EAST BAY DISCHARGERS AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

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EAST BAY DISCHARGERS AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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EAST BAY DISCHARGERS AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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SUPPLEMENTARY INFORMATION

East Bay Dischargers Authority

Commission
June 30, 2016

Member Agency and Representatives	Office
Oro Loma Sanitary District:	
Roland J. Dias	Chair
Timothy Becker	Alternate
Castro Valley Sanitary District:	
Ralph Johnson	Vice-Chair
Timothy McGowan	Alternate
City of San Leandro:	
James Prola	Commissioner
Ursula Reed	Alternate
City of Hayward:	
Marvin Peixoto	Commissioner
Albert Mendall	Alternate
Union Sanitary District:	
Thomas Handley	Commissioner
Manuel Fernandez	Alternate

Management Team

Michael S. Connor
General Manager/Treasurer-Controller

David A. Stoops
ıperintendent of Operations and Maintenan

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FINANCIAL SECTION

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the East Bay Dischargers Authority (Authority), as of and for the years ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. 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 Authority'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 Authority'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.

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Pleasant Hill, CA 94523

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Authority as of June 30, 2016 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2016 as discussed in Note 1P and 3H to the financial statements:

Statement No. 72 – *Fair Value Measurement and Application*

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Statement No. 79 – *Certain External Investment Pools and Pool Participants*

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Summarized Comparative Information

We have previously audited the Authority's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2015. In our opinion, the summarized comparative information as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and Supplemental Information Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Introductory Section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
November 7, 2016

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The management's discussion and analysis of the East Bay Dischargers Authority's financial performance provides an overall review of the Authority's financial activities for the fiscal year ended June 30, 2016. The intent of the management's discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Authority's financial performance.

Key Financial Highlights

- The Authority had total net position of $32,516,670 at June 30, 2016.
- The Authority's total operating revenues were $4,399,040 at June 30, 2016 and were comprised 79% from Member assessments.
- The Authority's total operating expenses were $4,704,637 at June 30, 2016 and were comprised 20% from depreciation and 80% from operations and maintenance costs (exclusive of depreciation expense).

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority as an entire operating entity.

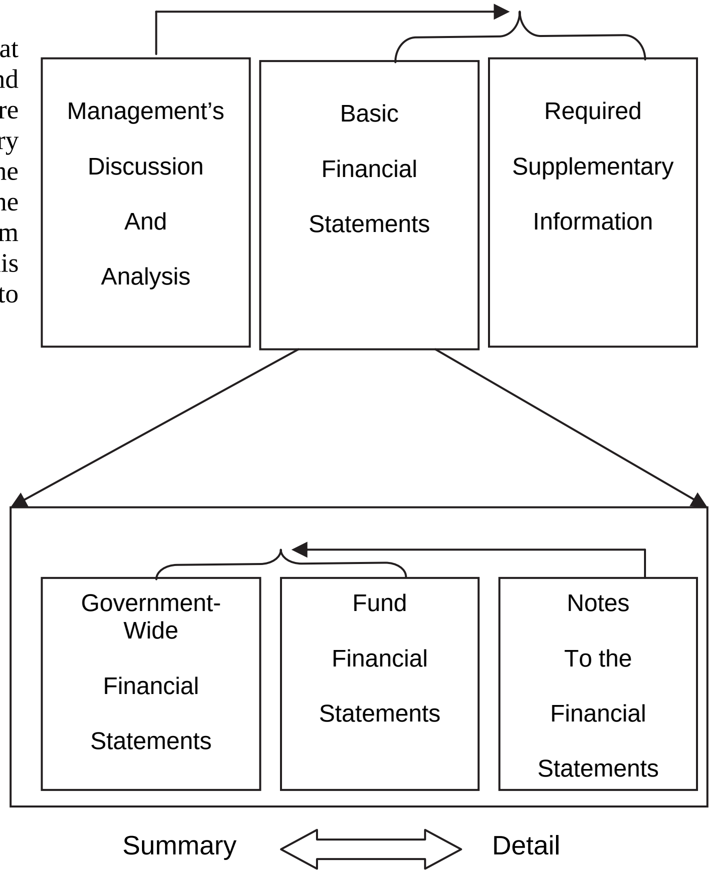
The Statement of Net Position and Statement of Activities provide information about the activities of the whole Authority, which presents an aggregate view of the Authority's finances. Fund financial statements provide the next level of detail.

Supplementary information included at the end of the financial statements includes the Authority's cumulative history of expenditures from its inception of the Capital Projects and Planning and Special Studies Funds. Additional schedules detail the cumulative history of Sole-Use projects of the Capital Projects Fund, Joint-Use projects of the Capital Projects Fund and Sole-Use projects of the Planning and Special Studies Fund.

Statement of Net Position and Statement of Activities

While this report contains the funds used by the Authority to provide programs and activities, the view of the Authority as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Authority's budget for the fiscal year. The diagram presented here shows how the various parts of this annual financial report are arranged and related to one another.



The chart summarizes the major features of the Authority's financial statements, including the portion of the Authority's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the Government-Wide Fund Financial Statements

		Fund Statements		
	Government-Wide Statements	**Governmental Funds**	**Proprietary**	**Fiduciary**
Scope	Entire authority activities	N/A	The activities of the authority that are proprietary in nature	N/A
Required financial statements	Statement of Net Position Statement of Activities		Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position	
Accounting basis and measurement focus	Accrual accounting and economic resources focus		Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term		All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid		All revenues and expenses during the year, regardless of when cash is received or paid	

Fund Financial Statements

Fund financial reports provide detailed information about the Authority's funds. The Authority uses Enterprise funds to account for its activities. Enterprise funds utilize the full accrual basis of accounting. The full accrual basis of accounting is similar to accounting utilized by the private sector. The following describes the activities of the funds reported by the Authority:

Fund 12 - Operation and Maintenance Effluent Disposal - This fund covers all costs directly associated with the operation, maintenance and repair of the Joint Facilities including labor, materials, supplies, power, chemicals, utilities, professional or contractual services, research and monitoring, tools and equipment, to keep the facilities in proper operating condition and maintain its useful life, plus general administrative expenses, including depreciation, attributable to operation and maintenance activities.

