



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



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2016

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ORO LOMA SANITARY DISTRICT

Comprehensive Annual Financial Report Year Ended June 30, 2017 with Comparative Financial Statements for Year Ended June 30, 2016

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ORO LOMA SANITARY DISTRICT
Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2017
With Comparative Financial Statements for Year Ended June 30, 2016

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ORO LOMA SANITARY DISTRICT

December 15, 2017

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, 2017.

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, 2017. Immediately following the independent auditor's report, the Management's Discussion and Analysis (MD&A) segment provides a narrative analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

DISTRICT OVERVIEW

Oro Loma Sanitary District was formed on August 11, 1911 to serve an 800-acre area. Today, the District encompasses 13 square miles, serving the communities of unincorporated Alameda County, including San Lorenzo, Ashland, Cherryland, Fairview, and portions of Castro Valley. 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. The customer base is predominantly residential. Sewage collection and treatment services are provided to 47,104 customers, comprised of: residential 45,910 units (97.46%), commercial and light industrial 1,190 units (2.53%), and, 4 significant industrial customers (0.01%). The population served within the District's boundaries is approximately 134,976.

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 13 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 11.1 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 2011-2015 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, \$74,807 with 3.35 persons per household; for the City of San Leandro, \$62,761 with 2.8 persons per household; and, for the City of Hayward, \$65,096 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 2016-17 was 5.0%, as compared to the record high at 9.1% in 2011. Median housing sale price in 2016-2017 was \$551,000, surpassing 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 0.8% per year; inflation adjusted average salaries are expected to rise by 1.8% annually; and, inflation adjusted per capita income is forecasted to increase by 1.6% 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 million annually for the next 5 years in renewal and replacement projects and capital improvements. Of this total, about \$6.8 million per year are allocated to renewing the existing collection system and facilities. Other major long-range plans include implementing asset management program for all District assets by 2023, building the Geographic Information System (GIS) into a central reference source for asset management and customer service, conducting a treatment plant electrical load study, implementing identified improvements prior to planned cogeneration system replacement, 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 are sufficient to cover expenses required to meet planned needs. To assist in its decision-making, the Board regularly examines a 5-year cash flow analysis prepared by staff. Total planned capital improvements are projected to exceed \$30 million in the next 5 years. The Board has consistently elected to fund capital improvements by using existing reserves, and strives to maintain a healthy cash flow by implementing modest rate increases of 7.5% per year for 5 years. To maintain a healthy level of cash reserves, the District will incorporate a capital component into its sewer rate structure when it reviews and adopts new rates in FY 2021-22.

- **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 or projects based on actual need, while increases in the total budget always require Board approval. The adopted budget is typically amended by the Board shortly after the year begins to carry over prior year unused appropriations for projects in progress. Subsequent budget amendments occur continuously throughout the remainder of the year, as priorities are revised and new needs are identified. The District has consistently met its budgetary control requirements by managing operating expenses at between 85% to 90% of budget.

- **Investment Policy**

The Investment Policy provides the framework for investing public funds held by the District. It follows the State of California's guidelines, and defines the risks associated with investing funds, lists the authorized financial institutions and custodians, identifies the permissible instruments and maturities, and describes the internal control and reporting requirements. The Finance & Insurance Committee oversees the ongoing compliance of this policy, and the Board reviews it annually, at which time the list of authorized brokers/dealers is also updated. The District invests up to 30% of its funds in certificates of deposits (maximum allowed by State law), and diversifies its remaining portfolio among Federal agency bonds, corporate bonds, and treasury notes.

- **Financial Reserves Policy**

The Financial Reserves Policy sets the required reserves for each component fund, so that there is sufficient fund balance to meet the needs of specifically identified purposes. This policy is reviewed by the Board as needed. If fund balance approaches the minimum required reserves, the Board may either revise the reserve level or authorize equity transfers between component funds to ensure that the approved reserves are maintained. The current reserve level is \$9.4 million, which consists of \$3.7 million for sewer and recycling, \$1.25 million for Renewal & Replacement (R&R), \$4 million for Capital Improvement Program (CIP), and \$0.5 million for liability insurance deductibles.

- **Capital Assets Policy**

The Capital Assets Policy defines the threshold of a fixed asset to be \$10,000 with useful life of more than 1 year. It addresses the acquisition and disposal processes of an asset, as well as measures to safeguard assets through periodic inventory. Assets that meet the defined criteria are capitalized in the accounting system at fiscal year-end, and depreciated over their useful lives. The assets will remain on the District's records until they are approved by the Board for disposal through annual surplus review.

- **Internal Control Policy**

The District established a framework for internal control, using the California State Controller's guidelines. It follows the standards adopted by the American Institute of Certified Public Accountants (AICPA) and the internal control framework provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The objective of this policy is to safeguard tangible and intangible assets, and to prevent and detect errors and fraud, including its computer information system. The District's organizational structure anchors on a system of accountability, ascending from employees to management, to the General Manager, and to the elected Board of Directors. The Board maintains internal control through committees overseeing 5 key areas – Construction; Finance & Insurance; Operations; Personnel, Safety & Public Information; and, Solid Waste. Other measures such as segregation of duties, requirement of dual signatures on payments, and limiting the possession of District credit cards are implemented as additional control.

- **Cash Management Policy**

The Cash Management Policy establishes specific procedures for collecting, depositing and disbursing District cash. It defines the role and responsibility of staff in day-to-day tasks such as cash receipts, accounts payable and petty cash disbursements, payroll processing, and bank reconciliation. The Finance & Insurance Committee reviews check registers and audits selected payments at monthly committee meetings. Bank reconciliations are performed by the Finance Manager and approved by the General Manager. Separate personnel handles cash deposits and payments, and a restricted group of designated persons is authorized to initiate fund transfers, allowable only between District accounts. In addition, payroll is processed by 2 individuals to prevent fraud. The District maintains a structured financial environment, in which the risks of unauthorized cash transactions are significantly reduced.

- **Purchasing Policy**

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

Major Initiatives

The District maintains a 10-year Strategic Plan, which establishes strategic goals to meet its vision in the areas of financial stability, safety and employee development, regulatory compliance, customer service, and, infrastructure.

With increasing concern for the sustainability of public employees retirement benefits, the District has taken significant steps to accelerate funding by paying an additional \$8.35 million above its required contributions between 2015 and 2017. The unfunded accrued liability (UAL) has been reduced to \$4.4 million. However, due to unfavorable investment returns in FY 2015-16, the UAL has returned to \$8.4 million as of June 30, 2017.

With the goal of maintaining reliable infrastructure in mind, the Board recognizes the critical need to replace the District's aging sewer pipes (50-70 years old), and has adopted an accelerated plan to replace at least 3 miles of pipes per year (1.1%/year or a 90-year replacement cycle), as compared to the previous 2 miles per year. Additional funds are approved in FY 2017-18 for pipeline work to reduce surcharging and rain water inflow/infiltration in the Trojan Basin.

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. The District is also evaluating alternative means of discharging its peak effluent instead of utilizing the outfalls of East Bay Dischargers Authority (EBDA). If our pursued strategy to discharge peak flows by using our own old outfall pipes turns out successfully, EBDA costs over time will be reduced. The evaluation is still in a preliminary phase, but, if implemented, the plan will carry significant cash requirements of approximately \$18.5 million over the next 3 years.

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, 2017, the annual single family residential sewer rate of \$238 is 60% below the average of \$594 within the County.
- As of September 1, 2017, the monthly garbage and recycling rate for a 35-gallon container in unincorporated Alameda is \$22.24, 37% less than the average of \$35.47 within the County.
- 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 2014 CWEA Research Achievement Award for its Zeolite-Anammox Pilot Project.

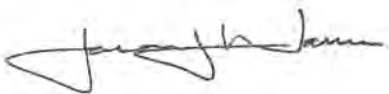
- The District won the 2015 Water Environment Federation (WEF) George W. Burke Facility Safety Award.
- Between March 2015 and July 2016, the District contributed a total of \$8.35 million towards its unfunded pension liability. Despite unfavorable market returns, the June 30, 2016 CalPERS valuation shows that the District still maintains an 82.8% funded ratio on its Classic Tier 1 plan, and 90% on its Classic Tier 2 and PEPRA plans.
- 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.
- The District completed the Wet Weather Equalization/Horizontal Levee Demonstration project which includes the 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 project cost \$8.5 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.
- The District's Horizontal Levee Demonstration project won the 2017 California Association of Sanitation Agencies (CASA) Award of Excellence for Outstanding Capital Project for Small Agency and the 2017 Friends of the San Francisco Estuary Outstanding Environment Project Award.

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, 2016. This was the 22nd 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 Shelia Young, 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**

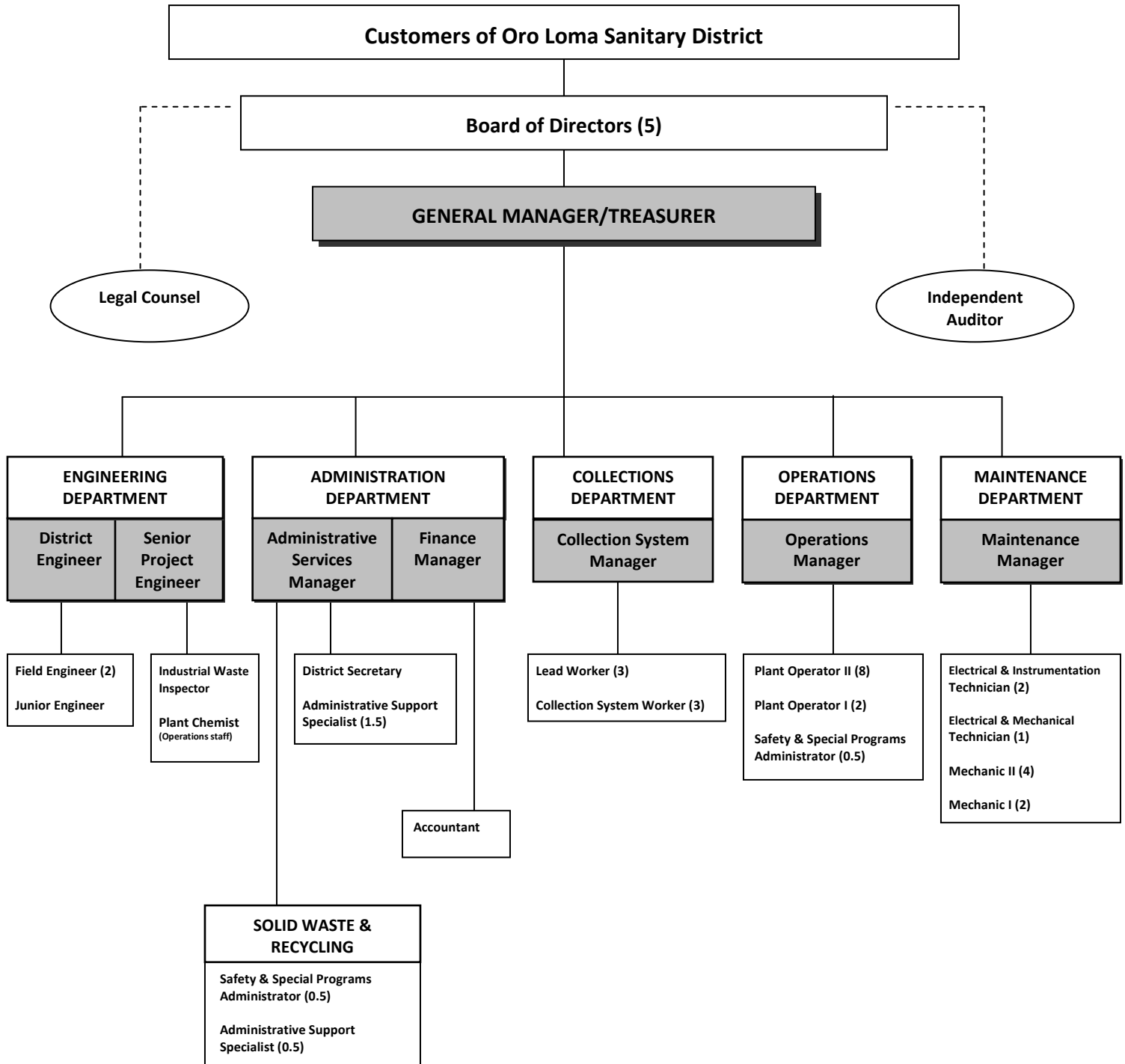
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

ORO LOMA SANITARY 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 Finance & Insurance Committee, and representative to ACWMA.

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 Personnel/Safety/Public Information Committee, and alternate representative to ACSDA and EBDA Commission.

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 Solid Waste Committee, representative to ACSDA, and alternate representative to ACWMA.

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 Operations Committee, 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, and 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, 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 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 Halsted, District Engineer (from 2009)

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



Jimmy Dang, Senior Project Engineer (from 2017)

Manages the laboratory, pretreatment compliance, and Capital and Renewal & Replacement programs related to the treatment facility. Oversees the long-term planning for the treatment plant, prepares design documents, manages construction, and all other aspects of project management related to the treatment facility.

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 ORO LOMA SANITARY DISTRICT

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 Association of Sanitation Agencies (CASA)

Award of Excellence for Outstanding Capital Project for Small Agency (Horizontal Levee Demonstration Project)	2017
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California Sanitation Risk Management Authority (CSRMA)

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

California Water Environment Association (CWEA)

(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*
Research Achievement Award (Zeolite-Anammox Pilot Project)	2014

Government Finance Officers Association (GFOA)

Certificate of Achievement for Excellence in Financial Reporting	Continuously since FY 1994-95
Distinguished Budget Presentation Award (Two-Year Budget)	FYs 2015-17, FYs 2017-19

Water Environment Federation (WEF)

George W. Burke Facility Safety Award	2008, 2015
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Others

Special District Leadership Foundation Transparency Certificate of Excellence	2014
Friends of the San Francisco Estuary Outstanding Environment Project Award (Horizontal Levee Demonstration Project)	2017



Lenny Rather, Collection System Manager, was named CWEA San Francisco Bay Section's 2016 Supervisor of the Year. The award recognizes an individual who shows exemplary organizational and personal skills, successful mentoring of subordinates, professional development, and effective communications between staff and management.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oro Loma Sanitary District
San Lorenzo, CA 94580

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, 2017, 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, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 budgetary



comparison information is 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 2, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

October 2, 2017
San Jose, California

MANAGEMENT DISCUSSION & ANALYSIS

SERVICE RECOGNITIONS

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

15 Years



Matt Camisa
Plant Operator II



Jose Rodriguez
Plant Operator I

10 Years



Lacey Aldridge
Administrative Support
Specialist



Earl Miranda
Collection System Worker

5 Years



Pearl Gonzalez
Accountant



Trevor Schofield
Plant Operator I

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Oro Loma Sanitary 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, 2017. 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, 2017

- The ending net position as of June 30, 2017 was \$94,041,721, reflecting an increase of \$264,257 (0.3%) from the prior year net position of \$93,777,464.
- Total assets were \$101,796,716, reflecting an increase of \$1,450,623 (1.4%) from \$100,346,093 in the prior year. Cash and cash equivalents increased by \$2,270,378 (31.5%) largely due to \$2.75 million in matured securities being held for reinvestment. The maturities were reflected in the same decrease in investments at fair value. Capital assets net of depreciation increased by \$1,744,983 (2.5%), which was a combined result of \$9.2 million being capitalized as assets (of which \$6.2 million was from the completion of prior construction in progress), an addition of \$2.1 million in new but unfinished work, and \$3.3 million in depreciation.
- Total liabilities were \$9,555,112, reflecting an increase of \$2,094,363 (28.1%) from \$7,460,749 in the prior year. This change was almost entirely traceable to the increase in net pension liability, from \$4,797,739 to \$7,120,287. The significant jump was a result of the shortfall of actual investment earnings in FY 2015-16. The annual rate of return was 0.5% compared to the assumed 7.5%. Several offsetting factors slightly dampened this effect on total liabilities. The remaining balance of \$243,930 held in-house for others benefits set-aside was fully consumed for post-employment benefits this year, and, accounts payable decreased by \$113,832. These were offset by increases in accrued salaries and compensated absences and customer deposits payable totaling \$129,577.
- Deferred outflows of resources decreased \$599,307 (10.5%) from \$5,714,923 to \$5,115,616, while deferred inflows of resources decreased \$1,507,304 (31.3%) from \$4,822,803 to \$3,315,499. 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, 2017**

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 \$264,257 (0.3%) during FY 2016-17. Changes affecting net position are reflected in the following table.

