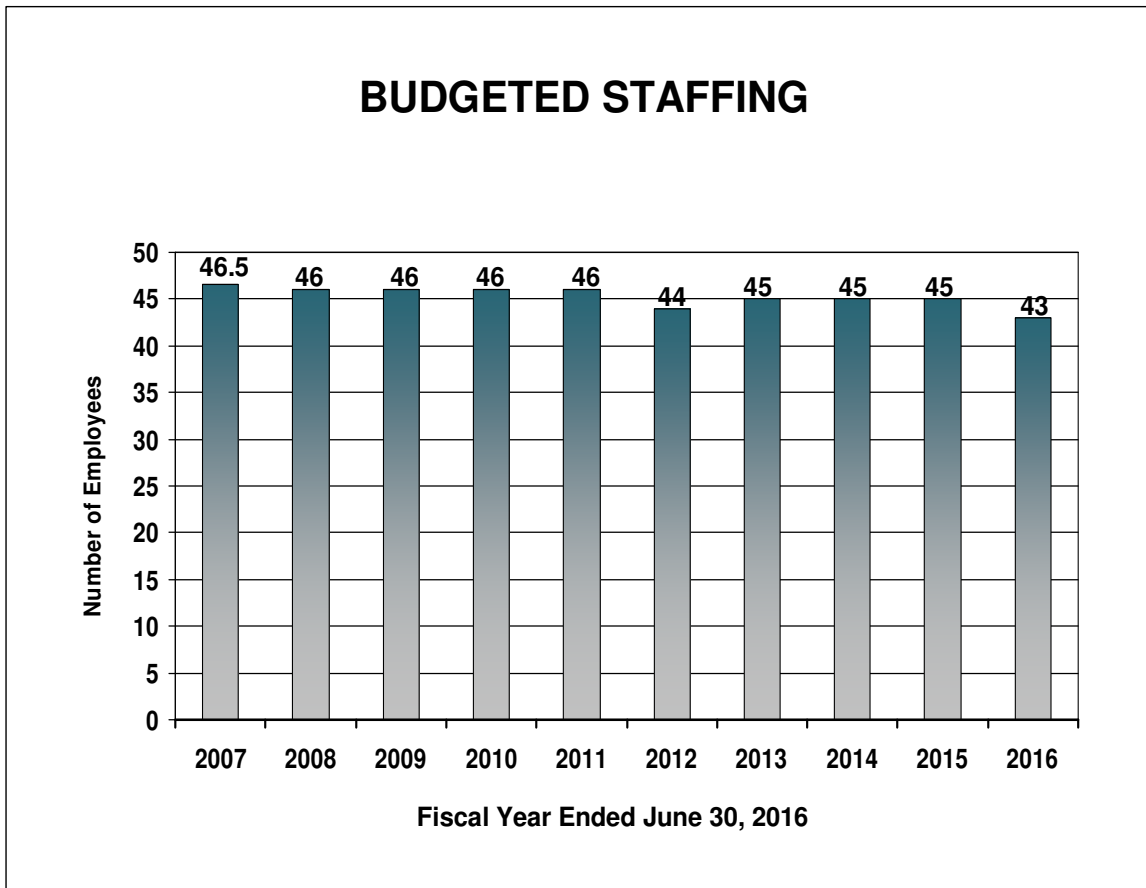
~ EMPLOYEE BASE ~

TABLE 18

Budgeted Staffing by Department

Fiscal Year Ended June 30	Engineering	Collections	Operations	Maintenance	Administration	Solid Waste	Total
2016	6.0	7.0	13.5	10.0	5.5	1.0	43.0
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

GRAPH M



ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ SERVICE INDICATORS ~

TABLE 19

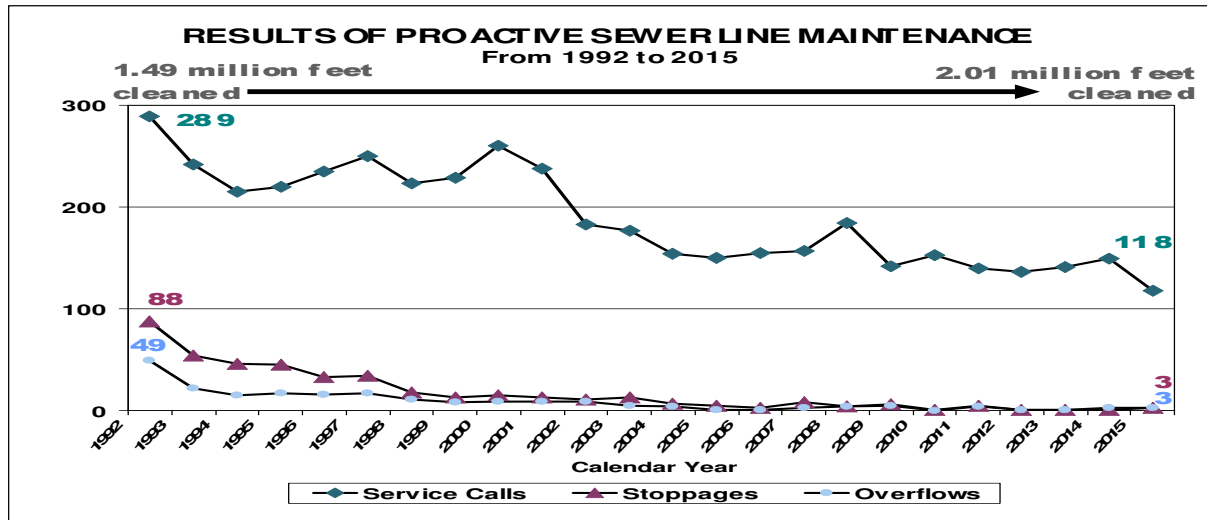
Proactive Sewer Line Maintenance and Results 1992-2015

Calendar Year	Total Cleaned & CCTV'd (ft)	Monthly Average (ft)	Service Calls	Stoppages	Overflows
2015	2,006,671	167,223	118	3	3
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
2016	35-16	43	\$6,919	\$298,612	289	\$280	\$105,735
2015	35-15	164*	6,555	1,076,699	286	280	120,624
2014	35-15	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	35-14	183**	6,555	1,198,135	218	280	134,511
2007	35-12	63	7,261	455,873	196	225	97,208

* 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.

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
2015	7.76	11.2	8.5	2.8	24.5%	28.6	19.5	9.1	31.7%
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%

* 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 Reporting

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
2015	5	98%	6	99%	497,971	53,102	87%
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%

* 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 2015 (maximum 2 per single family or multiple with 4 units or less)	10,075
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, 3 Aeration Basins and 1 Blower
- 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
- Equalization Basin
- 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