Fund 13 - Special Projects (Planning and Special Studies Costs) - This fund covers those costs associated with advanced planning, facilities planning, feasibility studies, research and development, environmental evaluations and studies as related to the overall Joint Facilities or of general interest or benefit to all agencies.

Fund 14 - Water Recycling (Reclamation/Reuse) - This fund covers "Reclamation/Reuse" as approved by the Commission, including the Skywest Golf Course.

Fund 31 - Renewal and Replacement Fund - This fund covers current replacement costs based on capital projects, valuation provided by an outside consultant, and changes in the San Francisco Bay Area Consumer Price Index. A 30-year list is maintained and updated annually.

Annual approval by the Commission authorizes replacement of specific items each year. Replacement costs include purchase, taxes, shipping, installation, programming, and design when applicable.

Fund 41 - Capital Projects/Grants - None at this time.

Financial Analysis of the Authority as a Whole

The composition of the Authority's net position at June 30, 2016, is presented by category in the following table.

Table 1 - Summary of Net Position

	2016	2015	Dollar Change	Percent Change
Assets				
Current Assets	5,536,274	5,568,844	(32,570)	-0.6%
Noncurrent Assets	28,269,208	28,500,607	(231,399)	-0.8%
Total Assets	33,805,482	34,069,451	(263,969)	-0.8%
Deferred outflow of resources				
Pension related	173,256	61,061	112,195	183.7%
Liabilities				
Current Liabilities	791,861	794,306	(2,445)	-0.3%
Noncurrent Liabilities	547,706	289,964	257,742	88.9%
Total Liabilities	1,339,567	1,084,270	255,297	23.5%
Deferred inflow of resources				
Pension related	122,501	249,047	(126,546)	-50.8%
Net Position				
Net Investment in Capital Assets	28,191,902	28,431,261	(239,359)	-0.8%
Unrestricted	4,324,768	4,365,934	(41,166)	-0.9%
Total Net Position	32,516,670	32,797,195	(280,525)	-0.8%

Current liabilities decreased by .3% from 2015. The increase in noncurrent liabilities is due to the recognition of EBDA's net pension liability of $503,886, which is an increase of $245,175 over 2015.

Table 2 shows the changes in net position for fiscal year 2016.

Table 2 - Changes in Net Position				
	2016	2015	Dollar Change	Percent Change
Revenues				
Program Revenues:				
Charges for Services	4,399,040	4,030,560	368,480	9.1%
General Revenues:				
Interest Income	25,072	15,749	9,323	59.1%
Total Revenues	4,424,112	4,046,309	377,803	9.3%
Program Expenses:				
Discharge Services	4,704,637	4,386,102	318,535	7.2%
Total Expenses	4,704,637	4,386,102	318,535	7.2%
Changes in Net Position	(280,525)	(339,793)	59,268	-17.4%

Interest earnings from cash in banks, LAIF and certificates of deposit increased by 59.1%. Discharge services increased by 7.2% due to increased costs and activities in the Operations and Maintenance fund for pumping and treatment of flows.

Financial Analysis of the Authority's Funds

The Authority's enterprise funds report a combined net position of $32,516,670, which is a decrease from last year's total of $32,797,195. Table 3 provides an analysis of the Authority's net position by fund and the total change from the prior year.

Table 3 - Summary of Fund Net Position			
Funds	2016	2015	Increase (Decrease)
Operations and Maintenance	27,939,232	28,180,320	(241,088)
Water Recycling	136,136	109,473	26,663
Renewal and Replacement	4,401,319	4,483,473	(82,154)
Planning and Special Studies	28,213	12,159	16,054
Capital Projects	11,770	11,770	-
Total Enterprise Fund Net Position	32,516,670	32,797,195	(280,525)

Capital Assets

Capital assets in Table 4 are reflected at June 30, 2016, net of depreciation. Net capital assets decreased by .8% from 2015. The Authority uses $3,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives.

Table 4 - Summary of Capital Assets Net of Depreciation

Capital Asset	2016	2015	Dollar Change	Percent Change
Land	10,161	10,161	-	0.0%
Permanent Easements	432,177	432,177	-	0.0%
Building and Structures	516,285	516,285	-	0.0%
Sewage and Disposal Facilities	16,469,658	15,915,588	554,070	3.5%
Data Acquisition System	431,263	417,810	13,453	3.2%
Water Recycling Facilities	716,165	703,480	12,685	1.8%
Subsurface Lines	40,109,844	40,008,000	101,844	0.3%
Office Equipment	121,381	121,381	-	0.0%
Field Equipment	71,054	71,054	-	0.0%
Automotive Equipment	19,718	19,718	-	0.0%
Accumulated Depreciation	(30,705,804)	(29,784,393)	(921,411)	3.1%
Total Assets	28,191,902	28,431,261	(239,359)	-0.8%

Factors Bearing on the Authority's Future

Significant economic factors affecting the Authority are as follows:

- Over the last three years, the Authority's interest on investments was significantly reduced because of low interest rates. As a result, its capital set-aside for its asset management program may need to be revised.
- The increasing age of the Authority's infrastructure will require increased capital spending from its Renewal and Replacement fund. The items with the greatest uncertainty for estimating their useful life are EBDA's subsurface lines. EBDA is conducting special projects to assess their condition and better estimate their useful life. Its evaluation of the long-term status of its outfall pipe will be completed in the spring of 2017.
- Future environmental permit regulations may necessitate that the Authority improve its level of treatment, requiring higher capital outlays than currently planned.
- The difficult long-term issues affecting CalPERS' investment performance will impact the Authority's long-term salary and benefits costs.