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

Period Ended June 30	Change in 2017				Change in 2016		
	2017	2016	\$	%	2015	\$	%
Current and other assets	29,874,971	30,169,331	(294,360)	-1.0%	29,280,127	889,204	3.0%
Capital assets	71,921,745	70,176,762	1,744,983	2.5%	68,724,573	1,452,189	2.1%
Total assets	101,796,716	100,346,093	1,450,623	1.4%	98,004,700	2,341,393	2.4%
Deferred outflows of resources	5,115,616	5,714,923	(599,307)	-10.5%	7,131,734	(1,416,811)	-19.9%
Current liabilities	2,088,229	2,361,614	(273,385)	-11.6%	2,011,637	349,977	17.4%
Non-current liabilities	7,466,883	5,099,135	2,367,748	46.4%	8,928,486	(3,829,351)	-42.9%
Total liabilities	9,555,112	7,460,749	2,094,363	28.1%	10,940,123	(3,479,374)	-31.8%
Deferred inflows of resources	3,315,499	4,822,803	(1,507,304)	-31.3%	3,285,136	1,537,667	46.8%
Net position							
Net investment in capital assets	71,921,745	70,176,762	1,744,983	2.5%	68,724,573	1,452,189	2.1%
Unrestricted	22,119,976	23,600,702	(1,480,726)	-6.3%	22,186,602	1,414,100	6.4%
Total net position	94,041,721	93,777,464	264,257	0.3%	90,911,175	2,866,289	3.2%

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

This ending net position of \$94,041,721 is made up of the following components:

- \$71,921,745 – 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.
- \$22,119,976 – Unrestricted category. This amount is comprised of:
 - \$6,277,343 Investment in sewage discharge facilities – EBDA
 - \$9,451,500 Reserves established by the Board for specific activities. The current reserve levels were adopted in March 2017 to reflect changing requirements in different programs and are noted below.
 - \$3,700,000 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.
 - \$1,500 reserved for petty cash funds.
 - \$5,250,000 reserved for renewal & replacements and capital improvement programs.
 - \$500,000 reserved for self-insurance and catastrophic events. The deductible is \$250,000 per occurrence.
 - \$6,391,133 Unreserved/unrestricted net position

ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

Period Ended June 30	2017	2016	Change (\$)	Change (%)	2015	Change (\$)	Change (%)
Operating revenues							
District service charges	\$12,961,082	\$11,949,883	\$1,011,199	8.5%	\$11,678,040	\$271,843	2.3%
Agency treatment charges	2,933,967	2,430,769	503,198	20.7%	2,190,362	240,407	11.0%
Permits and inspection fees	169,390	162,898	6,492	4.0%	170,994	(8,096)	-4.7%
Sanitary truck waste charges	129,725	90,621	39,104	43.2%	56,454	34,167	60.5%
Grease receiving charges	117,403	158,967	(41,564)	-26.1%	142,005	16,962	11.9%
Grit receiving charges	-	4,860	(4,860)	-100.0%	-	4,860	100.0%
Contract fees	1,010,999	937,750	73,249	7.8%	791,397	146,353	18.5%
Recycling charges-residential/green waste	2,309,444	2,306,542	2,902	0.1%	2,295,385	11,157	0.5%
Recycling charges-commercial/industrial	118,694	110,721	7,973	7.2%	102,060	8,661	8.5%
Landfills fees-Measure D	346,349	319,719	26,630	8.3%	329,606	(9,887)	-3.0%
Others	599,721	586,197	13,524	2.3%	682,873	(96,676)	-14.2%
Total operating revenues	20,696,774	19,058,927	1,637,847	8.6%	18,439,176	619,751	3.4%
Operating expenses							
Engineering	562,048	684,704	(122,656)	-17.9%	698,221	(13,517)	-1.9%
Sewage collections	3,100,122	2,637,991	462,131	17.5%	2,897,622	(259,631)	-9.0%
Sewage treatment operations	4,447,483	3,483,009	964,474	27.7%	3,507,420	(24,411)	-0.7%
Sewage treatment maintenance	2,204,710	2,498,881	(294,171)	-11.8%	2,155,643	343,238	15.9%
Sewage disposal - EBDA	836,969	779,476	57,493	7.4%	684,638	94,838	13.9%
Administration and general	1,549,379	1,256,629	292,750	23.3%	1,332,934	(76,305)	-5.7%
Pension expense - GASB 68	2,976,128	1,192,396	1,783,732	-149.6%	(547,141)	1,739,537	-317.9%
OPEB expense and adjustments	(258,069)	(315,916)	57,847	18.3%	(182,991)	(132,925)	-72.6%
Depreciation	3,326,930	3,351,201	(24,271)	-0.7%	3,329,414	21,787	0.7%
Decrease in carrying value of EBDA	54,155	165,735	(111,580)	-67.3%	89,455	76,280	85.3%
Solid waste	304,471	306,213	(1,742)	-0.6%	305,189	1,024	0.3%
Recycling-residential and commercial	2,591,833	2,574,922	16,911	0.7%	2,591,742	(16,820)	-0.6%
Total operating expenses	21,696,159	18,615,241	3,080,918	16.6%	16,862,146	1,753,095	10.4%
Operating income (loss)	(999,385)	443,686	(1,443,071)	-325.2%	1,577,030	(1,133,344)	-71.9%
Non-operating revenues							
Investment income	231,096	128,479	102,617	79.9%	216,318	(87,839)	-40.6%
Increase in the fair value of investments	-	86,020	(86,020)	-100.0%	-	86,020	100.0%
Rents, leases and personal license fees	83,465	79,956	3,509	4.4%	92,741	(12,785)	-13.8%
Recovery of uncollectible accounts	16,276	17,203	(927)	-5.4%	11,343	5,860	51.7%
Recycled water grant	56,250	-	56,250	100.0%	-	-	0.0%
Other miscellaneous revenues	326,580	339,028	(12,448)	-3.7%	140,798	198,230	140.8%
EBDA and other agreement refunds	79,371	79,371	-	0.0%	79,371	-	0.0%
Total non-operating revenues	793,038	730,057	62,981	8.6%	540,571	189,486	35.1%
Non-operating expenses							
Decrease in the fair value of investments	137,921	-	137,921	100.0%	58,326	(58,326)	-100.0%
Write-offs	810	1,515	(705)	-46.5%	863	652	75.6%
Total non-operating expenses	138,731	1,515	137,216	9057.2%	59,189	(57,674)	-97.4%
Income before contributions and transfers	(345,078)	1,172,228	(1,517,306)	-129.4%	2,058,412	(886,184)	-43.1%
Connection fees and other contributions	609,335	298,612	310,723	104.1%	1,076,699	(778,087)	-72.3%
Capital grants	-	1,202,580	(1,202,580)	-100.0%	-	1,202,580	100.0%
Change in net position	264,257	2,673,420	(2,409,163)	-90.1%	3,135,111	(461,691)	-14.7%
Net position – beginning, as reported	93,777,464	90,911,175	2,866,289	3.2%	98,269,280	(7,358,105)	-7.5%
Prior period adjustment-GASB 68 pension	-	192,869	(192,869)	-100.0%	(10,768,191)	10,961,060	101.8%
Prior period adjustment-OPEB	-	-	-	0.0%	274,975	(274,975)	-100.0%
Net position – beginning, as adjusted	\$93,777,464	\$91,104,044	\$2,673,420	2.9%	\$87,776,064	\$3,327,980	3.8%
Net position – ending	\$94,041,721	\$93,777,464	\$264,257	0.3%	\$90,911,175	\$2,866,289	3.2%

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

As presented in Table 2:

Total Operating Revenues \$20.7 million (FY 2016-17) and \$19.1 million (FY 2015-16) – Operating revenues increased by \$1.6 million (8.6%) in FY 2016-17 and \$619,751 (3.4%) in FY 2015-16. This was mainly due to changes in revenues in the following categories:

- **District sewer service charges** increased by \$1 million (8.5%) in FY 2016-17 and \$271,843 (2.3%) in FY 2015-16. A 7.5% sewer rate increase took effect on July 1, 2016. This was the first increase within a 5-year rate plan. Commercial sewer revenues experienced a slightly higher than expected increase (8%, as compared to 7.5%) as charges were billed based on higher water usage. While consumption levels remained flat among significant industrial customers, revenues from this source increased by \$179,269 (20.2%), as a result of higher biochemical oxygen demand (BOD) and suspended solids (SS) generated by two major customers.
- **Agency treatment charges** increased by \$503,198 (20.7%) in FY 2016-17 and \$240,407 (11.0%) in FY 2015-16. Of the current year increase, \$453,903 was from operations and maintenance (O&M) and renewal & replacement (R&R) charges to CVSD. This was a combined result of a 14% increase in the O&M cost base, and, a higher flow contribution in FY 2016-17 (27.1%) compared to FY 2015-16 (25.2%). Additionally, several major R&R projects that CVSD participated in were well in progress. These included the Headworks Coating and Secondary Clarifier Coating projects, and, costs associated with the feasibility analysis and the permitting of an alternate outfall that will reduce the District's capacity within East Bay Dischargers Authority (EBDA). Aside from CVSD, revenues from the Cities of Hayward and San Leandro remained stable, while EBDA revenues reflected a 35% growth due to increase maintenance services provided for its pump station, and hypochlorite usage related to a surge in the enterococcus bacteria in EBDA system.
- **Permits and inspection fees** increased by \$6,492 (4.0%) in FY 2016-17. A total of 295 engineering permits were issued this year compared to 289 in FY 2015-16. Revenues from industrial permits increased by \$4,549 (8%).
- **Sanitary truck waste** increased by \$39,104 (43.2%) in FY 2016-17 as a result of a 50% growth in service volume from United Site Services. This trend was a continuation from last year's 60.5% increase when United Site Services first acquired Ajax Portable Service, and brought in a significantly larger customer base for portable toilet services.
- **Grease receiving charges** decreased by \$41,564 (26.1%), resulting from the acquisition of Trap Recyclers (a major grease hauling customer) by Sequential. The grease volume has since dropped due to redistribution of Sequential's hauling sites. The District has contracted with 4 new smaller-scaled grease haulers since then.
- **Contract fees** increased by \$73,249 (7.8%) in FY 2016-17 and \$146,353 (18.5%) in FY 2015-16. The District provides solid waste services to its customers under an agreement with Waste Management of Alameda County (WMAC). The comparative large growth in FY 2015-16 was mainly from a contractual change of 1% (from 5% to 6%) in franchise fees from WMAC's garbage revenues. In addition, garbage rates go up each September based on the weighted average of the CPI and WMAC's teamsters wage and benefit increases. The garbage rate increases were 2.63% this year and 3.54% last year.
- **All remaining operating revenue categories** showed various fluctuations. Residential recycling charges remained at the same level for both years due to zero rate increase per contract with WMAC. Commercial and industrial recycling charges continued to increase from the business community's participation in recycling efforts, by \$7,973 (7.2%) in FY 2016-17 and \$8,661 (8.5%) in FY 2015-16. Landfill fees – Measure D reflected a modest increase of 8.3%, while other operating revenues were stable.

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Total Operating Expenses \$21.7 million (FY 2016-17) and \$18.6 million (FY 2015-16) – Operating expenses increased by \$3.1 million (16.6%) in FY 2016-17 and \$1.8 million (10.4%) in FY 2015-16. These changes were largely attributed to impact of GASB Statement No. 68. In FY 2016-17, \$3 million in pension expense was recognized. \$561,577 in current year employer pension contributions were deferred to the next year, while \$496,315 deferred from FY 2015-16 was recognized this year. These amounts were calculated using CalPERS' valuation report for the measurement date of June 30, 2016. The net pension obligation grew from \$4.8 million to \$7.1 million. This was a \$2.3 million (48.4%) increase, despite the additional \$2 million paid towards the unfunded liability in March and July 2016. On the other hand, the District reported an OPEB asset of \$1 million in FY 2016-17, an increase from \$773,882 in FY 2015-16, resulting in a negative OPEB expense of \$258,069 in FY 2016-17. For year to year operational comparison purposes, in which the effects of pension and OPEB adjustments were excluded, net operating expenses were \$19.5 million in FY 2016-17 and \$18.2 million in FY 2015-16, reflecting an actual growth of \$1.3 million (7.2%) between the years. Salaries and wages increased by \$265,602 (5.8%) mainly due to cost of living and market adjustments resulting from a recent compensation survey. Election expenses, occurring biennially, increased operating costs by \$147,501 this year. Renewal & Replacement projects were \$789,702 higher than last year due to progress in point repairs and various plant coating work, as well as the costs associated with alternate outfall NPDES permitting. Contractual services for sludge increased by \$97,162 (38%) primarily due to a \$9 per ton (36%) hike in hauling cost. Professional services went up by \$74,163 (47.7%) as the District continued its outreach efforts, including the development of a communications plan, redesigning its logo, strategic planning, and ongoing website improvements. Employee benefits increased by \$90,895 (4.6%) while operating supplies experienced a modest growth of \$28,273 (5.3%). These increases were partially offset by factors such as a \$65,521 (12.9%) drop in routine repairs and maintenance cost, and a \$111,580 (67.3%) decrease in the carrying value of EBDA, which reflected the change in the District's share of EBDA's sewage discharge facilities on June 30, 2016 (last available).

Total Non-operating Revenues \$793,038 (FY 2016-17) and \$730,057 (FY 2015-16) – Non-operating revenues increased by \$62,981 (8.6%) in FY 2016-17 and \$189,486 (35.1%) in FY 2015-16. Investment income increased by \$102,617 (79.9%) this year due to economic recovery, and has exceeded the levels at 2 years ago. In addition, a \$75,000 State grant was received for the Recycled Water Study project (\$56,250 for the District, \$18,750 for CVSD). These increases were partially offset by the unfavorable change in fair value of investments due to market factors.

Total Non-operating Expenses \$138,731 (FY 2016-17) and \$1,515 (FY 2015-16) – Non-operating expenses increased by \$137,216 in 2017 attributed entirely to a \$137,921 decrease in the fair value of investments.

Capital Assets

On June 30, 2017, the District had \$71.9 million (net of accumulated depreciation) invested in a broad range of capital assets, as compared to \$70.2 million on June 30, 2016. 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 2017, several major projects were finished and as a result, \$9.2 million was added to the capital asset inventory. The most significant completion this year was the Wet Weather Equalization/Horizontal Levee Demonstration project. Its final cost, which included the construction of an 8-million gallon storage basin for peak flows, and an ecotone slope (also known as a horizontal levee), was \$8.5 million. The project was funded partially by a \$1.9 million State grant. The remainder of the cost was contributed by the District (65%) and CVSD (35%). Other finished items included approximately 3 miles of pipeline replacements for \$3 million, Clausen lift station rehabilitation for \$118,891, and, cogeneration engine #2 overhaul for \$195,093. Ongoing work includes new pipeline replacement projects, Trojan lift station's 480-volt motor control center (MCC), plant security system and main gate controls, and, roof replacement with solar installation for the Administration building.

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

The annual comparison of capital assets is shown in Table 3, reflecting a \$5 million (3.7%) increase in FY 2016-17, and a \$4.8 million (3.6%) increase in FY 2015-16. Assets are recorded at cost and depreciated over their useful lives.

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

Period Ended June 30	2017	2016	2015
Land	\$ 846,034	\$ 846,034	\$ 846,034
Construction in progress	2,129,851	6,279,801	4,724,765
Subsurface lines	62,587,087	59,547,118	57,339,635
Engineering	46,373	40,825	40,825
Collections	7,286,630	6,977,734	6,811,255
Operations	61,532,247	55,755,300	54,958,325
Maintenance	3,477,727	3,480,675	3,403,258
Administration	1,881,385	1,860,614	1,882,946
District vehicles	2,212,321	2,189,491	2,189,491
Subtotal – Sewer Services	139,023,770	129,851,757	126,625,735
Subtotal – Solid Waste	2,177	2,177	2,177
Subtotal – Recycling	26,045	26,045	26,045
Total capital assets	\$ 142,027,877	\$ 137,005,814	\$ 132,224,756
Increase (decrease) over prior year	\$ 5,022,063	\$ 4,781,058	\$ 5,112,682

Table 4 summarizes the changes in capital assets, net of accumulated depreciation. The net increase in capital assets was \$1.7 million (2.5%) in FY 2016-17 and \$1.5 million (2.1%) in FY 2015-16. 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	2017	2016	2015
Balance at beginning of year	\$ 137,005,814	\$ 132,224,756	\$ 127,112,074
Additions	11,285,957	7,262,365	11,066,066
Retirements, write-offs and transfers	(6,263,894)	(2,481,307)	(5,953,384)
Total capital assets	142,027,877	137,005,814	132,224,756
Accumulated depreciation at beginning of year	(66,829,052)	(63,500,183)	(60,369,375)
Depreciation - retired assets	49,850	22,332	198,606
Annual depreciation	(3,326,930)	(3,351,201)	(3,329,414)
Accumulated depreciation at end of year	(70,106,132)	(66,829,052)	(63,500,183)
Capital assets at end of year, net of depreciation	\$ 71,921,745	\$ 70,176,762	\$ 68,724,573
Increase (decrease) over prior year	\$ 1,744,983	\$ 1,452,189	\$ 1,981,874

**ORO LOMA SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Debt Administration

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

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. These values have enabled the District to maintain 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 2016-17 was \$221, or 61% less than the average rate of \$566 in Alameda County.

The District took proactive steps to reduce its unfunded accrued liability (UAL) for pensions, and has contributed a total of \$8.35 million in additional funding between March 2015 and July 2016. The direct result was an annual saving of \$0.6 million in required pension contributions. However, unfavorable investment returns are expected to partly offset this saving. New challenges are also on the horizon, as CalPERS adopted to lower the assumed rate of return from 7.5% to 7% over 3 years. The change will affect benefit costs beginning FY 2018-19, with an impact between 0.25% to 0.75% of payroll for normal cost (\$12,000-\$36,000/year), and between 2% to 3% increase on UAL payments (\$7,500-\$11,000/year).

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 will progress towards \$296 by FY 2020-21, and is expected to generate additional revenues of \$0.8 million from year to year. With the goal of maintaining reliable infrastructure in mind, the Board recognizes the critical need to replace the District's aging sewer pipes (50-70 years old), and has adopted an accelerated pipeline replacement plan. The District spent over \$3 million in pipeline replacements in FY 2016-17 and is planning to spend \$4.35 million in the following year. During the next rate study in 2020, the District plans to evaluate the addition of a capital component into the rate structure to sustain its cash requirements for capital improvements.

The District is also looking at alternative means of discharging its peak effluent instead of utilizing the outfalls of EBDA, of which the joint powers agreement is coming up for renewal in 2020. If the pursued strategy to discharge peak flows by using an old outfall turns out to be successful, EBDA costs will be reduced over time. The plan is still in a preliminary phase, but, if implemented, will carry significant cash requirements of approximately \$18 million over the next 3 years. The District will then need to consider various options to finance the project.