Contacting the Authority's Financial Management

This financial report is designed to provide member agencies, citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the revenue it receives and the expenses it incurs. If you have any questions regarding this report or need additional financial information, contact:

Michael S. Connor, General Manager
East Bay Dischargers Authority
2651 Grant Avenue
San Lorenzo, CA 94580
(510) 278-5910
mconnor@ebda.org

East Bay Dischargers Authority
Statement of Net Position
June 30, 2016

	Business-type Activities
Assets	
Current Assets:	
Cash and investments (Note 3)	$5,332,819
Interest receivable	6,686
Due from other governments:	
Other agencies	133,523
Inventory	19,125
Prepaid expenses	42,541
Deposits	1,580
Total Current Assets	5,536,274
Noncurrent Assets:	
Net OPEB assets	77,306
Capital assets (Note 4):	
Land	10,161
Permanent easements	432,177
Buildings and structures	516,285
Sewage disposal facilities	16,469,658
Data acquisition system	431,263
Water recycling facilities	716,165
Subsurface lines	40,109,844
Office equipment	121,381
Field equipment	71,054
Automotive equipment	19,718
Less: accumulated depreciation	(30,705,804)
Total Capital Assets - Net	28,191,902
Total Noncurrent Assets - Net	28,269,208
Total Assets	33,805,482
Deferred outflow of resources:	
Pension related (Note 8)	173,256
Liabilities	
Current Liabilities:	
Accrued claims payable	403,093
Due to other governments:	
Member agencies	369,549
Other agencies	19,219
Total Current Liabilities:	791,861
Noncurrent Liabilities:	
Net pension liability (Note 8)	503,886
Compensated absences (Note 5)	43,820
Total Noncurrent Liabilities	547,706
Total Liabilities	1,339,567
Deferred inflow of resources:	
Pension related (Note 8)	122,501
Net Position	
Net Investment in Capital Assets	28,191,902
Unrestricted	4,324,768
Total Net Position	$32,516,670

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Business-type activities:			
Discharge services	$4,704,637	$4,399,040	($305,597)
Total business-type activities	$4,704,637	$4,399,040	(305,597)
General revenues:			
Interest and investment earnings			25,072
Total general revenues			25,072
Change in net assets			(280,525)
Net position beginning			32,797,195
Net position ending			$32,516,670

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statements of Net Position
June 30, 2016
With Comparative Totals as of June, 30 2015

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2016	Total June 30, 2015
Assets							
Current Assets:							
Cash and investments	$762,013		$4,373,763	$185,273	$11,770	$5,332,819	$5,376,116
Interest receivable			6,686			6,686	2,938
Due from other governments:							
Other agencies	12,881	$8,500	112,142			133,523	113,627
Due from other funds (Note 7)	11,958					11,958	29,024
Inventory	19,125					19,125	27,463
Prepaid expenses	42,541					42,541	47,391
Deposits	1,580					1,580	1,309
Total Current Assets	850,098	8,500	4,492,591	185,273	11,770	5,548,232	5,597,868
Noncurrent Assets:							
Net OPEB asset (Note 9)	77,306					77,306	69,346
Capital assets (Note 4):							
Land	10,161					10,161	10,161
Permanent easements	429,457	$2,720				432,177	432,177
Buildings and structures	516,285					516,285	516,285
Sewage disposal facilities	16,469,658					16,469,658	15,915,588
Data acquisition system	431,263					431,263	417,810
Water recycling facilities		716,165				716,165	703,480
Subsurface lines	40,109,844					40,109,844	40,008,000
Office equipment	121,381					121,381	121,381
Field equipment	71,054					71,054	71,054
Automotive equipment	19,718					19,718	19,718
Less: accumulated depreciation	(30,135,789)	(570,015)				(30,705,804)	(29,784,393)
Total Capital Assets - Net	28,043,032	148,870				28,191,902	28,431,261
Total Noncurrent Assets - Net	28,120,338	148,870				28,269,208	28,500,607
Total Assets	28,970,436	157,370	4,492,591	185,273	11,770	33,817,440	34,098,475
Deferred Outflow of Resources							
Pension related (Note 8)	173,256					173,256	61,061
Liabilities							
Current Liabilities:							
Accrued claims payable	283,995	9,276	91,272	18,550		403,093	256,529
Due to other governments:							
Member agencies	250,258			119,291		369,549	389,492
Other agencies				19,219		19,219	148,285
Due to other funds (Note 7)		11,958				11,958	29,024
Total Current Liabilities:	534,253	21,234	91,272	157,060		803,819	823,330
Noncurrent Liabilities:							
Net pension liability (Note 8)	503,886					503,886	258,711
Compensated absences	43,820					43,820	31,253
Total Noncurrent Liabilities	547,706					547,706	289,964
Total Liabilities	1,081,959	21,234	91,272	157,060		1,351,525	1,113,294
Deferred Inflow of Resources							
Pension related (Note 8)	122,501					122,501	249,047
Net Position							
Net Investment in Capital Assets	28,043,032	148,870				28,191,902	28,431,261
Unrestricted	(103,800)	(12,734)	4,401,319	28,213	11,770	4,324,768	4,365,934
Total Net Position	$27,939,232	$136,136	$4,401,319	$28,213	$11,770	$32,516,670	$32,797,195

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2016	Total June 30, 2015
Operating Revenues:							
Member assessments	$2,228,152		$450,000	$799,586		$3,477,738	$3,244,285
LAVWMA assessments	466,122		112,141	193,905		772,168	544,273
Sale of reclaimed water		$102,000				102,000	90,000
Other operating revenues	18,444			28,690		47,134	152,002
Total Operating Revenues	2,712,718	102,000	562,141	1,022,181		4,399,040	4,030,560
Operating Expenses:							
Personnel services	690,500			12,451		702,951	529,183
Depreciation	911,978	9,433				921,411	899,897
Professional services	368,622	2,908		352,580		724,110	591,679
Monitoring	139,829	10,567				150,396	128,219
Contract services	38,362			3,395		41,757	17,285
Operating supplies	155,421					155,421	199,690
Utilities	464,008	4,436				468,444	437,754
Insurance	41,606					41,606	45,415
Commissioners' compensation	34,866					34,866	36,036
Rent and lease	46,405			618,452		664,857	714,251
Repairs and maintenance	629,228	47,993				677,221	645,186
Printing and publications							
Dues	96,381			19,249		115,630	134,481
Travel and meetings	3,782					3,782	5,573
Other general administrative	2,185					2,185	1,453
Total Operating Expenses	3,623,173	75,337		1,006,127		4,704,637	4,386,102
Operating Income (Loss)	(910,455)	26,663	562,141	16,054		(305,597)	(355,542)
Nonoperating Revenues (Expenses)							
Interest income			25,072			25,072	15,749
LAVWMA master agreement revenue				411,248		411,248	411,248
LAVWMA master agreement expense				(411,248)		(411,248)	(411,248)
Total Nonoperating Revenues (Expenses)			25,072			25,072	15,749
Other Financing Sources (Uses)							
Transfers in (Note 7)	669,367					669,367	368,996
Transfers out (Note 7)			(669,367)			(669,367)	(368,996)
Total Other Financing Sources (Uses)	669,367		(669,367)				
Change in Net Position	(241,088)	26,663	(82,154)	16,054		(280,525)	(339,793)
Net Position Beginning	28,180,320	109,473	4,483,473	12,159	$11,770	32,797,195	33,655,699
Prior period adjustment (Note 1P)							(518,711)
Net Position Ending	$27,939,232	$136,136	$4,401,319	$28,213	$11,770	$32,516,670	$32,797,195

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2016	Total June 30, 2015
Cash Flows from Operating Activities:							
Cash received from members	$2,214,447		$450,000	$793,348		$3,457,795	$3,246,461
Cash received from LAVWMA	347,571		50,000	170,509		568,080	521,986
Cash received from others	18,444	$93,500		92,316		204,260	222,153
Cash payments for personnel services	(679,459)			(12,451)		(691,910)	(598,896)
Cash payments to suppliers for goods and services	(1,938,000)	(63,749)	76,416	(995,461)		(2,920,794)	(2,950,824)
Net Cash Provided (Used) by Operating Activities	(36,997)	29,751	576,416	48,261		617,431	440,880
Cash Flows from Capital and Related Financing Activities:							
Acquisition of capital assets	(669,367)	(12,685)				(682,052)	(376,532)
Net Cash Provided (Used) by Capital and Related Financing Activities	(669,367)	(12,685)				(682,052)	(376,532)
Cash Flows from Investing Activities:							
Interest on investments			21,324			21,324	14,550
Net Cash Provided (Used) by Investing Activities			21,324			21,324	14,550
Cash Flows from Non Capital and Related Financing Activities:							
Cash paid for interfund loans	(11,958)	(29,024)				(40,982)	(77,273)
Cash received from interfund loans	29,024	11,958				40,982	77,273
Interfund transfers	669,367		(669,367)				
Net Cash Provided (Used) by Non Capital and Related Financing Activities	686,433	(17,066)	(669,367)				
Net Increase (Decrease) in Cash and Cash Equivalents	(19,931)		(71,627)	48,261		(43,297)	78,898
Cash and Cash Equivalents Beginning	781,944		4,445,390	137,012	$11,770	5,376,116	5,297,218
Cash and Cash Equivalents Ending	$762,013		$4,373,763	$185,273	$11,770	$5,332,819	$5,376,116

(Continued)

The notes to the financial statements are an integral part of this statement.

East Bay Dischargers Authority
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016
With Comparative Totals for the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds						
	Operations and Maintenance	Water Recycling	Renewal and Replacement	Planning and Special Studies	Capital Projects	Total June 30, 2016	Total June 30, 2015
Reconciliation of Operating Income (Loss) to Cash Flows Provided (Used) by Operating Activities:							
Operating Income (Loss)	($910,455)	$26,663	$562,141	$16,054		($305,597)	($355,542)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Depreciation	911,978	9,433				921,411	899,897
(Increase) decrease in assets and deferred outflows of resources:							
Due from member agencies							
Due from other agencies	(12,881)	(8,500)	(62,141)	63,626		(19,896)	(40,639)
Inventory	8,338					8,338	17,487
Prepaid expenses	1,049			3,801		4,850	2,903
Deposits	(271)					(271)	(120)
Net OPEB Asset	(7,960)					(7,960)	(15,250)
Pension related deferred outflows of resources	(112,195)					(112,195)	(61,061)
Increase (decrease) in liabilities and deferred inflows of resources:							
Accrued claims payable	73,579	2,155	76,416	(5,586)		146,564	(14,072)
Member agencies	(13,705)			(6,238)		(19,943)	2,176
Other agencies	(105,670)			(23,396)		(129,066)	(1,497)
Net pension liability	245,175					245,175	(260,000)
Pension related deferred inflows of resources	(126,546)					(126,546)	249,047
Compensated absences	12,567					12,567	17,551
Net Cash Provided (Used) by Operating Activities	($36,997)	$29,751	$576,416	$48,261		$617,431	$440,880

The notes to the financial statements are an integral part of this statement.

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NOTE 1 – SUMMARY OF ORGANIZATION

East Bay Dischargers Authority (Authority) was formed on February 15, 1974, under a "joint exercise of powers agreement" entered into by the City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, City of Hayward and Union Sanitary District (the Agencies). The Authority operates under a Commission consisting of a representative from each agency.

The purpose of the agreement is to provide for the "more efficient disposal of wastewater produced in each Agency, all to the economic and financial advantage of each Agency and otherwise for the benefit of each Agency; and, each of the Agencies is willing to plan with the other Agencies for joint wastewater facilities which will protect all the Agencies." Since the Authority's inception, it has administered numerous joint-use and sole-use grant funded construction and planning and special studies projects.

Legal title and all pertinent grant documents and conditions for sole-use facilities administered by the Authority under the grant program are transferred to the Owner-Agency upon completion of the project. Operation and maintenance of these sole-use facilities is the responsibility of the Owner-Agency.