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, 2017 AND 2016**

ASSETS

	2017	2016
Current assets		
Cash and cash equivalents	\$ 9,479,914	\$ 7,209,536
Investments at fair value	11,528,085	14,526,362
Interest receivable	67,335	60,063
Accounts receivable	1,401,059	1,165,315
Prepaid and other items	89,284	102,675
Total current assets	22,565,677	23,063,951
Non-current assets		
Other post-employment benefits (OPEB) asset	1,031,951	773,882
Investment in sewage discharge facilities - EBDA	6,277,343	6,331,498
Capital assets		
Land	846,034	846,034
Sewer service assets	139,023,770	129,851,757
Solid waste assets	2,177	2,177
Recycling assets	26,045	26,045
Construction in progress	2,129,851	6,279,801
Less: accumulated depreciation	(70,106,132)	(66,829,052)
Total capital assets (net of accumulated depreciation)	71,921,745	70,176,762
Total non-current assets	79,231,039	77,282,142
Total assets	\$ 101,796,716	\$ 100,346,093
DEFERRED OUTFLOWS OF RESOURCES		
Pension benefits and adjustments	\$ 5,115,616	\$ 5,714,923

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017 AND 2016**

(CONTINUED)

LIABILITIES

	2017	2016
Current liabilities		
Accounts payable	\$ 1,531,513	\$ 1,645,345
Accrued salaries and wages	180,199	147,642
Customer deposits payable	315,317	271,697
Accrued compensated absences (current)	61,200	53,000
Other benefits set-aside (current)	-	243,930
Total current liabilities	<u>2,088,229</u>	<u>2,361,614</u>
Non-current liabilities		
Accrued compensated absences	346,596	301,396
Net pension liability	7,120,287	4,797,739
Total non-current liabilities	<u>7,466,883</u>	<u>5,099,135</u>
Total liabilities	<u>\$ 9,555,112</u>	<u>\$ 7,460,749</u>
DEFERRED INFLOWS OF RESOURCES		
Pension obligations and adjustments	<u>\$ 3,315,499</u>	<u>\$ 4,822,803</u>
NET POSITION		
Net investment in capital assets	71,921,745	70,176,762
Unrestricted	22,119,976	23,600,702
Total net position	<u>\$ 94,041,721</u>	<u>\$ 93,777,464</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, 2017 AND 2016**

	2017	2016
Operating revenues		
District service charges	\$ 12,961,082	\$ 11,949,883
Agency treatment charges	2,933,967	2,430,769
Permits and inspection fees	169,390	162,898
Sanitary truck waste charges	129,725	90,621
Grease receiving charges	117,403	158,967
Grit receiving charges	-	4,860
Contract fees	1,010,999	937,750
Recycling charges - residential and green waste	2,309,444	2,306,542
Recycling charges - commercial and industrial	118,694	110,721
Landfills fees - Measure D	346,349	319,719
Other	599,721	586,197
Total operating revenues	20,696,774	19,058,927
Operating expenses		
Engineering	562,048	684,704
Sewage collections	3,100,122	2,637,991
Sewage treatment operations	4,447,483	3,483,009
Sewage treatment maintenance	2,204,710	2,498,881
Sewage disposal - EBDA	836,969	779,476
Administration and general	1,549,379	1,256,629
Pension expense - GASB 68	2,976,128	1,192,396
OPEB expense and adjustments	(258,069)	(315,916)
Depreciation	3,326,930	3,351,201
Decrease in carrying value of EBDA	54,155	165,735
Solid waste	304,471	306,213
Recycling - residential, green waste commercial, industrial	2,591,833	2,574,922
Total operating expenses	21,696,159	18,615,241
Operating income	\$ (999,385)	\$ 443,686

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, 2017 AND 2016**

(CONTINUED)

	<u>2017</u>	<u>2016</u>
Non-operating revenues		
Investment income	\$ 231,096	\$ 128,479
Increase in the fair value of investments	-	86,020
Rents and leases	83,465	79,956
Recovery of uncollectible accounts	16,276	17,203
Recycled water grant	56,250	-
Other miscellaneous revenues	326,580	339,028
EBDA and other agreement refund	79,371	79,371
Total non-operating revenues	<u>793,038</u>	<u>730,057</u>
Non-operating expenses		
Decrease in the fair value of investments	137,921	-
Write-off of uncollectible accounts	810	1,515
Total non-operating expenses	<u>138,731</u>	<u>1,515</u>
Income before contributions and other items	(345,078)	1,172,228
Connection and other developers' fees	609,335	298,612
Capital grants	-	1,202,580
Change in net position	<u>264,257</u>	<u>2,673,420</u>
Net position - beginning (as reported)	93,777,464	90,911,175
Prior period adjustment - GASB 68 pension adjustments	-	192,869
Prior period adjustment - OPEB adjustments	-	-
Net position - beginning (as adjusted)	<u>93,777,464</u>	<u>91,104,044</u>
Net position - ending	<u><u>\$ 94,041,721</u></u>	<u><u>\$ 93,777,464</u></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, 2017 AND 2016**

	2017	2016
Cash flows from operating activities		
Receipts from customers and users	\$ 20,461,030	\$ 19,776,004
Payments to suppliers	(12,089,346)	(8,767,543)
Payments to employees and employee benefit plans	(5,284,850)	(6,975,408)
Net cash provided by operating activities	<u>3,086,834</u>	<u>4,033,053</u>
Cash flows from non-capital financing activities		
EBDA agreement refund	79,371	79,371
Agency reimbursements	326,580	339,028
Rents and leases	83,465	79,956
Recovery of uncollectible accounts	16,276	17,203
Net cash provided by non-capital and related financing activities	<u>505,692</u>	<u>515,558</u>
Cash flows from capital and related financing activities		
Connection and other developers' fees	609,335	298,612
Additions to property, plant and equipment	(5,071,913)	(4,803,390)
Capital grants	56,250	1,202,580
Net cash used by capital and related financing activities	<u>(4,406,328)</u>	<u>(3,302,198)</u>
Cash flows from investing activities		
Interest on investments	223,824	137,546
Proceeds from investments	2,860,356	2,600,284
Net cash provided by investing activities	<u>3,084,180</u>	<u>2,737,830</u>
Net decrease in cash and cash equivalents	2,270,378	3,984,243
Cash and cash equivalents, beginning of year	<u>7,209,536</u>	<u>3,225,293</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,479,914</u></u>	<u><u>\$ 7,209,536</u></u>

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

**ORO LOMA SANITARY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

(CONTINUED)

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	\$ (999,385)	\$ 443,686
Adjustments to reconcile operating income to net cash provided by (used for) operating activities		
Depreciation expense	3,326,930	3,351,201
Pension expense adjustments - GASB 68	1,414,551	(303,919)
Other post-employment benefit adjustments	(258,069)	(315,916)
Write off of uncollectible accounts	(810)	(1,515)
(Increase) decrease in accounts receivables	(235,744)	717,077
(Increase) decrease in other current assets	13,391	4,812
Decrease in EBDA discharge facilities	54,155	165,735
Increase (decrease) in accounts payable	(113,832)	339,734
Increase (decrease) in deposits payable	43,620	(5,409)
Increase (decrease) in accrued salaries and compensated absences	85,957	(30,344)
Increase (decrease) in benefits set-aside	(243,930)	(332,089)
Net cash provided by (used for) operating activities	<u>3,086,834</u>	<u>4,033,053</u>
End of period		
Unrestricted cash and equivalents	9,479,914	7,209,536
Restricted assets	-	-
Total cash and cash equivalents	<u>\$ 9,479,914</u>	<u>\$ 7,209,536</u>
Schedule of non-cash investing and financing activities		
Change in fair value of investments not held as cash equivalents	\$ (137,921)	\$ 86,020

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, March 2017.
(Back) Dan Walters (Vice President), Timothy Becker (Director).
(Front) Roland Dias (Director), Shelia Young (President), Rita Duncan (Secretary).

NOTES TO FINANCIAL STATEMENTS

PIPELINE REPLACEMENT PROGRAM

The Pipeline Replacement Program focuses on fixing chronic maintenance and structural issues identified within the existing collection system through the closed circuit television (CCTV) inspection. This project is the major focus of the Capital Improvement Program (CIP) budget. The proposed budget was established to align with the District's 10-Year Strategic Plan of replacing 30 miles of collection system pipe between 2017 and 2027.



**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – DISTRICT OVERVIEW

Oro Loma Sanitary District was formed on August 7, 1911, and was subsequently reorganized under the Sanitary District Act of 1923 of the State Health & Safety Code. Its service area is located on the eastern shore of the San Francisco Bay, about 13 miles south of Oakland and 30 miles north of San Jose. 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 long-term 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 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 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, 2017, 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 EBDA.

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 reserves, cash flow from operations, issuance of debt, and contributed capital.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fund units by functional area – operations and maintenance (O&M), renewal and replacement (R&R), and capital improvement program (CIP).

Measurement focus determines which transactions are recorded within the financial statements. The proprietary fund type 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.

Budgets and Budgetary Accounting

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash represents deposits 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.

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. Details are described in Note 3.

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 further 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.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are defined by the District as assets with a minimum individual cost of \$5,000 and an estimated useful life of more than one year. The value threshold was increased to \$10,000 on July 1, 2017. Assets are recorded at acquisition cost on the Statement of Net Position. Capital costs for projects include salaries and overhead, contractual and professional services, materials, equipment, and, other costs that contribute to the completion of the project. Costs of normal maintenance and repairs that neither add to the asset value nor materially extend useful 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 fully 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 to capital asset value. 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. Examples include sewer pipelines, easements, and manholes, typically constructed in new residential developments. Other capital contributions include fees imposed on connections to the District's sewer system. These fees are reserved for the purpose of capital improvements.

Long-Term Debt

The District does not have any long-term debt at June 30, 2017. The last sewer revenue bonds were paid off on September 21, 2009. Consequently, there is no restricted net position associated with debt.

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 carried as liability until used.

Balance at June 30, 2016		\$ 354,396
Addition for employees with accrued compensated absences earned	78,014	
Deduction for employees with accrued compensated absences used	(24,614)	
Net change in accrued compensated absences		53,400
Balance at June 30, 2017		<u>\$ 407,796</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The current portion of the compensated absences liability to be used within the next year is estimated by management to be \$61,200 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, 2017.
- 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 include investment income, penalty charges, and income from rents and leases that can be used for either operating or capital purposes, except those which by grant provisions are designated for specific purposes. Operating expenses are those essential to the primary operations, and include costs of providing sewage collection, sewage treatment, garbage, and recycling services. All other expenses are reported as non-operating expenses.

Pensions

For purposes of measuring the net pension liability, 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) plan and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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 2008. Biennial actuarial studies were performed to determine the annual required contributions (ARC) and unfunded liabilities. The District established an OPEB trust with CalPERS (CERBT), while maintaining an in-house set-aside account to pay for day-to-day OPEB obligations. Funds in the in-house account have been fully distributed this year. As a result, the District sought its first reimbursement from the CERBT in June 2017. See Note 7 for detailed disclosures.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

New Accounting Pronouncements

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.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. It also addresses circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

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 impact the District's FY 2017-18 financial statements through the recognition of a net OPEB liability on the Statement of Net Position. In the July, 2015 valuation, the total actuarial accrued liability was estimated to be \$7.3 million inclusive of the value of future subsidized premiums.

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.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 took effect in FY 2015-16. There was no direct impact on the District's financial statements.

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, 68 and 73. This Statement amends the payroll basis used by GASB Statements No. 67, 68 and 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 impact on the District's financial statements.

GASB Statement No. 83 – Certain Asset Retirement Obligations. This Statement establishes criteria for recognizing a liability and its corresponding deferred outflow of resources for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset, e.g. costs of decommissioning an asset that has environmental impact, such as a nuclear reactor, or a sewer treatment facility. A government agency that has legal obligations to perform future asset retirement activities is required to recognize a liability when it is both incurred and reasonably estimable. A liability is commonly incurred when law and regulations require a government agency to take specific actions to retire an asset at the end of its useful life, using the best estimate of the current value of outlays expected to be incurred. The Statement also requires disclosure on how the required funding for these activities are being met, and the assumptions used to arrive at the estimate. This Statement is effective beginning FY 2018-19. Due to the nature of the District's operations, there is a remote possibility that the requirements of this Statement would apply.

GASB Statement No. 84 – Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities that should be reported in the financial statements, in the form of a Statement of Fiduciary Net Position, and a Statement of Changes in Fiduciary Net Position. There are 4 types of funds that are subject to the above reporting, should fiduciary activity exist: Pension and OPEB trust, Investment trust, Private-purpose trust, Custodial funds. Fiduciary activity occurs when the government agency controls plan assets and has a fiduciary relationship with plan beneficiaries. Control is defined as having the ability to direct the use, exchange, or employment of the assets that provides benefits to the recipients. This Statement is effective beginning FY 2019-20, and has no effect on the District's financial reporting.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 85 – Omnibus 2017. This Statement addresses practical issues identified during implementation and application of certain GASB Statements, including blending component units, goodwill, fair value measurement and application, and OPEB. Specifically, measuring certain money market investments, timing of measuring pension or OPEB liabilities, financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plan. The requirements will enhance consistency in the application of accounting and financial reporting requirements. It takes effect beginning FY 2017-18. Management anticipates no material impact on the District's financial statements.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The District had \$21,007,999 in cash, cash equivalents and investments, which are reported at fair value as of June 30, 2017. 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. Government Bonds	\$2,494,483
Certificates of Deposit	\$6,477,773
Corporate Bonds	\$2,555,830
• Level 2 inputs – Observable inputs other than quoted market prices	
California Local Agency Investment Fund (LAIF)	\$8,169,644
UMB Bank Money Market Account	\$740,428
U.S. Bank Checking Account	\$568,342

The following table provides details on the District's cash, cash equivalents and investments at June 30, 2017, as reported in the Statement of Net Position of the basic financial statements:

Cash and cash equivalents	\$ 9,479,914
Investments	<u>11,528,085</u>
Total cash, cash equivalents and investments	<u>\$ 21,007,999</u>
Cash, cash equivalents and investments as of June 30, 2017 consist of:	
Petty cash	\$ 1,500
Deposits with financial institutions	
Checking account – U.S. Bank	568,342
Money market account – UMB Bank*	740,428
California Local Agency Investment Fund (LAIF)	<u>8,169,644</u>
Subtotal cash and cash equivalents	<u>9,479,914</u>
Investments	
U.S. Government Bonds – UMB Bank*	\$ 2,494,482
Certificates of Deposit – UMB Bank*	6,477,773
Corporate Bonds – UMB Bank*	<u>2,555,830</u>
Subtotal investments	<u>11,528,085</u>
Total cash, cash equivalents and investments	<u>\$ 21,007,999</u>

*The District transferred all the securities within its investment custodial account from Wells Fargo Institutional Retirement & Trust to UMB Bank in December 2016.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Policies, Practices and General Authorizations

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

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

State code prohibits the District from investing in investments with a rating of less than A or equivalent. The District's investment policy follows State code, except that investments in money market mutual funds may be made only if the fund has a rating of Aaa. Limitations to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type with Minimum Rating Requirements where applicable	State of California Limits			District Policy
	Maximum Remaining <u>Maturity</u>	Maximum of <u>Portfolio</u>	Maximum in <u>Single Issuer</u>	Maximum of Portfolio / Maximum in <u>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 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, 2017**

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 is 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, 2017 for each investment type are shown.

(Source: Moody's)

Investment Type	Maturities of Instruments			Rating as of June 30, 2017	Total	Percentage of Portfolio
	12 months or less	12 – 24 months	25 months or longer			
U.S. government bonds						
FFCB	\$ -	\$ -	\$ 744,277	Aaa	\$ 744,277	3%
FHLB	-	1,003,400	-	Aaa	1,003,400	5%
FHLMC	-	746,805	-	Aaa	746,805	4%
Corporate bonds	1,498,500	1,057,330	-	Baa1 – Aaa	2,555,830	12%
Certificates of deposit	-	500,715	5,977,058	FDIC insured	6,477,773	31%
Total investments	1,498,500	3,308,250	6,721,335		11,528,085	55%
Cash and money market	1,310,270	-	-	Not required	1,310,270	6%
LAIF State investment pool	8,169,644	-	-	Not required	8,169,644	39%
Total cash & investments	\$ <u>10,978,414</u>	\$ <u>3,308,250</u>	\$ <u>6,721,335</u>		<u>\$21,007,999</u>	<u>100%</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, 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, 2017, the amount of deposits in U.S. Bank (\$1,391,597, 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. A list of approved broker-dealers are named in the District's investment policy and updated each year. Of those firms, the District frequently works with Wells Fargo Securities to carry out investment transactions in compliance with the requirements of the investment policy. Securities purchased through are held with UMB Bank in the District's name under a custody agreement dated November 17, 2016.

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, 2017 was \$8,169,644.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is summarized as follows:

	<u>Useful Life</u>	<u>Balance June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Non-depreciable capital assets					
Land		\$ 846,034	\$ -	\$ -	\$ 846,034
Construction in progress		6,279,801	2,064,093	(6,214,043)	2,129,851
Total non-depreciable capital assets		7,125,835	2,064,093	(6,214,043)	2,975,885
Depreciable capital assets					
<u>Sewer Service</u>					
Subsurface lines	20-80yrs	59,547,118	3,039,969	-	62,587,087
Engineering	5-20 yrs	40,825	5,548	-	46,373
Collections	5-20 yrs	6,977,734	315,855	(6,959)	7,286,630
Operations	2-20 yrs	55,755,300	5,802,118	(25,171)	61,532,247
Maintenance	5-20 yrs	3,480,675	-	(2,948)	3,477,727
Administration	5-20 yrs	1,860,614	35,543	(14,772)	1,881,385
District vehicles	5-10 yrs	2,189,491	22,830	-	2,212,321
Subtotal - Sewer Service		129,851,757	9,221,863	(49,850)	139,023,770
<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		129,879,979	9,221,863	(49,850)	139,051,992
Total capital assets		\$ 137,005,814	\$ 11,285,956	\$ (6,263,893)	\$ 142,027,877

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Less: accumulated depreciation				
<u>Sewer Service</u>				
Subsurface lines	\$ (27,735,656)	\$ (808,694)	\$ -	\$ (28,544,350)
Engineering	(36,475)	(2,175)	-	(38,650)
Collections	(4,029,062)	(240,008)	6,959	(4,262,111)
Operations	(29,188,068)	(2,024,627)	25,171	(31,187,524)
Maintenance	(2,536,364)	(125,057)	2,948	(2,658,473)
Administration	(1,830,887)	(5,970)	14,772	(1,822,085)
District vehicles	(1,444,318)	(120,399)	-	(1,564,717)
Subtotal - Sewer Service	(66,800,830)	(3,326,930)	49,850	(70,077,910)
<u>Solid Waste</u>				
Subtotal – Solid Waste	(2,177)	-	-	(2,177)
<u>Recycling</u>				
Subtotal – Recycling	(26,045)	-	-	(26,045)
Total accumulated depreciation	(66,829,052)	(3,326,930)	49,850	(70,106,132)
Net depreciable capital assets	63,050,927	5,894,933	-	68,945,860
Net capital assets	\$ 70,176,762	\$ 7,959,026	\$ (6,214,043)	\$ 71,921,745

Construction commitments

The District has active construction projects as of June 30, 2017. Significant work in progress include sewer line repairs and replacements, lift station and treatment plant improvements, alternate outfall feasibility study, and, Administration Building roofing and solar installation. As of June 30, 2017, the total outstanding construction commitments was \$2,252,964.

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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), 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 \$6,277,343 for 2017 and \$6,331,498 for 2016. The respective changes of \$54,155 and \$165,735 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 \$836,969 and \$779,476 respectively during the fiscal years ended 2017 and 2016.
- The District received from EBDA \$79,371 per year in 2017 and 2016 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, 2017**

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 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, 2016 and 2015 (latest available) is as follows:

	Fiscal Year Ended June 30	
	<u>2016</u>	<u>2015</u>
Net position at beginning of year	\$ 32,797,195	\$ 33,655,699
Prior period adjustment	-	(518,711)
Net income before depreciation	640,886	560,104
Depreciation	<u>(921,411)</u>	<u>(899,897)</u>
Changes in net position	<u>(280,525)</u>	<u>(858,504)</u>
Net position at end of year	<u>\$ 32,516,670</u>	<u>\$ 32,797,195</u>
Comprised of		
Total assets	33,805,482	34,069,451
Deferred outflow of resources	173,256	61,061
Total liabilities	(1,339,567)	(1,084,270)
Deferred inflow of resources	<u>(122,501)</u>	<u>(249,047)</u>
Total net position	<u>\$ 32,516,670</u>	<u>\$ 32,797,195</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	6,331,498	6,497,233
Decrease in carrying value of sewage discharge facilities of EBDA	<u>(54,155)</u>	<u>(165,735)</u>
Investment in sewage discharge facilities (EBDA) - end of year (listed as a non-current asset on the Statement of Net Position)	<u>\$ 6,277,343</u>	<u>\$ 6,331,498</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, 2017**

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 were 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, 2016 are summarized as follows:

Plan Information	Tier 1	Tier 2	Tier 3
Date of employment	Before 11/14/2011	Between 11/15/2011 & 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, 2016)	8%	7%	6.5%
Required employer contribution rate (as of measurement date June 30, 2016)	10.612%	7.510%	6.73%

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Employees Covered

Participant Status	Number of Participants
Inactive employees receiving benefits	63
Inactive employees entitled to but not receiving benefits	18
Active members	42
Total	123

Employer Contribution History

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 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
FY 2016-17	1,477,930	20,710	62,937	1,561,577

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**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, 2016. The total pension liability of the Plan used to calculate the net pension liability was determined by CalPERS’ actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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, 2015 and June 30, 2016, 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 Measurement Date	Proportionate Share of Risk Pool’s NPL (\$)	Proportionate Share of Risk Pool’s NPL (%)
June 30, 2015	\$4,797,739	0.069898%
June 30, 2016	\$7,120,287	0.082286%
Change	(\$2,322,548)	(0.012388%)

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, 2015	\$49,414,283	\$44,616,544	\$4,797,739
Balance at Measurement Date June 30, 2016	\$51,833,352	\$44,713,065	\$7,120,287
Net Changes	\$2,419,069	\$96,521	\$2,322,548

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**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, 2017, the District recognized a pension expense of \$2,976,128, a net decrease in deferred outflows of resources of \$599,307, and a net decrease in deferred inflows of resources of \$1,507,304. The detailed balances of various deferred outflows and inflows at June 30, 2017 are as follows.