Legal title and all pertinent grant documents and conditions for joint-use facilities remain with the Authority. Each Agency owns an undivided portion of the joint facilities used by it, equal to the percentage of project costs paid for it. Percentages are as defined by the Joint Exercise of Powers Agreement. Operations and maintenance of the completed joint-use facilities is the responsibility of the Authority.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

The Authority is accounted for as an enterprise fund (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. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the enterprise are recorded on its statement of net position, and under the full accrual basis of accounting, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund types distinguish operating revenues and expenses from non-operating items. The operating expenses of the Authority are charged to the member agencies. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deferred outflow of resources is a consumption of net assets by the Authority that is applicable to a future reporting period. For example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the Authority that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue.

B. Statement of Net Position

The statement of net position is designed to display the financial position of the Authority. The Authority's net position are classified into three categories as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, as applicable.

- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Authority had no restrictions as of June 30, 2016.

- Unrestricted - This component of net position consists of the net amount of the 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. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

C. Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income (loss). Revenues are reported by major source with operating revenues classified from the Authority's primary operating resources and all other revenue reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

The Authority must adopt a budget prior to June 1 of each year for the following fiscal year. The budget for the fiscal year beginning July 1, 2015, was adopted by the Commission on May 21, 2015. Formal budgetary integration is employed as a management control device during the year.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash represents balances that can be readily withdrawn without substantial notice or penalty. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

F. Investments

If the difference between cost and fair value is deemed material and significant, investments are reported in the statement of net position at fair value. Changes in fair market value that occur during the fiscal year are recognized as investment income or loss reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The Authority participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

G. Receivables

Receivables include amounts due from member agencies and other agency assessments, other assessments and other resources. All receivables are current and reported net of an allowance for uncollectible accounts. The allowance for uncollectible accounts was zero as of June 30, 2016.

H. Funding

East Bay Dischargers Authority's capital projects and planning and special studies funds were funded by Federal, State, and Local agency grants and/or member agency contributions.

The eligible project's costs have been funded under the Clean Water Grants Program, which was administered by the Environmental Protection Agency (EPA) for the federal government and the State Water Resources Control Board (SWRCB) for the state government. The federal and state governments' share of the eligible projects costs were 75 percent and 12.5 percent, respectively.

The Authority's operations and maintenance is funded by the member agencies and other local agencies on the basis of formulas established in the Joint Powers Agreement and other service agreements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

East Bay Dischargers Authority is also funded for the future replacement of certain joint-use facilities by the member agencies and local agencies. Each year the Authority calculates the annual contribution required for Renewal and Replacement based upon the method adopted by the Commission. Contributions for Renewal and Replacement are made in accordance with Resolution No. 90-11, dated May 17, 1990, and as amended annually by resolution.

I. Inventories

Inventories are valued at cost using a first in, first out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

J. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of $3,000 or more and an estimated useful life of more than one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Concrete and paving	40 years
Pavement	20 years
Structures	40 to 50 years
Mechanical and pump equipment	25 years
Electrical and plumbing	10 to 20 years
Piping-above ground	20 to 40 years
Subsurface lines	75 years
Motor control units	20 years
Heating, ventilating, and air-conditioning	20 years
Data acquisition system	5 years
Equipment and furnishings	5 to 20 years
Automotive equipment	8 years

K. Compensated Absences

Vacation Leave - All full-time regular employees other than temporary, provisional, or part-time employees shall earn vacation leave at the rate of 80 working hours per year from the date of employment. Employees shall not be permitted to take any vacation during the first six months of employment. Full time employees shall earn an additional eight (8) hours vacation leave allowance for each full year of continuous employment thereafter, up to a maximum of 160 working hours per year.

All part-time employees shall earn vacation leave at the rate of 8 working hours for each 200 hours worked from the date of employment, up to a maximum of 40 working hours per year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick Leave – Regular employees accrue sick leave at the rate of four (4) hours per payroll period, up to 96 hours per calendar year. Sick leave shall be cumulative without limit.

Part-time and Temporary Employees who work thirty (30) or more days within a year from the beginning of employment are entitled to paid sick leave. The Authority will grant three days of paid sick leave upon hire, and on January 1 of each calendar year. An employee may use paid sick leave beginning on the 90th day of employment.

The Authority's contract for retirement benefits provides that sick leave earned but unused upon the termination or death of any employee enrolled in the pension plan shall be applied to the employee's total service credit subject to the following specifications. Pursuant to GC§20965, the employee whose effective date of retirement is within four months of separation from employment shall receive credit toward his or her retirement equal to 0.004 years of service credit for each unused day (8 hours) of sick leave.

Upon the death of an employee prior to separation from employment, the employee's heir(s) or beneficiary(ies) shall receive compensation for sick leave earned but unused by the employee equal to 0.167% of the number of hours of sick leave, times the number of whole months of continuous employment, times the employee's hourly rate of pay at the time of death.

L. Allocation of Costs

Expenses are allocated to the various member agencies in accordance with the Joint Exercise of Powers Agreement.

M. Comparative Data

Comparative total data for the prior fiscal year has been presented in order to provide an understanding of the changes in the financial position, operations, and cash flows of the Authority.

N. 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.

O. 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 or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Q. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 *Fair Value Measurement and Application* **–** The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures. This Statement had no effect on the financial statements.

GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* **–** This Statement identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with accounting principles generally accepted in the United States of America and lists the order of priority for these sources. This Statement had no effect on the financial statements.

GASB Statement No. 79 *Certain External investment Pools and Pool Participants*- This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. This Statement had no effect on the financial statements.

NOTE 3 – CASH AND INVESTMENTS

A. Policies

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry system*.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit or first trust deed mortgage notes with a value of 150% of the Authority's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the Authority's name and places the Authority ahead of general creditors of the institution pledging the collateral.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the Authority's case, fair value equals fair market value, since all Authority's investments are readily marketable.

B. Classification

The Authority's cash and investments consist of the following at June 30:

	2016	2015
Cash in banks	$1,511,328	$1,915,191
Local Agency Investment Fund (LAIF)	3,171,391	3,160,026
Certificate of Deposit	650,100	300,899
Total Cash and Investments	$5,332,819	$5,376,116

NOTE 3 – CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the Authority's Investment Policy

The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Authority's Investment Policy where it is more restrictive that address interest rate risk, credit risk and concentration of credit risk:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Obligations	5 years		100%	No Limit
United States Government Agency Obligations	5 years		100%	No Limit
State of California Obligations	5 years		100%	No Limit
Local Agency Obligations	5 years		100%	No Limit
Banker's Acceptances	180 days		40%	30%
Commercial Paper	270 days	A-1	25%	10%
United States Medium Term Corporate Notes	5 years	AA	30%	No Limit
Negotiable Certificates of Deposit	1 year	AA	30%	No Limit
Local Agency Investment Fund	n/a		$40 million per account	No Limit
Local Government Investment Pools	n/a	AAA	100%	No Limit
Money Market Mutual Funds	n/a		15%	10%
Insured savings or money market accounts	n/a		100%	No Limit

D. Local Agency Investment Fund

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016 and 2015, these investments matured in an average of 167 and 239 days, respectively.

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity or earliest call dates, at June 30:

Type	12 Months or less	12-24 Months	25-60 Months	2016	2015
Cash in bank	$1,511,328			$1,511,328	$1,915,191
Local Agency Investment Fund (LAIF)	3,171,391			3,171,391	3,160,026
Certificate of Deposit		$250,936	$399,164	650,100	300,899
Total Cash and Investments	$4,682,719	$250,936	$399,164	$5,332,819	$5,376,116

F. Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the Authority's investments were invested in specific securities. All monies in the LAIF and Wells Fargo Advisors are not evidenced by specific securities; and therefore are not subject to custodial credit risk.

Bank balances are insured up to $250,000 per bank by the Federal Deposit Insurance Company ("FDIC"). The Authority's cash in bank exceeded the insured limit by $1,261,328 as of June 30, 2016. None of the Authority's deposits with financial institutions in excess of FDIC limits were held in uncollateralized accounts.

G. Concentration Risk

The Authority's investment policy contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. As of June 30, 2016, 60% of the Authority's cash was invested in LAIF, 28% was deposited in banks and 12% was invested in certificates of deposit. LAIF, cash in banks and certificates of deposit do not have maximum portfolio requirements under the California Government code.

NOTE 3 – CASH AND INVESTMENTS (Continued)

H. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Cash in bank and certificates of deposit are measured at cost. The California Local Agency Investment Fund, classified in Level 2 of the fair value hierarchy, is valued based on the fair value of the underlying assets of the pool. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

NOTE 4 – CAPITAL ASSETS

The Authority's capital assets consisted of the following as of June 30, 2016:

Capital Assets - Cost	Balance at June 30, 2015	Additions	Balance at June 30, 2016
Capital assets not being depreciated:			
Land	$10,161		$10,161
Permanent Easements	432,177		432,177
Total capital assets not being depreciated	442,338		442,338
Capital assets being depreciated:			
Building and Structures:			
Operations center	516,285		516,285
Sewage Disposal Facilities:			
San Leandro pump station	2,309,485	$440	2,309,925
Oro Loma pump station	7,354,622	347,467	7,702,089
Marina Dechlorination Facility	2,735,531	53,436	2,788,967
Hayward pump station	943,487	8,460	951,947
Alvarado pump station	2,572,463	144,267	2,716,730
Data acquisition system	417,810	13,453	431,263
Water Recycling Facilities:			
Skywest Golf Course irrigation facilities	703,480	12,685	716,165
Subsurface Lines:			
Bay outfall	19,633,084	27,768	19,660,852
San Leandro to Marina forcemain	3,707,991		3,707,991
Marina to Oro Loma forcemain	5,441,833	74,076	5,515,909
Oro Loma to Hayward forcemain	2,748,322		2,748,322
Hayward to Alvarado forcemain	8,465,123		8,465,123
Seismic design	11,647		11,647
Office equipment	121,381		121,381
Field equipment	71,054		71,054
Automotive equipment	19,718		19,718
Total Capital Assets, Being Depreciated	57,773,316	682,052	58,455,368
Total Cost of Capital Assets	$58,215,654	$682,052	$58,897,706

(Continued)

NOTE 4 – CAPITAL ASSETS (Continued)

Accumulated Depreciation	Balance at June 30, 2015	Additions	Balance at June 30, 2016
Building and Structures:			
Operations center	($408,426)	($10,959)	($419,385)
Sewage Disposal Facilities:			
San Leandro pump station	(921,507)	(57,780)	(979,287)
Oro Loma pump station	(4,729,723)	(138,628)	(4,868,351)
Marina Dechlorination Facility	(2,154,597)	(61,216)	(2,215,813)
Hayward pump station	(611,235)	(25,260)	(636,495)
Alvarado pump station	(1,738,488)	(58,286)	(1,796,774)
Data acquisition system	(346,234)	(18,427)	(364,661)
Water Recycling Facilities:			
Skywest Golf Course irrigation facilities	(560,582)	(9,433)	(570,015)
Subsurface Lines:			
Bay outfall	(8,895,320)	(261,527)	(9,156,847)
San Leandro to Marina forcemain	(1,683,958)	(49,616)	(1,733,574)
Marina to Oro Loma forcemain	(2,468,116)	(74,211)	(2,542,327)
Oro Loma to Hayward forcemain	(1,252,957)	(36,462)	(1,289,419)
Hayward to Alvarado forcemain	(3,822,672)	(116,104)	(3,938,776)
Seismic design	(8,388)	(466)	(8,854)
Office equipment	(91,418)	(3,036)	(94,454)
Field equipment	(71,054)		(71,054)
Automotive equipment	(19,718)		(19,718)
Total Accumulated Depreciation	(29,784,393)	(921,411)	(30,705,804)
Total Capital Assets Net of Accumulated Depreciation	$28,431,261	($239,359)	$28,191,902

NOTE 5 – COMPENSATED ABSENCES

The Authority’s noncurrent liabilities consisted of the following as of June 30:

	2016	2015
Beginning Balance	$31,253	$13,702
Additions	48,619	56,648
Payments	(36,052)	(39,097)
Ending Balance	$43,820	$31,253
Current Portion		
Non Current Portion	$43,820	$31,253