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,736	\$ 4,064
Changes of assumptions	-	167,798
Net differences between projected and actual earnings on plan investments	873,331	-
Change in employer's proportion	42,616	2,904,510
Differences between the employer's contributions and the employer's proportionate share of contributions	2,620,356	239,127
Pension contributions subsequent to measurement date	1,561,577	-
Balances at June 30, 2017	<u>\$ 5,115,616</u>	<u>\$ 3,315,499</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
2018	\$ (161,259)
2019	(83,824)
2020	257,420
2021	226,203

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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

The following presents the 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 the discount rate is 1% lower (6.65%) or 1% higher (8.65%). The 7.65% discount rate was from CalPERS' GASB 68 Accounting Valuation Report for June 30, 2016.

Changes in Discount Rate	Discount Rate	Proportionate Share of Risk Pool’s NPL
1% decrease	6.65%	\$14,098,671
Current discount rate	7.65%	\$7,120,287
1% increase	8.65%	1,352,999

Actuarial Methods, Assumptions, Changes in Discount Rate, & Asset Allocation

The actuarial cost method used is the Entry Age Normal Cost Method, in which projected benefits are determined and liabilities are spread in a manner that produces level annual cost as a percentage of pay in each year from the member's age of hire (entry age) to their assumed retirement age on the valuation date.

The unfunded actuarial accrued liability (UAL) is amortized as a "level percent of pay". Gains and losses are amortized over 30 years with a 5-year ramp up/ramp down at the beginning and the end of the amortization period. Changes in actuarial assumptions are amortized over 20 years with 5-year ramp up/ramp down.

CalPERS lowered the discount rate from 7.50% to 7.00% using a three-year phase-in beginning with the June 30, 2016 valuation. The decision was primarily based on capital market assumptions, and provides a more realistic long-term rate of return. For funding purposes, required contributions through FY 2017-18 were based on a discount rate of 7.50%. Beginning FY 2018-19, contributions will be based on a 7.375% discount rate, reflecting the first step in the three-year phase-in. This rate will be further lowered to 7.25% and 7.00% in following years.

The Risk Pool's assets are allocated among global equity (51%), private equity (10%), global fixed income (20%), liquidity (1%), real assets (12%) and inflation sensitive assets (6%). Total market value of assets as of the June 30, 2016 valuation date were \$295 billion.

Projected Employer Contributions

		Required Contributions		Projected Future Employer Contributions			
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Tier 1	Normal cost %	10.848%	11.419%	12.000%	13.000%	13.000%	13.000%
	UAL Payment	\$205,632	\$303,108	\$467,000	\$620,000	\$799,000	\$949,000
Tier 2	Normal cost %	7.850%	8.346%	8.800%	9.600%	9.600%	9.600%
	UAL Payment	\$883	\$1,124	\$1,500	\$2,000	\$2,600	\$2,200
Tier 3	Normal cost %	6.908%	7.266%	7.300%	7.400%	7.400%	7.400%
	UAL Payment	\$1,713	\$2,165	\$2,900	\$4,000	\$5,300	\$4,700

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 established an OPEB trust with CalPERS (CERBT), as well as manages accountability for OPEB benefits through an in-house liability account known as Other Benefits Set-Aside, from which OPEB payments are distributed. The account had a balance of \$249,930 on June 30, 2016, and has been fully distributed in FY 2016-17. The District sought its first reimbursement from the CERBT in June 2017 for the remaining OPEB costs paid during FY 2016-17.

California Employers' Retiree Benefit Trust (CERBT)

GASB Statement No. 43 requires actuarial reporting by a 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), an agent multiple employer plan, with an initial deposit of \$5 million to prefund its OPEB costs. The objective of this trust 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.

	2017	2016	2015
Fair value – beginning of year	\$ 7,253,276	\$ 7,184,581	\$ 7,199,979
Contributions	-	-	-
Gain (loss) on investment	796,156	74,621	(8,140)
Administrative expenses	(6,450)	(5,926)	(7,258)
Accrued reimbursement	(87,067)	-	-
Fair value – end of year	<u>\$ 7,928,915</u>	<u>\$ 7,253,276</u>	<u>\$ 7,184,581</u>
Change	<u>9.3%</u>	<u>1.0%</u>	<u>(0.2%)</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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)	2017	2016	2015
Annual required contribution (ARC)	\$104,829	\$154,214	\$127,000
Interest on OPEB obligation	(58,463)	(33,340)	-
Adjustment to annual required contribution	102,771	58,608	-
Annual OPEB cost (AOC)	149,137	179,482	127,000
Contributions made	(243,930)	(332,089)	(309,991)
Subsidized Premiums	(163,276)	(163,309)	-
Increase in net OPEB obligation	(258,069)	(315,916)	(182,991)
Net OPEB obligation (asset) – beginning	(773,882)	(457,966)	(274,975)
Adjustment to OPEB obligation	-	-	-
Net OPEB obligation (asset) – ending	(\$1,031,951)	(\$773,882)	(\$457,966)

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2015	\$127,000	\$309,991	\$ -	244.1%	(\$457,966)
June 30, 2016	\$179,482	\$332,089	\$163,309	276.0%	(\$773,882)
June 30, 2017	\$149,137	\$243,930	\$163,276	273.0%	(\$1,031,951)

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

Actuarial accrued liability (AAL)	\$7,306,120
Actuarial value of plan assets	7,750,411
Unfunded actuarial accrued liability (UAAL)	<u>(\$444,291)</u>
Funded ratio (actuarial value of plan assets / AAL)	106.08%
Projected covered payroll (active plan members)	\$4,590,300
UAAL as of % of covered payroll	(9.68%)

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, 2017**

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

Changes in the plan assets for fiscal years ended June 30, 2017 and 2016 are summarized as follows:

Lincoln – 457(b)	2017	2016
Plan assets – beginning of year	\$ 7,197,682	\$ 7,830,365
Contributions by:		
Employer	39,497	39,080
Employee pre-tax deductions	320,854	342,439
Employee rollover	353,602	71,869
Investment earnings	595,727	95,263
Withdrawals and fees	(926,085)	(1,181,334)
Plan assets – end of year	<u>\$ 7,581,277</u>	<u>\$ 7,197,682</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, 2017 and 2016 are summarized as follows:

PARS-ARS – 457(b)	2017	2016
Plan assets – beginning of year	\$ 91,808	\$ 99,055
Contributions by:		
Employer	3,652	3,444
Employee (pre-tax)	10,292	9,705
Investment earnings	6,222	1,339
Withdrawals and fees	(17)	(21,735)
Plan assets – end of year	<u>\$ 111,957</u>	<u>\$ 91,808</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, 2017**

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, 2017 and 2016 are summarized as follows:

ICMA – 401(a)	2017	2016
Plan assets – beginning of year	\$ 1,403,381	\$ 1,609,405
Contributions by:		
Employer	90,679	84,882
Employee (pre-tax)	42,631	41,240
Employee loan repayments (pre-tax)	7,107	3,073
Investment earnings	185,691	(22,488)
Withdrawals and fees	(35,387)	(312,731)
Plan assets – end of year	\$ 1,694,102	\$ 1,403,381

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:

Coverage Limits	Coverage Provided By
\$ 0 to \$ 500,000	CSRMA Risk Pool, with a \$250,000 Deductible.
\$ 500,001 to \$ 15,500,000	Munich Reinsurance America
\$ 15,500,001 to \$ 25,500,000	Ironshore Specialty Insurance Co.
\$ 25,500,001 and up	Oro Loma Self-Insurance

ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$18,213, \$994 and \$708 in insurance claims during fiscal years ended June 30, 2017, 2016 and 2015 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>2017</u>	<u>2016</u>	<u>2015</u>
Administration	\$ 153,275	\$ 167,768	\$ 156,899
Insurance premiums	230,005	201,289	211,226
Losses and settlements	18,213	994	708
	<u>\$ 401,493</u>	<u>\$ 370,051</u>	<u>\$ 368,833</u>

Since no liabilities for claims has been provided in the financial statements as of June 30, 2017, 2016, and 2015, the indicated claims paid above represent the claims experience for the last three fiscal years.

As of June 30, 2017, the District has no current or anticipated litigation.

Insurance related expenses are distributed to the following departments.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Engineering	\$ 30,212	\$ 29,340	\$ 23,912
Collections	108,990	106,173	106,099
Operations	148,754	128,590	136,581
Maintenance	80,032	72,714	70,801
Administration	33,505	33,234	31,440
	<u>\$ 401,493</u>	<u>\$ 370,051</u>	<u>\$ 368,833</u>

**ORO LOMA SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017 was \$103,490.

SECONDARY CLARIFIER REHABILITATION

Work performed was for the rehabilitation of the new secondary clarifiers mechanisms, and selected piping. The work included cleaning, preparation, and coating of the secondary clarifiers.



Before

Work In Progress



After



REQUIRED SUPPLEMENTARY INFORMATION

**ORO LOMA SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

The following disclosures are intended to show information for ten years . Additional years of information will be displayed as they become available.

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

	Fiscal Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of net pension liability	0.082286%	0.069898%	0.132651%
District's proportionate share of net pension liability	\$7,120,287	\$4,797,739	\$8,254,184
District's covered payroll	\$4,373,734	\$4,332,992	\$3,885,932
District's proportionate share of net pension liability as a % of covered payroll	162.8%	110.73%	212.41%
Plan's fiduciary net position as a % of Plan's total pension liability	74.06%	78.40%	79.82%

Schedule of the District's Contributions

	Fiscal Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Contributions for the fiscal year ended			
Actuarially determined contribution	\$ 561,577	\$ 496,315	\$ 727,291
Contributions in relation to actuarially determined contribution	1,561,577	1,496,315	7,075,186
Contribution deficiency (excess)	(1,000,000)	(1,000,000)	(6,347,895)
District's covered payroll for the fiscal year	4,590,299	4,373,734	4,332,992
Contributions as a % of covered payroll	34.02%	34.21%	163.29%

**ORO LOMA SANITARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

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, 2017**

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, 2017

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016

SCHEDULE 1

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
ASSETS			
Current assets			
Cash and cash equivalents	\$ 9,541,712	\$ (5,429,943)	\$ 2,568,717
Investments at fair value	-	6,477,772	5,050,313
Interest receivable	21,045	8,932	30,847
Accounts receivable	1,179,080	89,561	8,871
Prepaid and other items	89,284	-	-
Total current assets	10,831,121	1,146,322	7,658,748
Non-current assets			
Other post-employment benefits (OPEB) asset	1,031,951	-	-
Investment in sewage discharge facilities - EBDA	6,277,343	-	-
Capital assets			
Land	846,034	-	-
Sewer service assets	139,023,770	-	-
Solid waste assets	-	-	-
Recycling assets	-	-	-
Construction in progress	-	-	2,129,851
Less: accumulated depreciation	(70,077,910)	-	-
Total capital assets	69,791,894	-	2,129,851
Total non-current assets	77,101,188	-	2,129,851
Total assets	\$ 87,932,309	\$ 1,146,322	\$ 9,788,599
DEFERRED OUTFLOWS OF RESOURCES			
Pension benefits and adjustments	\$ 5,115,616	\$ -	\$ -

COMBINING SCHEDULE OF NET POSITION
ALL DISTRICT SERVICES
AS OF JUNE 30, 2017
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016
SCHEDULE 1 (continued)

Solid Waste Services		Recycling Services		Combined June 30,		\$	%
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	2017	2016	Change	Change		
\$ 1,507,201	\$ 1,292,227	\$ 9,479,914	\$ 7,209,536	\$ 2,270,378	31.5%		
-	-	11,528,085	14,526,362	(2,998,277)	-20.6%		
3,371	3,140	67,335	60,063	7,272	12.1%		
81,400	42,147	1,401,059	1,165,315	235,744	20.2%		
-	-	89,284	102,675	(13,391)	-13.0%		
1,591,972	1,337,514	22,565,677	23,063,951	(498,274)	-2.2%		
-	-	1,031,951	773,882	258,069	25.0%		
-	-	6,277,343	6,331,498	(54,155)	-0.9%		
-	-	846,034	846,034	-	0.0%		
-	-	139,023,770	129,851,757	9,172,013	7.1%		
2,177	-	2,177	2,177	-	0.0%		
-	26,045	26,045	26,045	-	0.0%		
-	-	2,129,851	6,279,801	(4,149,950)	-66.1%		
(2,177)	(26,045)	(70,106,132)	(66,829,052)	(3,277,080)	4.9%		
-	-	71,921,745	70,176,762	1,744,983	2.5%		
-	-	79,231,039	77,282,142	1,948,897	2.5%		
\$ 1,591,972	\$ 1,337,514	\$ 101,796,716	\$ 100,346,093	\$ 1,450,623	1.4%		
\$ -	\$ -	\$ 5,115,616	\$ 5,714,923	\$ (599,307)	-10.5%		

To be continued on the following pages

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2017

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016

SCHEDULE 1 (continued)

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
LIABILITIES			
Current liabilities			
Accounts payable	\$ 171,487	\$ 453,415	\$ 711,305
Accrued salaries and wages	180,199	-	-
Customer deposits payable	144,688	79,477	91,152
Accrued compensated absences (current)	61,200	-	-
Other benefits set-aside (current)	-	-	-
Total current liabilities	557,574	532,892	802,457
Non-current liabilities			
Accrued compensated absences	346,596	-	-
Net pension liability	7,120,287	-	-
Total non-current liabilities	7,466,883	-	-
Total liabilities	\$ 8,024,457	\$ 532,892	\$ 802,457
DEFERRED INFLOWS OF RESOURCES			
Pension obligations and adjustments	\$ 3,315,499	\$ -	\$ -
NET POSITION			
Net investment in capital assets	\$ 69,791,894	\$ -	\$ 2,129,851
Unrestricted	11,916,075	613,430	6,856,291
Total net position	\$ 81,707,969	\$ 613,430	\$ 8,986,142

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2017

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016

SCHEDULE 1 (continued)

Solid Waste Services		Recycling Services		Combined June 30,		\$	%
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	2017	2016	Change	Change		
\$ 5,600	\$ 189,706	\$ 1,531,513	\$ 1,645,345	\$ (113,832)	-6.9%		
-	-	180,199	147,642	32,557	22.1%		
-	-	315,317	271,697	43,620	16.1%		
-	-	61,200	53,000	8,200	15.5%		
-	-	-	243,930	(243,930)	-100.0%		
5,600	189,706	2,088,229	2,361,614	(273,385)	-11.6%		
-	-	346,596	301,396	45,200	15.0%		
-	-	7,120,287	4,797,739	2,322,548	48.4%		
-	-	7,466,883	5,099,135	2,367,748	46.4%		
\$ 5,600	\$ 189,706	\$ 9,555,112	\$ 7,460,749	\$ 2,094,363	28.1%		
\$ -	\$ -	\$ 3,315,499	\$ 4,822,803	\$ (1,507,304)	-31.3%		
\$ -	\$ -	\$ 71,921,745	\$ 70,176,762	\$ 1,744,983	2.5%		
1,586,372	1,147,808	22,119,976	23,600,702	(1,480,726)	-6.3%		
\$ 1,586,372	\$ 1,147,808	\$ 94,041,721	\$ 93,777,464	\$ 264,257	0.3%		

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016
SCHEDULE 2

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
Operating revenues			
District service charges	\$ 9,361,082	\$ 3,600,000	\$ -
Agency treatment charges	2,629,818	304,149	-
Permits and inspection fees	169,390	-	-
Sanitary truck waste charges	129,725	-	-
Grease receiving charges	117,403	-	-
Grit receiving charges	-	-	-
Contract fees	-	-	-
Recycling charges - residential and green waste	-	-	-
Recycling charges - commercial and industrial	-	-	-
Landfills fees - Measure D	-	-	-
Other	599,721	-	-
Total operating revenues	13,007,139	3,904,149	-
Operating expenses			
Engineering	560,300	1,748	-
Sewage collections	1,447,800	1,652,322	-
Sewage treatment operations	3,445,160	1,002,323	-
Sewage treatment maintenance	2,105,538	99,172	-
Sewage disposal - EBDA	717,719	119,250	-
Administration and general	1,523,373	26,006	-
Pension expense - GASB 68	2,976,128	-	-
OPEB expense and adjustments	(258,069)	-	-
Depreciation	3,326,930	-	-
Decrease in carrying value of EBDA	54,155	-	-
Solid waste	-	-	-
Recycling - residential, green waste, commercial and industrial	-	-	-
Total operating expenses	15,899,034	2,900,821	-
Operating income (loss)	(2,891,895)	1,003,328	-
Non-operating revenues			
Investment income	51,041	68,251	95,135
Increase in the fair value of investments	-	-	-
Rents and leases	83,465	-	-
Recovery of uncollectible accounts	-	-	-
Recycled water grant	-	56,250	-
Other miscellaneous revenues	307,968	69	46
EBDA and other agreement refunds	-	-	79,371
Total non-operating revenues	442,474	124,570	174,552
Non-operating expenses			
Decrease in the fair value of investments	-	74,245	63,676
Write-off of uncollectible accounts	-	-	-
Total non-operating expenses	-	74,245	63,676
Income (loss) before contributions, transfers and other items	(2,449,421)	1,053,653	110,876
Connection and other developers' fees	-	-	609,335
Transfers in (out) of capital assets	9,221,864	-	(9,221,864)
Capital Grants	-	-	-
Equity transfers in (out)	168,000	(3,000,000)	3,000,000
Change in net position	6,940,443	(1,946,347)	(5,501,653)
Net position - beginning (as reported)	74,767,526	2,559,777	14,487,795
Prior period adjustment - GASB 68 pension adjustments	-	-	-
Prior period adjustment - OPEB adjustments	-	-	-
Net position - beginning (as adjusted)	74,767,526	2,559,777	14,487,795
Net position - ending	\$ 81,707,969	\$ 613,430	\$ 8,986,142

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ALL DISTRICT SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2016
SCHEDULE 2 (continued)

Solid Waste Services		Recycling Services		Combined June 30,		Change	Change
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	2017	2016	\$	%		
\$ -	\$ -	\$ 12,961,082	\$ 11,949,883	\$ 1,011,199	8.5%		
-	-	2,933,967	2,430,769	503,198	20.7%		
-	-	169,390	162,898	6,492	4.0%		
-	-	129,725	90,621	39,104	43.2%		
-	-	117,403	158,967	(41,564)	-26.1%		
-	-	-	4,860	(4,860)	-100.0%		
1,010,999	-	1,010,999	937,750	73,249	7.8%		
-	2,309,444	2,309,444	2,306,542	2,902	0.1%		
-	118,694	118,694	110,721	7,973	7.2%		
-	346,349	346,349	319,719	26,630	8.3%		
-	-	599,721	586,197	13,524	2.3%		
1,010,999	2,774,487	20,696,774	19,058,927	1,637,847	8.6%		
-	-	562,048	684,704	(122,656)	-17.9%		
-	-	3,100,122	2,637,991	462,131	17.5%		
-	-	4,447,483	3,483,009	964,474	27.7%		
-	-	2,204,710	2,498,881	(294,171)	-11.8%		
-	-	836,969	779,476	57,493	7.4%		
-	-	1,549,379	1,256,629	292,750	23.3%		
-	-	2,976,128	1,192,396	1,783,732	-149.6%		
-	-	(258,069)	(315,916)	57,847	18.3%		
-	-	3,326,930	3,351,201	(24,271)	-0.7%		
-	-	54,155	165,735	(111,580)	-67.3%		
304,471	-	304,471	306,213	(1,742)	-0.6%		
-	2,591,833	2,591,833	2,574,922	16,911	0.7%		
304,471	2,591,833	21,696,159	18,615,241	3,080,918	16.6%		
706,528	182,654	(999,385)	443,686	(1,443,071)	-325.2%		
9,652	7,017	231,096	128,479	102,617	79.9%		
-	-	-	86,020	(86,020)	-100.0%		
-	-	83,465	79,956	3,509	4.4%		
16,276	-	16,276	17,203	(927)	-5.4%		
-	-	56,250	-	56,250	100.0%		
210	18,287	326,580	339,028	(12,448)	-3.7%		
-	-	79,371	79,371	-	0.0%		
26,138	25,304	793,038	730,057	62,981	8.6%		
-	-	137,921	-	137,921	100.0%		
810	-	810	1,515	(705)	-46.5%		
810	-	138,731	1,515	137,216	9057.2%		
731,856	207,958	(345,078)	1,172,228	(1,517,306)	-129.4%		
-	-	609,335	298,612	310,723	104.1%		
-	-	-	-	-	0.0%		
-	-	-	1,202,580	(1,202,580)	-100.0%		
(168,000)	-	-	-	-	0.0%		
563,856	207,958	264,257	2,673,420	(2,409,163)	-90.1%		
1,022,516	939,850	93,777,464	90,911,175	2,866,289	3.2%		
-	-	-	192,869	(192,869)	-100.0%		
-	-	-	-	-	0.0%		
1,022,516	939,850	93,777,464	91,104,044	2,673,420	2.9%		
\$ 1,586,372	\$ 1,147,808	\$ 94,041,721	\$ 93,777,464	\$ 264,257	0.3%		

**ORO LOMA SANITARY DISTRICT
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
JUNE 30, 2017**

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. The Budget for the audit year of FY 2016-17 was amended by the following Board actions:

- Resolution No. 3634 – Amendment No. 2, dated September 20, 2016, with a net increase to Renewal & Replacement and Capital Improvement Program of \$1,724,150.
- Various funding allocations by Board motions during FY 2016-17, authorizing a total net increase to Renewal & Replacement and Capital Improvement Program of \$2,747,500.

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, 2017 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, 2017**

SCHEDULE 3

	Budgeted Amounts	Actual Amounts	Variance with Final Budget- Favorable (Unfavorable)
Operating revenues			
District service charges	\$ 8,690,800	\$ 9,361,082	\$ 670,282
Agency treatment charges	2,289,000	2,629,818	340,818
Permits and inspection fees	113,000	169,390	56,390
Sanitary truck waste charges	50,000	129,725	79,725
Grease receiving charges	120,000	117,403	(2,597)
Other	600,000	599,721	(279)
Total operating revenues	11,862,800	13,007,139	1,144,339
Operating expenses			
Engineering	888,300	560,300	328,000
Sewage collections	1,732,800	1,447,800	285,000
Sewage treatment operations	4,228,600	3,445,160	783,440
Sewage treatment maintenance	2,317,500	2,105,538	211,962
Sewage disposal - EBDA	674,700	717,719	(43,019)
Administration and general	1,788,700	1,523,373	265,327
Pension expense - GASB 68	-	2,976,128	(2,976,128)
OPEB expense and adjustments	-	(258,069)	258,069
Depreciation	3,650,000	3,326,930	323,070
Decrease in carrying value of EBDA	100,000	54,155	45,845
Total operating expenses	15,380,600	15,899,034	(518,434)
Operating income (loss)		(2,891,895)	
Non-operating revenues			
Interest income	13,000	51,041	38,041
Rents and leases	81,000	83,465	2,465
Other miscellaneous revenues	100,000	307,968	207,968
Total non-operating revenues	194,000	442,474	248,474
Non-operating expenses			
Write-off of plant and equipment	-	-	-
Write-off of uncollectible accounts	10,000	-	10,000
Other expenses	1,012,500	-	1,012,500
Total non-operating expenses	1,022,500	-	1,022,500
Income (loss) before contributions and transfers	\$ (4,346,300)	\$ (2,449,421)	\$ 1,896,879
Transfers of plant and equipment from Capital Improvement Program		9,221,864	
Equity transfers in (out)		168,000	
Change in net position		6,940,443	
Net position - beginning		74,767,526	
Net position - ending		\$ 81,707,969	

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, 2017
SCHEDULE 4**

	Budgeted Amounts	Actual Amounts by Account Category	Variance with Final Budget Favorable (Unfavorable)
Operating expenses			
Salaries	\$ 4,266,500	\$ 4,120,292	\$ 146,208
Employee benefits	2,298,600	1,399,481	899,119
Directors' benefits and fees	215,300	175,222	40,078
Election expenses	130,000	147,501	(17,501)
Gasoline, oil and fuel	103,400	61,328	42,072
Insurance	562,800	401,494	161,306
Office expenses	55,500	55,465	35
Operating supplies	729,100	561,897	167,203
Safety supplies	32,900	20,270	12,630
Contractual services	1,096,600	976,259	120,341
Professional services	226,200	228,568	(2,368)
Memberships, printing and publications	80,200	55,460	24,740
Rents and leases	23,400	5,453	17,947
Repairs and maintenance	477,800	440,734	37,066
Research and monitoring	105,000	58,663	46,337
Travel, meetings and training	108,200	74,080	34,120
Recognition program	35,300	22,444	12,856
Utilities	409,100	277,560	131,540
Departmental expenses	10,955,900	9,082,171	1,873,729
Sewage disposal - EBDA	674,700	717,719	(43,019)
Pension expense - GASB 68	-	2,976,128	(2,976,128)
OPEB expense and adjustments	-	(258,069)	258,069
Depreciation	3,650,000	3,326,930	323,070
Decrease in carrying value of EBDA	100,000	54,155	45,845
Non-departmental expenses	4,424,700	6,816,863	(2,392,163)
Total operating expenses	15,380,600	15,899,034	(518,434)
Non-operating expenses:			
Write-off of uncollectible accounts	10,000	-	10,000
Other miscellaneous expenses	1,012,500	-	1,012,500
Total non-operating expenses	1,022,500	-	1,022,500
Total expenses	\$ 16,403,100	\$ 15,899,034	\$ 504,066

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL EXPENSES
SEWER SERVICES - OPERATIONS AND MAINTENANCE
BY ACCOUNT CATEGORIES AND DEPARTMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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	\$ 252,734	\$ 827,409	\$ 1,602,600	\$ 946,194	\$ 491,355.00
Employee benefits	145,323	245,801	456,143	306,050	246,164.00
Directors' benefits and fees	-	-	-	-	175,222.00
Election expenses	-	-	-	-	147,501.00
Gasoline and oil	2,366	34,438	11,562	12,537	425.00
Insurance	30,212	108,990	148,755	80,032	33,505.00
Office expenses	7,769	2,343	13,144	5,672	26,537.00
Operating supplies	942	46,155	475,076	39,724	-
Safety supplies	794	4,188	5,843	8,096	1,349.00
Contractual services	88,522	36,422	452,183	269,621	129,511.00
Professional services	4,170	2,181	46,299	9,671	166,247.00
Memberships, printing and publications	4,221	1,007	10,089	2,868	37,275.00
Rents and leases	-	-	1,146	2,410	1,897.00
Repairs and maintenance	2,481	40,473	981	392,803	3,996.00
Research and monitoring	-	-	57,786	877	-
Travel, meetings and training	4,682	9,772	12,529	15,923	31,174.00
Recognition program	1,823	2,619	3,826	3,217	10,959.00
Utilities	14,261	86,002	147,198	9,843	20,256.00
Departmental expenses FY 2015-16	\$ 560,300	\$ 1,447,800	\$ 3,445,160	\$ 2,105,538	\$ 1,523,373
Departmental budget	\$ 888,300	\$ 1,732,800	\$ 4,228,600	\$ 2,317,500	\$ 1,788,700
% of budget used	63%	84%	81%	91%	85%
Departmental expenses FY 2015-16	\$ 682,832	\$ 1,400,964	\$ 3,225,555	\$ 2,020,181	\$ 1,239,813
Change in FY 2016-17 (\$)	\$ (122,532)	\$ 46,836	\$ 219,605	\$ 85,357	\$ 283,560
Change in FY 2016-17 (%)	-17.9%	3.3%	6.8%	4.2%	22.9%

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER SERVICES - RENEWAL AND REPLACEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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	383,400	464,196	304,149	(160,047)
	Total operating revenues	3,983,400	4,064,196	3,904,149	(160,047)
Project #	Project costs				
	<u>Collections system</u>				
104.00	Collections Asset Management - Lift Stations	30,000	15,000	14,079	921
141.00	Collections Asset Repair and Maintenance	1,250,000	2,000,000	1,534,646	465,354
144.10	Collections System GIS Updates and Maintenance	25,000	50,000	28,531	21,469
151.10	Easement Clearing and Road Maintenance	50,000	56,600	56,535	65
144.00	Source Detection/Hydraulic Model Update	10,000	10,000	5,300	4,700
100.00	Lift Stations - General	80,000	4,300	1,842	2,458
100.12	Lift Stations - Glenbrook	-	2,000	2,000	-
100.01	Lift Stations - Trojan	-	10,000	9,389	611
	Postponed or Cancelled Projects	-	-	-	-
		1,445,000	2,147,900	1,652,322	495,578
	<u>Treatment plant</u>				
213.03	Alternate Outfall Feasibility Study	-	51,500	50,285	1,215
213.04	Biosolids Dewatering Study	-	44,000	36,189	7,811
305.00	Gate and Valve Replacements	25,000	4,500	2,988	1,512
289.01	Headworks Concrete Coating	-	429,000	428,800	200
213.05	Microvi Pilot Study	-	60,000	113	59,887
213.06	Outfall NPDES Permitting	-	250,000	190,477	59,523
213.00	Pre-Design Studies	30,000	20,000	19,758	242
395.06	Recurring Maintenance - Landscaping and Grounds	25,000	56,600	55,918	682
395.01	Recurring Maintenance - Painting	-	25,500	25,345	155
395.02	Recurring Maintenance - Roof Maintenance	25,000	3,500	3,158	342
213.02	Recycled Water Study	-	20,000	16,051	3,949
222.02	Secondary Clarifier Coating	750,000	750,000	260,649	489,351
900.93	Critical Renewal and Replacements	70,000	12,200	11,763	437
	Postponed or Cancelled Projects	580,000	-	-	-
		1,505,000	1,726,800	1,101,494	625,306
	<u>Administration & Engineering</u>				
595.40/45	Computers and Network Maintenance	20,000	14,700	1,748	12,952
524.00	Fiscal Agent Fees	-	6,300	6,269	31
900.95	Critical Renewal and Replacements	30,000	30,000	19,738	10,262
626.00	EBDA replacement assessment	106,000	119,250	119,250	-
		156,000	170,250	147,005	23,245
	Total project costs	3,106,000	4,044,950	2,900,821	1,144,129
	Operating expenses				
	Engineering			1,748	
	Sewage collections			1,652,322	
	Sewage treatment operations			1,002,323	
	Sewage treatment maintenance			99,172	
	Sewage disposal - EBDA			119,250	
	Administration			26,006	
	Total operating expenses			2,900,821	
	Operating income (loss)			1,003,328	
	Non-operating revenues (expenses)				
	Investment income	38,000	38,000	68,251	30,251
	Increase (decrease) in the fair value of investments	-	-	(74,245)	(74,245)
	Recycled water grant	-	-	56,250	56,250
	Other miscellaneous revenues	-	-	69	69
	Total non-operating revenues (expenses)	38,000	38,000	50,325	12,325
	Income before contributions and transfers	\$ 915,400	\$ 57,246	\$ 1,053,653	\$ 996,407
	Equity transfers in (out)			(3,000,000)	
	Change in net position			(1,946,347)	
	Net position - beginning			2,559,777	
	Net position - ending			\$ 613,430	

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 , 2017
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	\$ 21,700	\$ 18,148	\$ 3,552
100.13	Lift Stations - Blackstone Surge Suppression	-	31,000	30,405	595
100.15	Lift Stations - Canyon Ridge Surge Suppression	-	28,100	28,038	62
100.09	Lift Stations - Clausen Rehabilitation	75,000	113,000	112,296	704
100.06	Lift Stations - Monika VFD Installation	-	55,000	53,953	1,047
100.01	Lift Stations - Trojan MCC / Pump	-	59,500	43,988	15,512
161.00	CCTV Camera	30,000	31,000	30,302	698
143.03	Pipeline Replacements (FY 2015-16)	-	949,000	946,641	2,359
143.04	Pipeline Replacements (FY 2016-17)	2,000,000	3,452,000	1,959,292	1,492,708
143.05	Pipeline Replacements (Group #14305)	-	48,000	44,978	3,022
900.91	Critical Equipment - Collections	15,000	14,000	6,746	7,254
	Postponed or Cancelled projects	90,000	-	-	-
		2,260,000	4,802,300	3,274,787	1,527,513
	<u>Treatment plant</u>				
299.00	Cogeneration Engine Overhaul	175,000	196,000	195,093	907
284.00	Influent Grinder Rebuild	30,000	4,000	-	4,000
231.00	Old Heater Building Pipe Trench Sump	-	23,100	23,042	58
301.00	Plant Security System	-	10,000	10,000	-
239.00	Safety Improvements	-	70,500	69,454	1,046
316.00	Vehicle Rehabilitation - Water Truck	35,000	35,000	30,439	4,561
293.02	Wet Weather Equalization / Horizontal Levee Demonstration	1,485,000	2,484,800	2,235,497	249,303
900.93	Critical Equipment - Plant	70,000	73,000	64,808	8,192
	Postponed or Cancelled projects	255,000	-	-	-
		2,050,000	2,896,400	2,628,333	268,067
	<u>Administration & Engineering</u>				
900.45	Administration Roof & Solar Installation	100,000	220,000	10,166	209,834
595.40/45	Computers/Network Upgrades	20,000	44,000	40,640	3,360
900.95	Critical Equipment - Administration & Engineering	10,000	10,000	9,046	954
		130,000	274,000	59,852	214,148
	Total project costs	4,440,000	7,972,700	5,962,972	2,009,728
	Less:				
	Additions to plant and equipment			(3,007,821)	
	Additions to construction in progress			(2,064,093)	
	Castro Valley Sanitary District capital assets			(891,058)	
	Operating income (loss)			-	
	Non-operating revenues (expenses)				
	Investment income	48,000	48,000	95,135	47,135
	Increase (decrease) in the fair value of investments	-	-	(63,676)	(63,676)
	EBDA agreement refund	80,000	80,000	79,371	(629)
	Other miscellaneous revenues	-	-	46	46
	Total non-operating revenues (expenses)	128,000	128,000	110,876	(17,124)
	Income before contributions, transfers and other items	\$ 128,000	\$ 128,000	\$ 110,876	\$ (17,124)
	Connection and other developer fees			609,335	
	Transfer of plant and equipment to Operations and Maintenance			(9,221,864)	
	Equity transfers in (out)			3,000,000	
	Change in net position			(5,501,653)	
	Net position - beginning			14,487,795	
	Net position - ending			\$ 8,986,142	

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, 2017
SCHEDULE 7**

	Budgeted Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Operating revenues			
Contract fees	\$ 927,000	\$ 1,010,999	\$ 83,999
Total operating revenues	<u>927,000</u>	<u>1,010,999</u>	<u>83,999</u>
Operating expenses			
Salaries	177,500	137,551	39,949
Directors' fees	9,200	7,800	1,400
Overhead	186,700	145,351	41,349
Office expenses	3,100	381	2,719
Safety supplies	500	-	500
Contractual services	3,000	1,156	1,844
Professional services	15,000	269	14,731
Memberships, printing and publications	17,100	11,615	5,485
Repairs and maintenance	500	-	500
Travel, meetings and training	1,000	-	1,000
Recognition program	600	-	600
Utilities	500	348	152
Depreciation	-	-	-
Contingency and other reserves	50,000	-	50,000
Total operating expenses	<u>464,700</u>	<u>304,471</u>	<u>160,229</u>
Operating income (loss)		<u>706,528</u>	
Non-operating revenues (expenses)			
Investment income	1,200	9,652	8,452
Recovery of uncollectible accounts	10,000	16,276	6,276
Other miscellaneous revenues	-	210	210
Write-off of uncollectible accounts	(3,000)	(810)	2,190
Total non-operating revenues (expenses)	<u>8,200</u>	<u>25,328</u>	<u>17,128</u>
Income before contributions and transfers	<u>\$ 470,500</u>	<u>\$ 731,856</u>	<u>\$ 261,356</u>
Equity transfers in (out)		<u>(168,000)</u>	
Change in net position		<u>563,856</u>	
Net position - beginning		<u>1,022,516</u>	
Net position - ending		<u>\$ 1,586,372</u>	

ORO LOMA SANITARY DISTRICT

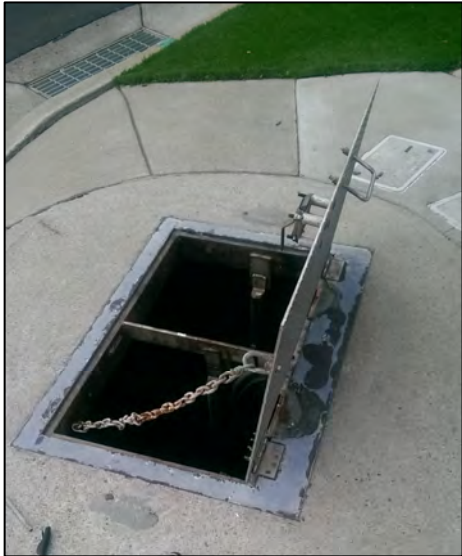
SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
RECYCLING SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
SCHEDULE 8

	Budgeted Amounts	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Operating revenues			
Recycling charges - residential and green waste	\$ 2,290,000	\$ 2,309,444	\$ 19,444
Recycling charges - commercial and industrial	96,000	118,694	22,694
Landfill fees - Measure D	330,000	346,349	16,349
Total operating revenues	<u>2,716,000</u>	<u>2,774,487</u>	<u>58,487</u>
Operating expenses			
Salaries	177,500	148,831	28,669
Overhead	177,500	148,831	28,669
Office expenses	5,000	564	4,436
Contractual services	2,320,000	2,213,745	106,255
Professional services	2,000	880	1,120
Memberships, printing and publications	43,200	40,884	2,316
Travel, meetings and training	500	-	500
San Leandro Measure D	40,000	38,098	1,902
Depreciation	-	-	-
Contingency reserve	30,000	-	30,000
Total operating expenses	<u>2,795,700</u>	<u>2,591,833</u>	<u>203,867</u>
Operating income (loss)		<u>182,654</u>	
Non-operating revenues (expenses)			
Investment income	1,800	7,017	5,217
Other miscellaneous revenues	18,000	18,287	287
Grant revenues	-	9,000	9,000
Grant expenses	-	(9,000)	(9,000)
Write-off of uncollectible accounts	(200)	-	200
Total non-operating revenues (expenses)	<u>19,600</u>	<u>25,304</u>	<u>5,704</u>
Income (loss) before contributions and transfers	<u>\$ (60,100)</u>	<u>\$ 207,958</u>	<u>\$ 268,058</u>
Equity transfers in (out)		<u>-</u>	
Change in net position		<u>207,958</u>	
Net position - beginning		<u>939,850</u>	
Net position - ending		<u>\$ 1,147,808</u>	

CLAUSEN LIFT STATION REHABILITATION

The rehabilitation of the Clausen Lift Station included wet well coating, replacing pumps, control and electrical panels, and the replacement of the hatch cover. The lift stations were last overhauled 20 years ago and many components at all lift stations are in need of rehabilitation and repair.