NOTE 6 – OPERATING LEASE COMMITMENTS

The Authority has a long-term operating lease on land, ending in the year 2020, with Oro Loma Sanitary District. Current payments on the lease are $5,300per year. Since the lease terms will be modified every 5th year, the future commitments are based on the land lease dated April 12, 1979 as amended on July 1, 2015. The total lease obligation as of June 30, 2016 was as follows:

Fiscal Year Ending June 30	Lease Obligation
2017	$5,300
2018	5,300
2019	5,300
2020	5,300
Total	$21,200

NOTE 7 – INTERFUND TRANSACTIONS

A. General

Interfund transactions are reported as either services provided, reimbursements, or transfers. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

B. Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2016 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount
Operations and Maintenance	Renewal and Replacement	$669,367

C. Interfund Receivables/Payables (Due-from/Due-to)

As of June 30, 2016, Interfund receivables and payables consisted of $11,958 due to the Operations and Maintenance fund from the Water Recycling fund to cover timing differences from member assessments and expenses reported in that fund.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. *Plan Description*

The Authority contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Authority resolution. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from CalPERS, 400 Q Street, Sacramento, CA 95811.

B. *Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

Benefit formula	2.5% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%
Required employee contribution rates	8.000%
Required employer contribution rates	9.671%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan was $143,419.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Authority reported net pension liabilities for its proportionate shares of the net pension liability in the amount of $503,886.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30 is as follows:

	2016	2015	Change Increase/(Decrease)
Percentage of Risk Pool Net Pension Liability	0.018367%	0.010468%	0.007899%
Percentage of Plan (PERF C) Net Pension Liability	0.007341%	0.004158%	0.003183%

For the year ended June 30, 2016, the Authority recognized pension expense of $6,434. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$143,419	
Differences between actual and expected experience	2,386	
Change in employer's proportion	27,451	
Differences between the employer's contributions and the employer's proportionate share of contribution		$88,610
Changes in assumptions		22,574
Net differences between projected and actual earnings on plan investments		11,317
Total	$173,256	$122,501

The $143,419 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2017	($40,177)
2018	(38,761)
2019	(28,191)
2020	14,465

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Projected Salary Increase	(A)
Investment Rate of Return	7.5% (B)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(A) Depending on age, service and type of employment

(B) Net of pension plan investment expenses, including inflation

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent for Miscellaneous Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous Plan
1% Decrease	6.65%
Net Pension Liability	$1,042,102
Current Discount Rate	7.65%
Net Pension Liability	$503,886
1% Increase	8.65%
Net Pension Liability	$59,526

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The Authority's Retiree Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Authority. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the Authority, its management employees, and unions representing Authority employees.

Full Retirement Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	For the two current retirees, payment of any PERS Kaiser Premium for retiree and eligible dependents. For others, payment of $460 monthly toward premiums or PERS Minimum if greater.
Benefit End	Paid for life
PERS Minimum Benefit	
Eligibility Age	50
Service Required	5 years in PERS
Benefit Amount	$122 in 2015, $125 in 2016. Indexed to the medical component of the Consumer price Index.
Benefit End	Paid for life
Post-retirement Death Benefit	Payment of one-party or two party Kaiser premium for eligible dependents for life of spouse or, while eligible, for children. Pay $460 for retirees with that cap.
Pre-retirement Death Benefit	Same as post-retirement death benefit.
Disability Benefit	Same as Full Retirement Benefit shown above, at any age, as long as service requirement is met.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Funding Policy

There is no statutory requirement for the Authority to prefund its OPEB obligation. The Authority has currently chosen to fund the entire Annual Required Contribution (ARC). There are no employee contributions. For fiscal year ending June 30, 2016, the Authority paid $64,347 for retiree healthcare plan benefits. The Annual Required Contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is equal to the normal cost plus a 30-year amortization of the unfunded actuarial liability.

C. Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's Net OPEB obligation:

	2016	2015
Annual OPEB expense:		
Annual required contribution (ARC)	$59,287	$48,500
Interest on net OPEB Obligation	(4,397)	
Adjustment to annual required contributions	1,497	
Total annual OPEB expense	56,387	48,500
Change in net OPEB payable obligation:		
Age adjusted contributions made	(64,347)	(63,750)
Total change in net OPEB payable obligation	(7,960)	(15,250)
OPEB obligation (asset) - beginning of year	(69,346)	(54,096)
OPEB obligation (asset) - end of year	($77,306)	($69,346)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2016, are as follows:

Three-Year History of Net OPEB ASSET

Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
2016	$56,387	$64,347	114%	$77,306
2015	48,500	63,750	131%	69,346
2014	48,106	62,320	130%	54,096

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, based on the plan's most recent actuarial valuation date of July 1, 2015, was as follows:

Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$108,540	$732,077	$623,537	14.83%	$399,793	155.965%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 7.28% investment rate of return, which is the expected long-term investment return on Authority investments, a 3% general inflation assumption, and an annual aggregate payroll increase rate of 3%. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis, starting July 1, 2011.

NOTE 10 – JOINT POWERS ASSOCIATION

The Authority participates in a joint venture activity through a formally organized and separate entity, the Bay Area Clean Water Agencies (BACWA) established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, BACWA exercises full power and authority within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entity are not those of the Authority. BACWA was established by Central Contra Costa Sanitary District, East Bay Municipal Utility District, East Bay Dischargers Authority, the City and County of San Francisco, and the City of San Jose for the purpose of coordinating the water quality activities of the members, to jointly contract for consultant services that are of joint benefit and to interpret data collected by BACWA and by others, in order to assess the effects of pollution and other factors on the San Francisco Bay system. A summary of BACWA's June 30, 2016 and 2015 financial statements is as follows:

	2016	2015
Total Assets	$3,790,215	$4,118,258
Total Liabilities	188,469	215,563
Total Equity	3,601,746	3,902,695
Total Revenue	5,231,741	10,072,937
Total Expenditures	5,532,687	10,705,290

NOTE 11 – SELF INSURANCE

The Authority has limited pollution legal liability insurance coverage as provided by the California Sanitation Risk Management Authority (CSRMA). As of the audit date, the Authority had no claims. The possibility of an incurred but not reported claim is remote, as the Authority only discharges disinfected secondarily treated effluent. The Authority is exposed to various other risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. There were no settled claims in any of the past five fiscal years.