Before



After



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, 2017, 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 2, 2017.

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

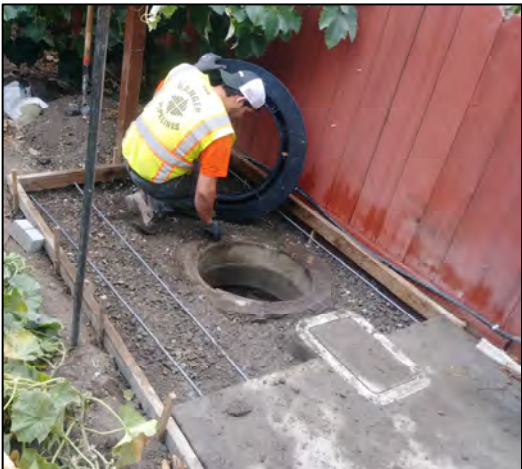
October 2, 2017
San Jose, California

COLLECTION SYSTEM REPAIR/MAINTENANCE

Collection system asset repairs include: point repairs, line repairs, major structures repairs and manhole raising.



Before



Work In Progress



After

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

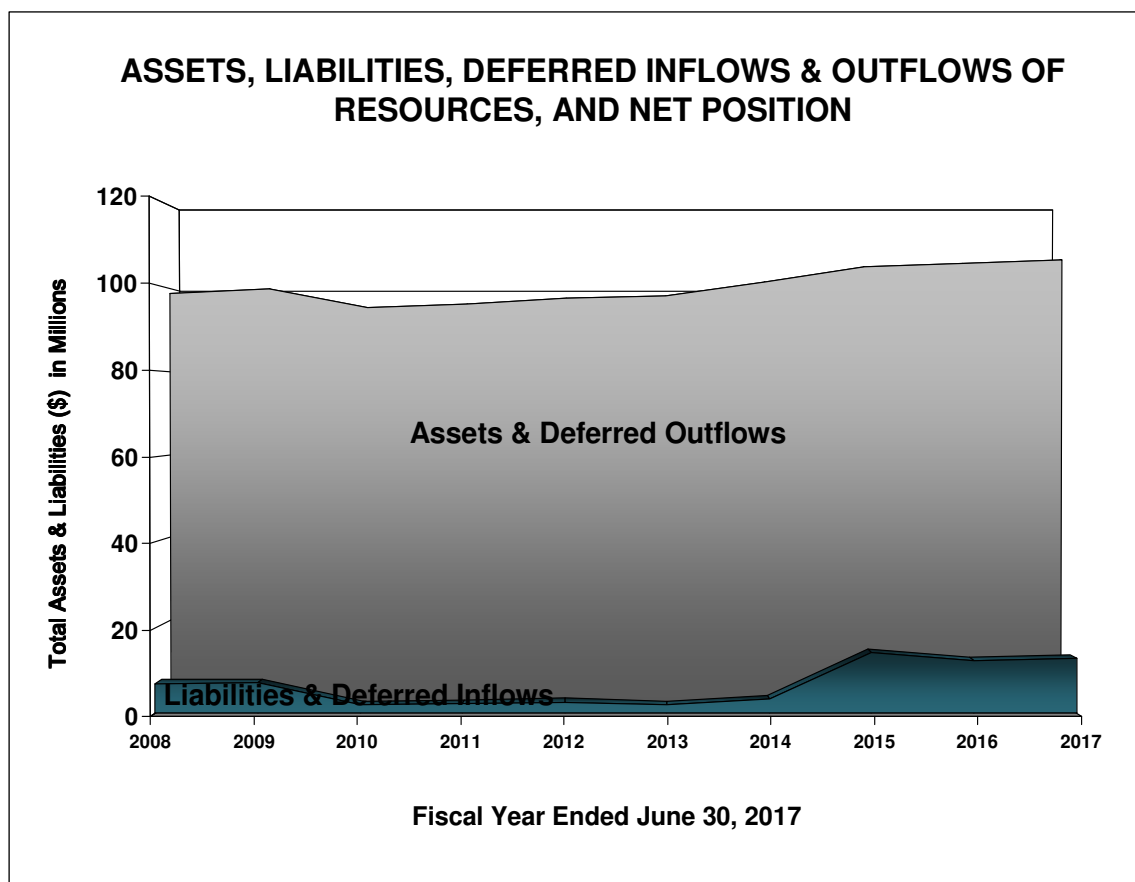
FINANCIAL TRENDS

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
2017	\$ 101,796,716	\$ 5,115,616	\$ 9,555,112	\$ 3,315,499	\$ 71,921,745	\$ -	\$ 22,119,976	\$ 94,041,721
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

GRAPH A



ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

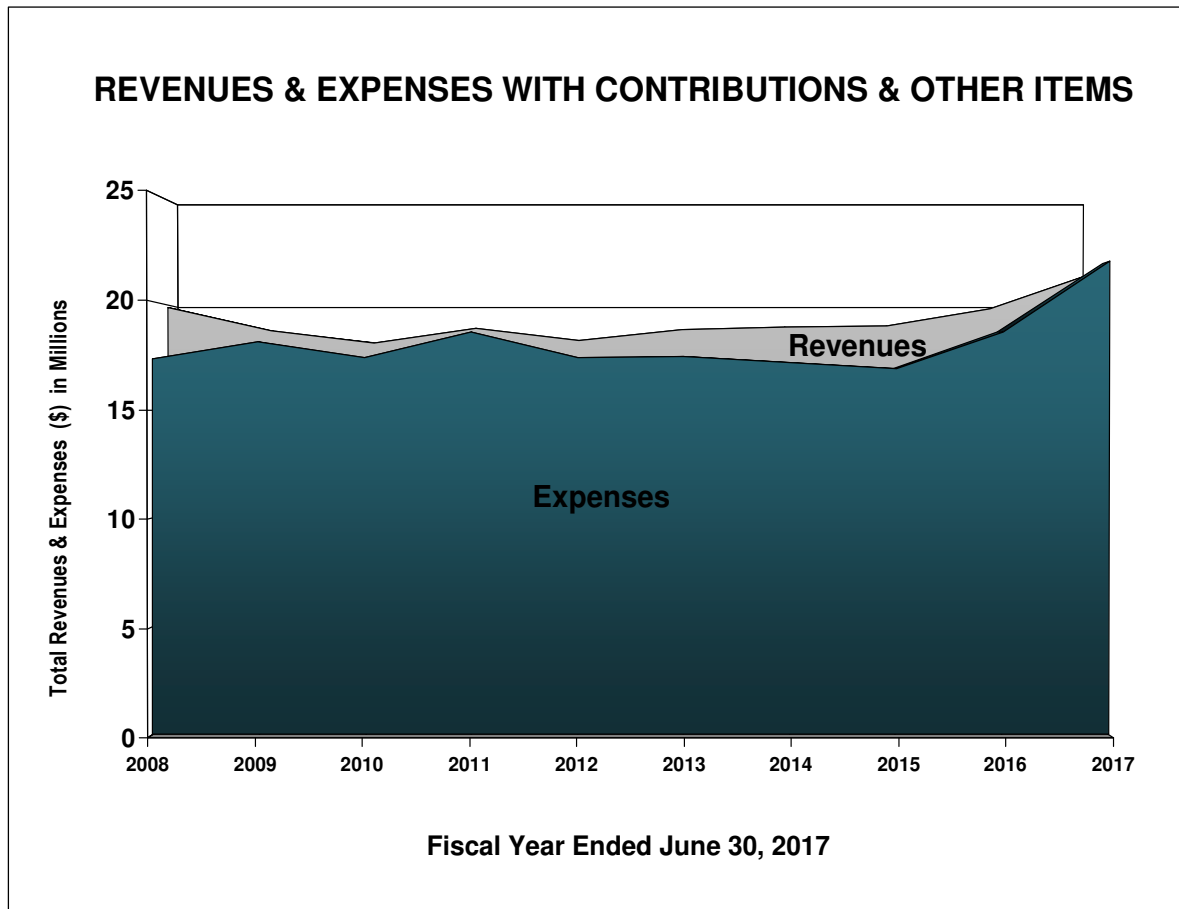
TABLE 2

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	
2017	\$21,489,812	\$21,834,890	(\$345,078)	\$609,335	\$0	\$264,257
2016	19,788,984	18,616,756	1,172,228	298,612	*1,202,580	2,673,420
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

* 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 (2017 - 2013)

	2017	2016	2015	2014	2013
OPERATING REVENUES:					
District service charges	\$12,961,082	\$11,949,883	\$11,678,040	\$11,583,176	\$11,368,931
Agency treatment charges	2,933,967	2,430,769	2,190,362	2,206,459	2,341,562
Sanitary truck waste charges	129,725	90,621	56,454	48,815	44,614
Grease receiving facilities	117,403	158,967	142,005	120,927	113,397
Grit receiving facilities	-	4,860	-	-	-
Permits & inspection fees	169,390	162,898	170,994	126,143	105,122
Contract fees-Waste Mgmt	1,010,999	937,750	791,397	755,676	728,946
Recycling residential charges	2,309,444	2,306,542	2,295,385	2,286,977	2,285,768
Recycling commercial charges	118,694	110,721	102,060	87,783	71,686
Landfill fees-Measure D	346,349	319,719	329,606	327,570	342,132
Others	599,721	586,197	682,873	763,138	719,682
Total operating revenues	20,696,774	19,058,927	18,439,176	18,306,664	18,121,840
OPERATING EXPENSES:					
Engineering	562,048	684,704	698,221	712,859	694,142
Sewage collections	3,100,122	2,637,991	2,897,622	2,727,099	2,375,275
Sewage treatment operations	4,447,483	3,483,009	3,507,420	3,768,468	3,961,746
Sewage treatment maintenance	2,204,710	2,498,881	2,155,643	1,951,508	2,100,408
Sewage disposal-EBDA	836,969	779,476	684,638	645,786	682,807
Administration and general	1,549,379	1,256,629	1,332,934	1,206,450	1,405,494
Pension expense - GASB 68	2,976,128	1,192,396	(547,141)	-	-
OPEB expense and adjustments	(258,069)	(315,916)	(182,991)	-	-
Depreciation	3,326,930	3,351,201	3,329,414	3,179,437	3,133,447
Decrease in EBDA equity	54,155	165,735	89,455	95,162	92,055
Solid waste	304,471	306,213	305,189	296,535	330,769
Recycling	2,591,833	2,574,922	2,591,742	2,599,618	2,682,645
Total operating expenses	21,696,159	18,615,241	16,862,146	17,182,922	17,458,788
OPERATING INCOME (LOSS)	(999,385)	443,686	1,577,030	1,123,742	663,052
NON-OPERATING REVENUES:					
Investment income	231,096	128,479	216,318	217,367	194,227
Increase in the fair value of investments	-	86,020	-	53,279	19,345
Rents, leases & license fees	83,465	79,956	92,741	84,856	132,159
Castro Valley side fund reimbursement	-	-	-	-	-
Gain on disposal of capital assets	-	-	-	14,643	-
Recovery of uncollectible accounts	16,276	17,203	11,343	11,702	9,821
Other miscellaneous revenues	326,580	339,028	140,798	177,063	220,500
EBDA agreement and other refunds	79,371	79,371	79,371	79,371	79,371
Grant revenues	56,250	-	-	-	36,948
Total non-operating revenues	793,038	730,057	540,571	638,281	692,371
NON-OPERATING EXPENSES:					
Interest on bonds payable	-	-	-	-	-
CalPERS side fund contribution	-	-	-	-	-
Grant expenses	-	-	-	10,725	444
Decrease in the fair value of investments	137,921	-	58,326	-	-
Write-off plant & equipment	-	-	-	78	-
Write-off uncollectible accounts	810	1,515	863	1,502	8,757
Other miscellaneous expenses	-	-	-	-	-
Total non-operating expenses	138,731	1,515	59,189	12,305	9,201
INCOME BEFORE CONTRIBUTIONS	(345,078)	1,172,228	2,058,412	1,749,718	1,346,222
Connection fees	609,335	298,612	1,076,699	135,600	69,759
Sewer upsizing fees	-	-	-	-	-
Developers' contributions	-	-	-	-	-
CVSD contrib. for transferred vehicle	-	-	-	637	-
Capital Grants	-	1,202,580	-	-	-
CHANGES IN NET POSITION	264,257	2,673,420	3,135,111	1,885,955	1,415,981
NET POSITION-BEGINNING	93,777,464	90,911,175	98,269,280	96,383,325	94,967,344
Prior period adjustment - GASB 68 pension adj	-	192,869	(10,768,191)	-	-
Prior period adjustment - OPEB adjustments	-	-	274,975	-	-
NET POSITION-ENDING	94,041,721	93,777,464	90,911,175	98,269,280	96,383,325

ORO LOMA SANITARY DISTRICT

FINANCIAL TRENDS

TABLE 3 (continued)

Statement of Revenues and Expenses & Changes in Net Position (2012 - 2008)

	2012	2011	2010	2009	2008
OPERATING REVENUES:					
District service charges	\$10,539,022	\$10,183,687	\$10,120,561	\$10,098,745	\$10,739,082
Agency treatment charges	2,356,508	2,113,496	2,213,303	2,321,971	2,065,201
Sanitary truck waste charges	34,119	33,369	43,921	48,960	63,160
Grease receiving facilities	100,964	47,248	7,135	-	-
Grit receiving facilities	-	-	-	-	-
Permits & inspection fees	105,501	118,649	132,534	138,888	209,411
Contract fees-Waste Mgmt	1,014,122	1,177,161	1,231,477	1,249,130	1,205,948
Recycling residential charges	2,285,609	2,281,257	2,277,284	2,272,570	2,266,025
Recycling commercial charges	96,011	99,721	80,824	59,895	37,731
Landfill fees-Measure D	322,360	337,996	358,386	311,732	452,342
Others	761,461	812,882	753,313	828,072	848,235
Total operating revenues	17,615,677	17,205,466	17,218,738	17,329,963	17,887,135
OPERATING EXPENSES:					
Engineering	585,037	756,806	637,505	631,004	813,103
Sewage collections	2,207,219	2,426,428	2,350,901	2,880,750	2,076,666
Sewage treatment operations	3,833,846	3,616,626	4,405,258	4,262,868	4,470,520
Sewage treatment maintenance	2,419,194	1,831,130	1,846,305	1,895,607	1,705,618
Sewage disposal-EBDA	696,967	638,715	478,693	501,112	543,574
Administration and general	1,215,432	1,320,909	1,168,674	1,246,174	1,247,944
Pension expense - GASB 68	-	-	-	-	-
OPEB expense and adjustments	-	-	-	-	-
Depreciation	2,993,361	3,134,347	3,148,568	3,079,226	3,053,867
Decrease in EBDA equity	104,088	98,084	78,973	13,365	41,273
Solid waste	395,554	397,390	435,618	516,185	503,793
Residential recycling	2,662,165	2,688,271	2,657,699	2,656,868	2,601,130
Total operating expenses	17,112,863	16,908,706	17,208,194	17,683,159	17,057,488
OPERATING INCOME (LOSS)	502,814	296,760	10,544	(353,196)	829,647
NON-OPERATING REVENUES:					
Investment income	157,237	190,115	197,078	584,497	1,122,335
Increase in the fair value of investments	(157,399)	-	-	-	-
Rents, leases & license fees	394,141	375,087	382,120	364,982	395,427
Castro Valley side fund reimbursement	-	297,151	-	-	-
Gain on disposal of capital assets	-	-	-	-	-
Recovery of uncollectible accounts	16,172	69,587	-	-	-
Other miscellaneous revenues	200,510	171,846	203,125	232,112	316,738
EBDA agreement and other refunds	79,371	79,371	79,371	89,138	82,010
Grant revenues	-	497,206	134,213	154,170	58,481
Total non-operating revenues	690,032	1,680,363	995,907	1,424,899	1,974,991
NON-OPERATING EXPENSES:					
Interest on bonds payable	-	-	4,367	150,926	173,576
CalPERS side fund contribution	-	1,640,762	-	-	-
Grant expenses	34,623	30,268	19,240	244,863	48,988
Decrease in the fair value of investments	-	-	-	-	-
Write-off plant & equipment	260,034	389	-	8,837	51,020
Write-off uncollectible accounts	2,217	466	8,824	31,398	25,376
Other miscellaneous expenses	-	-	139,370	15,544	15,544
Total non-operating expenses	296,874	1,671,885	171,801	451,568	314,504
INCOME BEFORE CONTRIBUTIONS	895,972	305,238	834,650	620,135	2,490,134
Connection fees	112,127	99,905	49,953	367,611	1,198,135
Sewer upsizing fees	-	-	-	-	-
Developers' contributions	-	-	-	-	103,525
CVSD contrib. for transferred vehicle	-	-	-	-	-
Capital Grants	-	-	-	-	-
CHANGES IN NET POSITION	1,008,099	405,143	884,603	987,746	3,791,794
NET POSITION-BEGINNING	93,959,245	93,554,102	92,669,499	91,681,753	87,889,959
Prior period adjustment - GASB 68 pension adj	-	-	-	-	-
Prior period adjustment - OPEB adjustments	-	-	-	-	-
NET POSITION-ENDING	94,967,344	93,959,245	93,554,102	92,669,499	91,681,753

ORO LOMA SANITARY DISTRICT

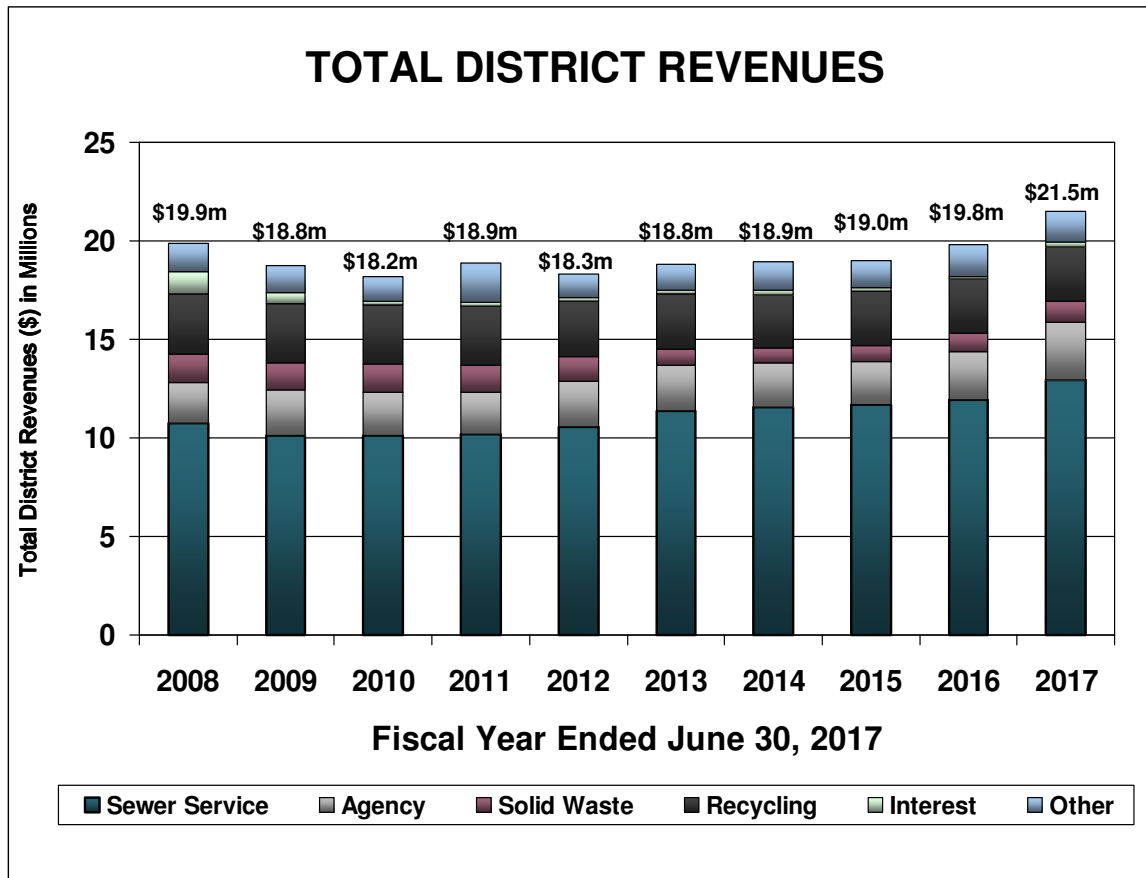
REVENUE CAPACITY

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 2017 Total	60.3%	13.7%	4.8%	13.0%	1.0%	7.2%	100.0%
2017	\$12,961,082	\$2,933,967	\$1,027,485	\$2,792,774	\$231,096	\$1,543,408	\$21,489,812
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

GRAPH C



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

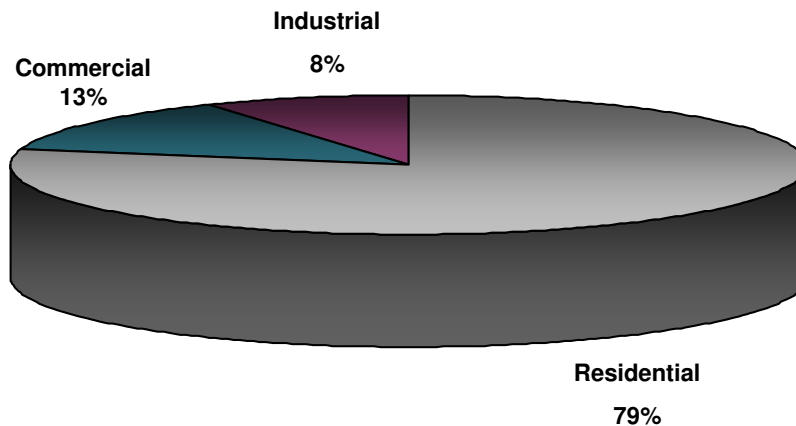
TABLE 5

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	
2017	\$10,175,503	79%	\$1,711,673	13%	\$1,073,906	8%	\$12,961,082
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

GRAPH D

SEWER SERVICE REVENUES BY CUSTOMER TYPE FY 2016-17



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 #3627

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 units	Annual Rate	# of units	Annual Rate	# of units	Annual Rate		of water used	
2017	R#3627	29,861	\$221.00	14,820	\$221.00	1,229	\$181.00	1,194	\$3.273	47,104
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

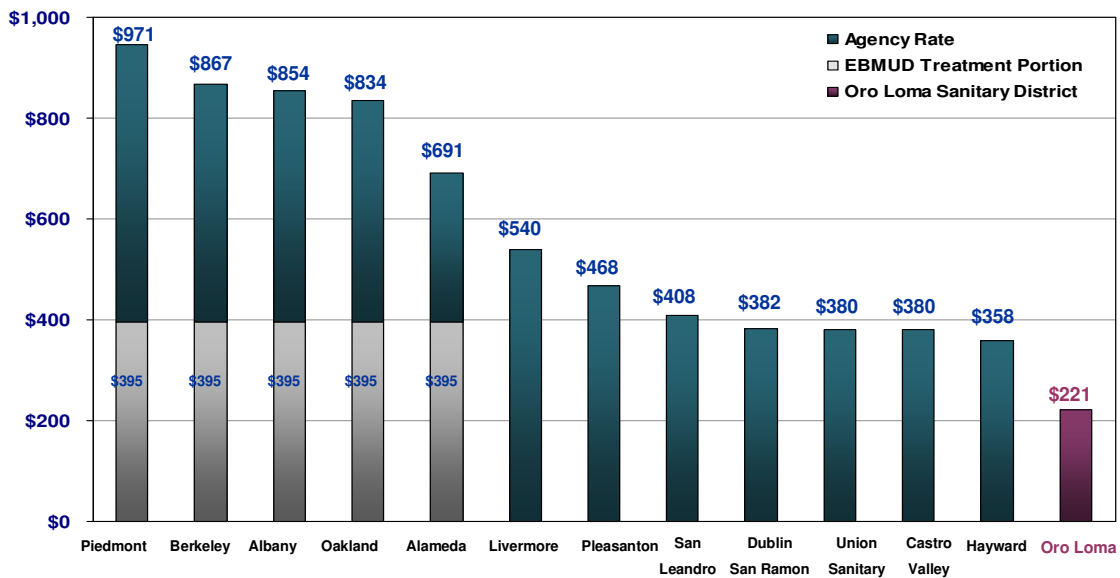
Residential sewer services charges are collected annually through the County of Alameda property tax roll.

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

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

GRAPH E

ANNUAL SEWER SERVICE CHARGES FOR SINGLE FAMILY RESIDENCE IN ALAMEDA COUNTY FY 2016-17



Oro Loma Sanitary District's Rate is 61% less than the average rate of \$566

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 2016-17.

21.5% ← **\$2,785,579** out of **\$12,961,082** total sewer service revenues were derived from commercial (\$1,711,673) and industrial (\$1,073,906) customers

13.6% ← **\$1,761,923** out of **\$12,961,082** total sewer service revenues were derived from the twenty largest commercial and industrial customers

63.3% ← **\$1,761,923** out of **\$2,785,579** total commercial and industrial sewer service revenues were derived from the twenty largest commercial and industrial customers.

TABLE 7 **Twenty Largest Commercial Customers**

Source: 2016 East Bay Municipal Utility District water consumption and billing report and 2016 significant industrial users invoices.

Customer	Type of Business	Sewer Charges	% of Sewer Revenues
Santini Foods	Food manufacturing	\$ 720,103	5.6%
Ghirardelli Chocolate	Food manufacturing	195,053	1.5%
The Hillshire Brands	Food manufacturing	132,235	1.0%
Madison Bayfair	Shopping mall	105,010	0.8%
Fairmont Hospital Complex	Hospital, medical clinics and correctional facilities	101,415	0.8%
Hayward Area Recreation & Park District	Recreation and parks	90,818	0.7%
County of Alameda General Services	Government services	58,293	0.5%
San Lorenzo Unified School District	School District	57,525	0.5%
Greenhouse Marketplace	Retail businesses	45,802	0.4%
Hayward Unified School District	School District	39,649	0.3%
San Leandro Hospital (SLCO)	Hospital	30,609	0.2%
Guadalajara Enterprises	Retail businesses	27,865	0.2%
San Leandro Unified School District	School District	26,312	0.2%
Packaging Corporation of America	Packaging materials manufacturing	23,654	0.2%
Lorenzo Manor Shopping Center	Retail businesses	21,714	0.2%
Driftwood Manor	Assisted living facility	19,284	0.1%
Launderworld	Laundry mat	18,279	0.1%
Kaiser Foundation Health Plan	Medical clinics	17,425	0.1%
San Lorenzo Car Wash	Car Wash	15,514	0.1%
Save Mart Supermarket	Grocery store	15,364	0.1%
Total		\$ 1,761,923	13.6%

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 ~

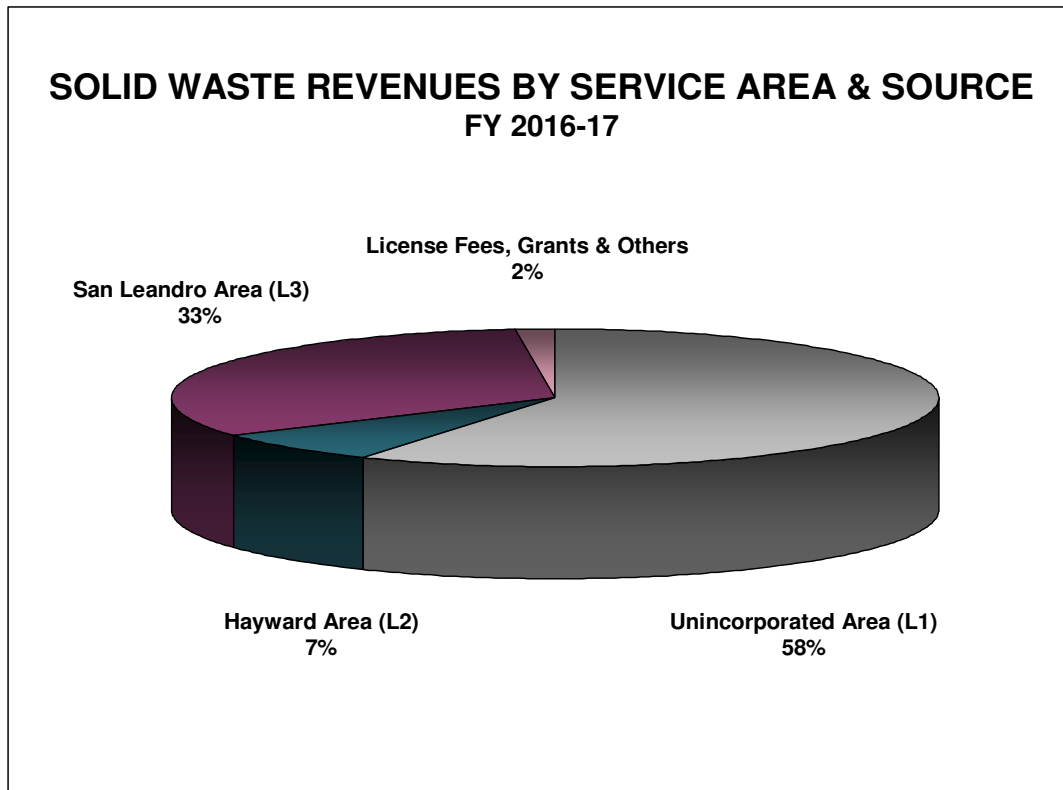
TABLE 8

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
2017	\$600,390	\$76,177	\$334,432	\$16,486	\$1,027,485
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

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

GRAPH F



ORO LOMA SANITARY DISTRICT

REVENUE CAPACITY

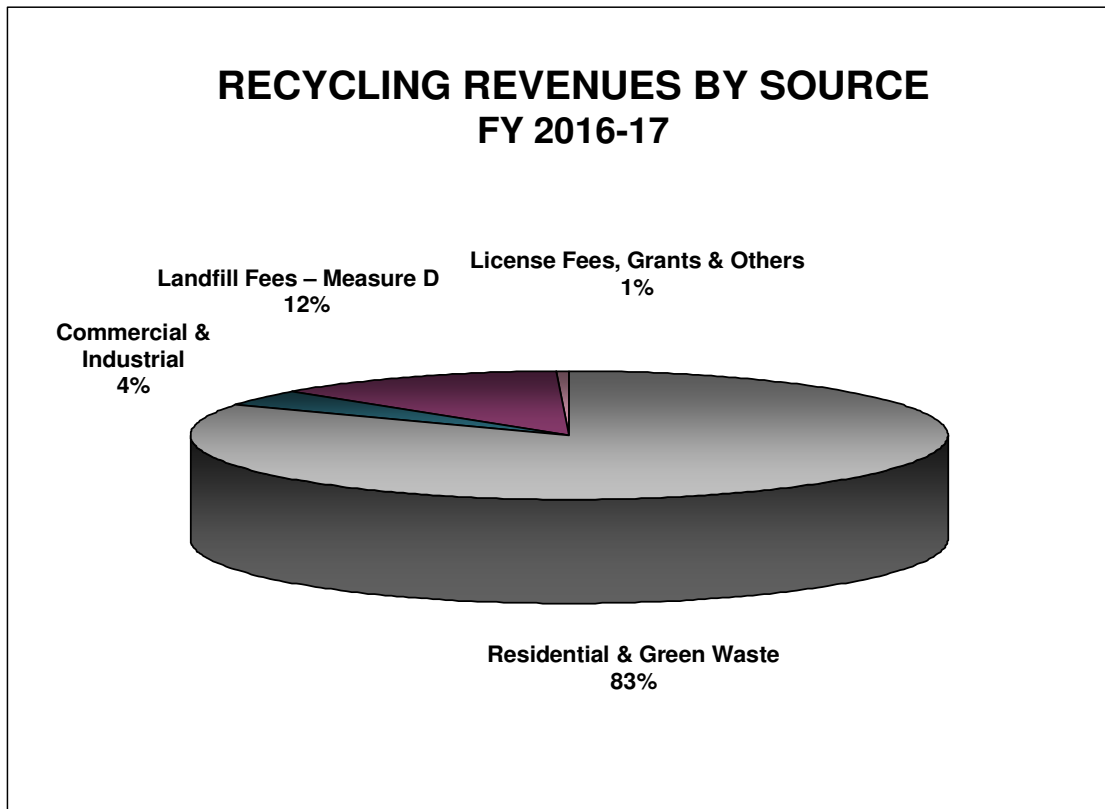
~ SIGNIFICANT SINGLE SOURCE REVENUES ~

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			
2017	\$2,309,444	\$118,694	\$346,349	\$18,287	\$2,792,774
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

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
2017	34-42	\$8.84	\$10.20	\$17.64	\$20.46	\$35.32	\$40.86	\$115.40	\$133.47	\$4.60	\$4.32	\$49.58	\$52.09
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

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.

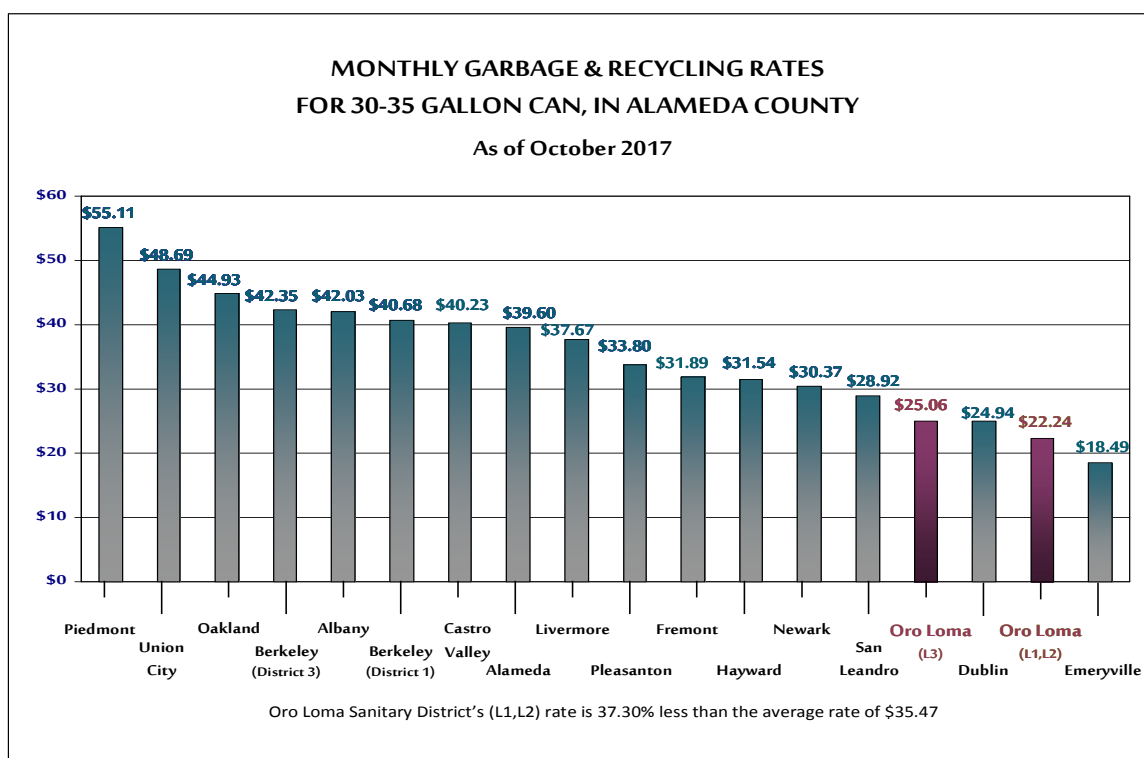
L3 is the area in the City of San Leandro within the District's boundaries, and receives both garbage and recycling services from the District.

* 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

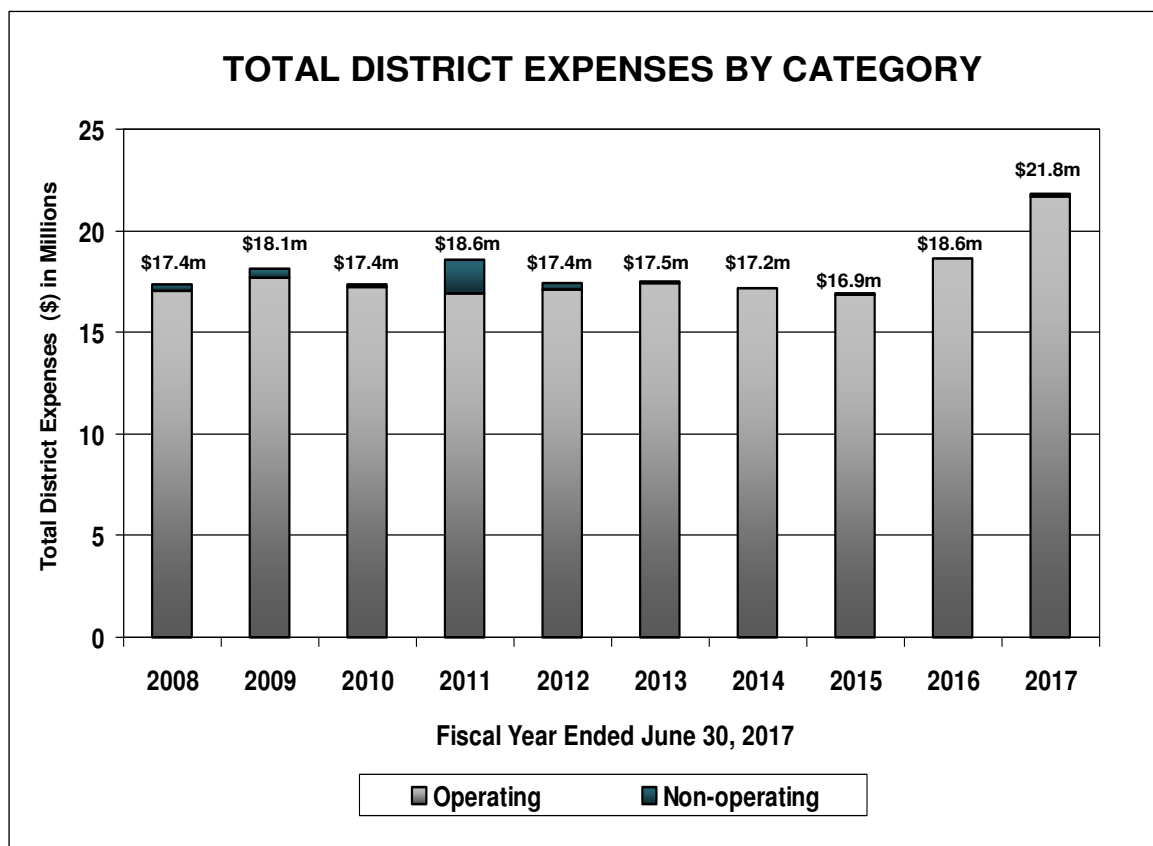
TABLE 11

Total Expenses by Category

Fiscal Year Ended June 30	Operating Expenses	Non-operating Expenses	Total Expenses
2017	\$21,696,159	\$138,731	\$21,834,890
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

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

GRAPH I



ORO LOMA SANITARY DISTRICT

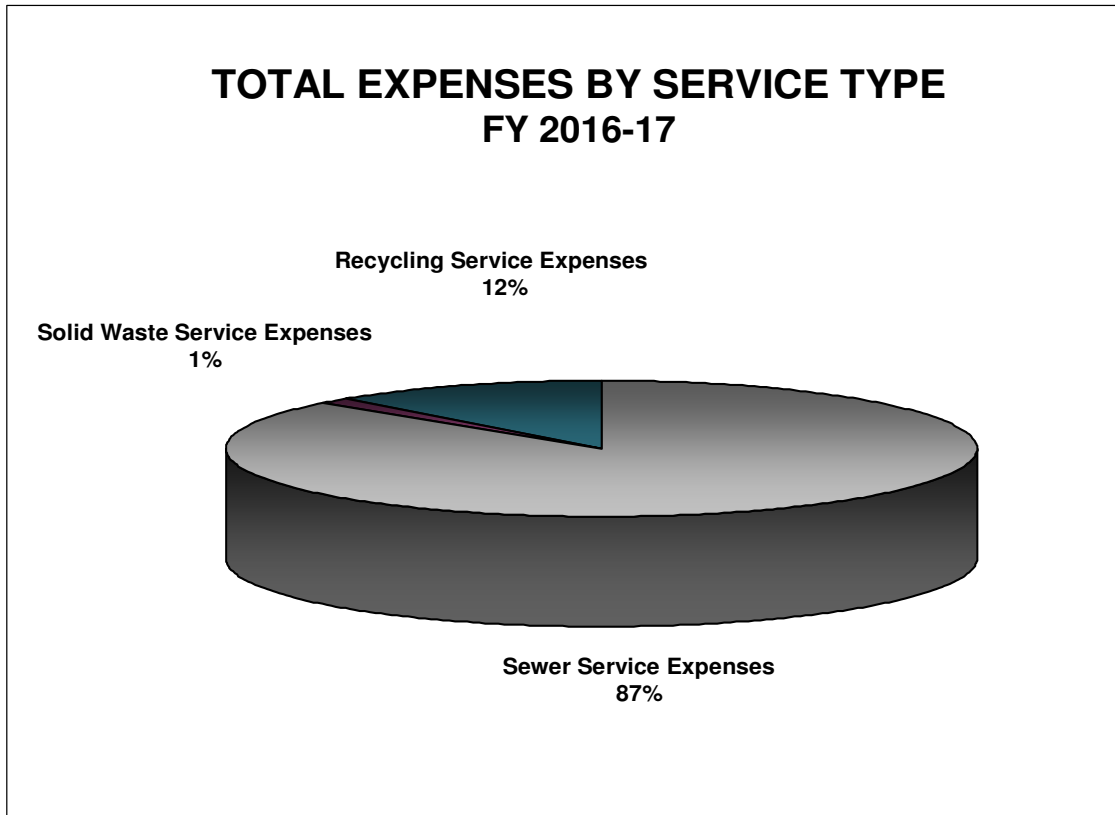
EXPENSES

TABLE 12

Total Expenses by Service Type

Fiscal Year Ended June 30	Sewer Service Expenses	Solid Waste Service Expenses	Recycling Service Expenses	Total Expenses
2017	\$18,937,776	\$305,281	\$2,591,833	\$21,834,890
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

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		
2017	\$ 12,681,845,778	\$ 3,170,461,445	\$ 475,569,217	none	(\$600,000)	\$ 474,969,217	N/A
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

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.

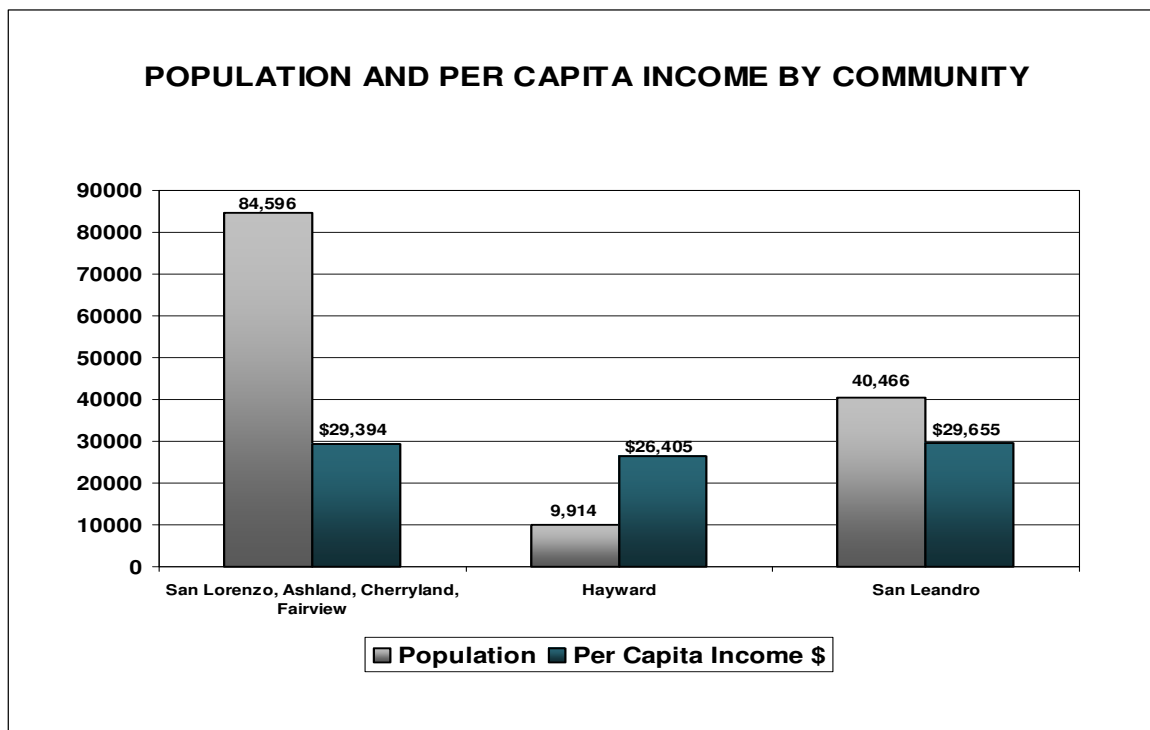
TABLE 16

Population, Per Capita Income & Unemployment Statistics

Source: U.S. Census Bureau 2011-2015; EDD Labor Market Information Division FY 2016-17

Indicator	Communities within the District's Boundaries Located in			All Areas
	San Lorenzo, Ashland, Cherryland, Fairview	Hayward	San Leandro	
Population	84,596	9,914	40,466	134,976
Per Capita Income	\$29,394	\$26,405	\$29,655	\$29,252
Unemployment rate	5.3%	5.6%	4.3%	5.0%

GRAPH K



ORO LOMA SANITARY DISTRICT

DEMOGRAPHIC & ECONOMIC INFORMATION

~ PRINCIPAL EMPLOYERS ~

TABLE 17

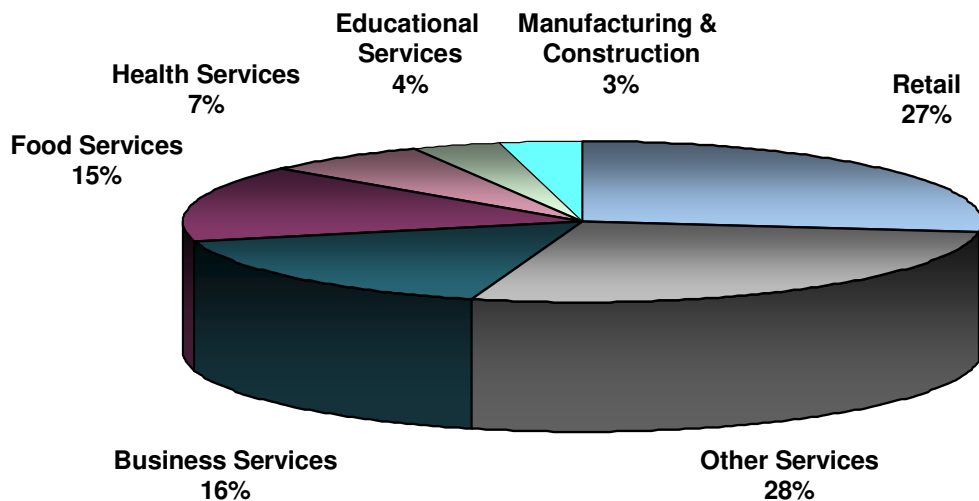
Major Employers Within the District

Source: City of San Leandro Budget 16-17 and CAFR 2016, and Buzzfile company information database.

Employer	Type of Business	Number of Employees
San Lorenzo Unified School District	School district	1157
County of Alameda	Government services and hospital complex	893
Kaiser Foundation Health Plan	Medical clinics	599
San Leandro Hospital	Hospital	475
Ghirardelli Chocolate	Food manufacturing	406
The Hillshire Brands	Food manufacturing	400
Hayward Unified School District	School district	355
San Leandro Unified School District	School district	301
Target	Department store	200
Tharco	Packaging materials manufacturing	171
Safeway	Grocery store	140
Santini	Food manufacturing	133
Oakland Pallet	Pallet manufacturing	130

GRAPH L

MAJOR INDUSTRIES WITHIN THE DISTRICT FY 2016-17



Source: 2016 East Bay Municipal Utility District water consumption and billing report.

ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

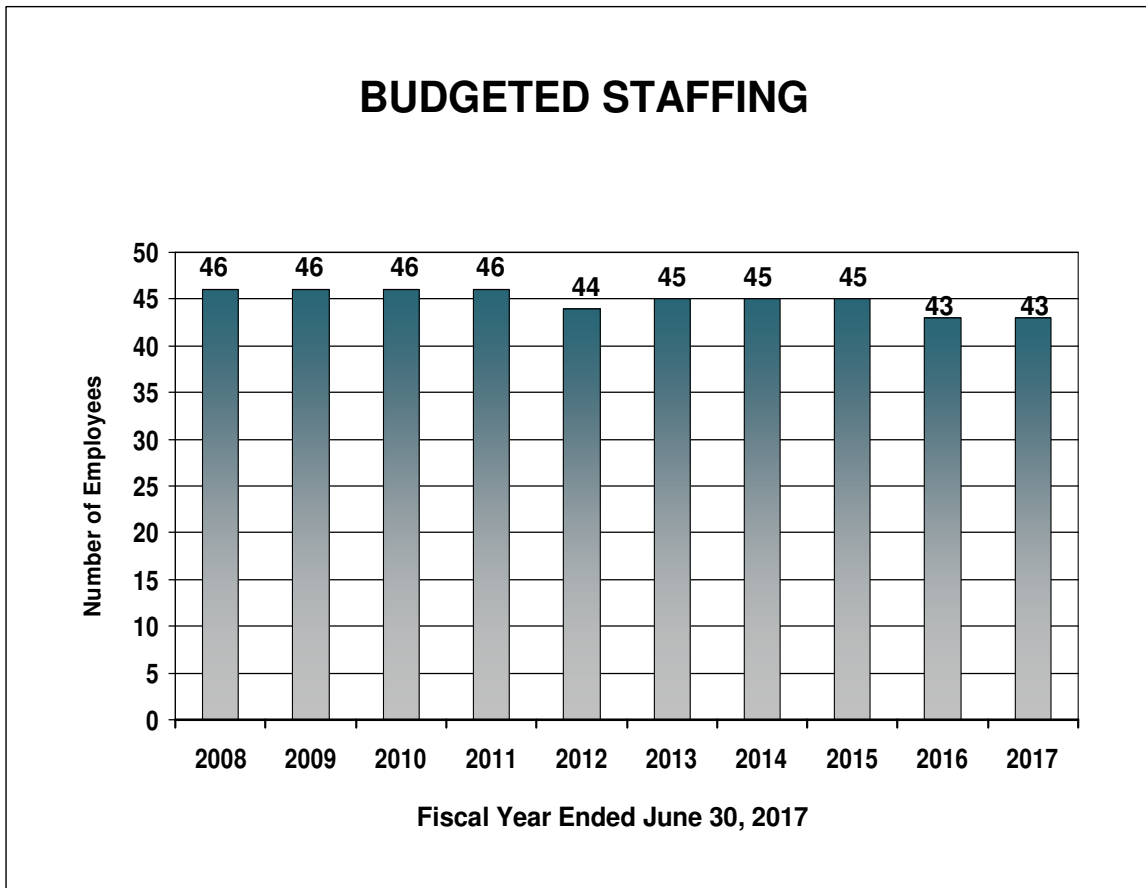
~ EMPLOYEE BASE ~

TABLE 18

Budgeted Staffing by Department

Fiscal Year Ended June 30	Engineering	Collections	Operations	Maintenance	Administration	Solid Waste	Total
2017	6.0	7.0	13.5	10.0	5.5	1.0	43.0
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

GRAPH M



ORO LOMA SANITARY DISTRICT

OPERATING INFORMATION

~ SERVICE INDICATORS ~

TABLE 19

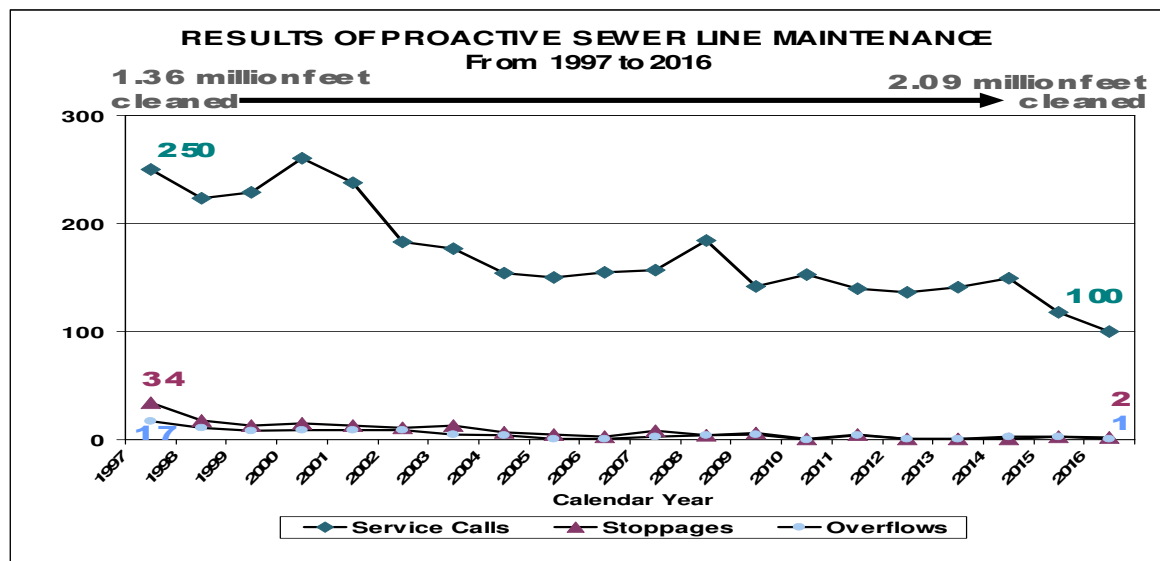
Proactive Sewer Line Maintenance and Results 1997-2016

Calendar Year	Total Cleaned & CCTV'd (ft)	Monthly Average (ft)	Service Calls	Stoppages	Overflows
2016	2,092,466	174,372	100	2	1
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

* 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
2017	35-16	51	\$6,919	\$609,335	322	\$280	\$107,678
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

* 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	Plant Flow	% of Total Plant Flow	Total Plant Flow	Plant Flow	Plant Flow	% of Total Plant Flow
			From OLSD	From CVSD**	From CVSD		From OLSD	From CVSD	From CVSD
2016	14.43	12.9	9.6	3.3	25.6%	43.6	28.8	14.8	33.9%
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%

* 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
2016	4	99%	5	99%	516,044	38,565	93%
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%

* 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 2016 (maximum 2 per single family or multiple with 4 units or less)	10,698
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
 - 2 Electric Carts, 1 Gasoline Cart
 - 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