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2016:

	Limits	Deductibles
Excess Liability	$1,000,000,000	$15,500,000
General Liability	15,500,000	100,000
Pollution	1,000,000	25,000
Equipment	250,000	1,000

NOTE 12 – LEASE OF ADDITIONAL CAPACITY

The Authority signed an agreement with Livermore-Amador Valley Water Management Agency (LAVWMA) dated February 1, 1978, and as amended on March 26, 1981, June 20, 1985, and February 18, 1993. The purpose of the agreement was to allow LAVWMA to use the facilities of the Authority to discharge wastewater. The agreement provided for a reasonable method of allocating costs to LAVWMA that would be incurred as a result of the discharge rights. The term was for thirty years, with the right of renewal or early termination. The Authority signed an Interim Agreement with LAVWMA on March 18, 1998, to provide additional system discharge services.

The 1998 Interim Agreement provided for a capital buy-in fee of $7,000,000. LAVWMA elected to defer making payments until July 1, 2001. The Interim Agreement provided that buy-in fees accrue interest from October 1, 1997 through June 30, 2001. The final buy-in fee was $7,921,966. During the fiscal year, LAVWMA made an annual principal and interest payment of $256,276 and $154,972, respectively, totaling $411,248 towards the buy-in fee.

On April 26, 2007, the Authority and LAVWMA signed a new Master Agreement that supersedes all previous agreements. The purpose of the Master Agreement was to incorporate all applicable items from the previous agreements into a single document. All the financial terms and conditions for the lease of additional capacity from the Interim Agreement have been incorporated into the Master Agreement.

REQUIRED SUPPLEMENTAL INFORMATION

EAST BAY DISCHARGERS AUTHORITY
Cost-Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*
SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

	Miscellaneous Plan	
	6/30/2015	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.007341%	0.00416%
Plan's proportion share of the Net Pension Liability (Asset)	$503,886	$258,711
Plan's Covered Employee Payroll	393,451	399,793
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	128.07%	64.71%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.40%	79.82%

*- Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

EAST BAY DISCHARGERS AUTHORITY
Cost-Sharing Multiple Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	Miscellaneous Plan	
	6/30/2016	6/30/2015
Actuarially determined contribution	$43,419	$37,170
Contributions in relation to the actuarially determined contributions	(143,419)	(37,170)
Contribution deficiency (excess)	($100,000)	$0
Covered-employee payroll	$377,037	$393,451
Contributions as a percentage of covered-employee payroll	38.04%	9.45%

Notes to Schedule

Valuation date: 6/30/2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	(1)
Investment rate of return	7.65% (2)
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation

* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

EAST BAY DISCHARGERS AUTHORITY

Schedule of Funding Status - Other Post-Employment Benefits Asset

Cost-Sharing Multiple Employer Defined Pension Plan

As of fiscal year ending June 30, 2016

Required Supplemental Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	$22,600	$529,600	$507,000	4.27%	$364,400	139.133%
7/1/2013	75,800	661,500	585,700	11.46%	354,700	165.125%
7/1/2015	108,540	732,077	623,537	14.83%	399,793	155.965%

SUPPLEMENTARY INFORMATION

East Bay Dischargers Authority
Operations and Maintenance Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operations and Maintenance Programs:			
General and administration	$883,560	$876,706	$6,854
Outfall and forcemains	173,566	171,381	2,185
San Leandro pump station	103,352	90,225	13,127
Marina Dechlorination Facility	431,279	394,447	36,832
Oro Loma pump station	432,131	337,341	94,790
Hayward pump station	109,566	98,170	11,396
Alvarado pump station	277,630	250,032	27,598
Bay and effluent monitoring	520,566	492,893	27,673
Subtotal	$2,931,650	2,711,195	$220,455
Depreciation Expense		911,978	
Total Expenses		$3,623,173	

East Bay Dischargers Authority
Operations and Maintenance Fund
Schedule of General and Administrative Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
General and Administrative Expenses:			
Salaries	$344,960	$333,457	$11,503
Employee benefits	197,700	301,900	(104,200)
Commissioners' compensation	45,000	34,866	10,134
Deferred compensation	12,300	11,447	853
Insurance	16,000	11,307	4,693
Memberships	15,000	2,745	12,255
Supplies	5,000	7,042	(2,042)
Contractual services	10,000	23,843	(13,843)
Professional services	175,000	114,800	60,200
Printing and publications	1,500		1,500
Rental	7,100	5,300	1,800
Maintenance	20,000	12,742	7,258
Travel	17,000	3,782	13,218
Utilities	15,000	11,290	3,710
Other	2,000	2,185	(185)
Total Expenses	$883,560	$876,706	$6,854

East Bay Dischargers Authority
Water Recycling Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Water Recycling Programs:			
Skywest Golf Course Irrigation	$90,000	$65,904	$24,096
Subtotal	$90,000	65,904	$24,096
Depreciation Expense		9,433	
Total Expense		$75,337	

East Bay Dischargers Authority
Planning and Special Studies Fund
Schedule of Expenses
Budget vs. Actual
For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Planning and Special Studies Fund:			
LAVWMA Master Agreement:			
City of San Leandro	$76,492	$76,492	
Oro Loma Sanitary District	79,371	79,371	
Castro Valley Sanitary District	42,770	42,770	
City of Hayward	135,712	135,712	
Union Sanitary District	76,903	76,903	
NPDES Permit Fees	450,000	400,360	$49,640
NPDES Permit Issues	40,000	48,597	(8,597)
NPDES Testing-Member Agencies	89,000	70,017	18,983
JPA Evaluation Studies	50,000	17,016	32,984
Regional Monitoring Plan	258,000	218,092	39,908
Outfall Pipe Inspection	150,000	210,475	(60,475)
Wetlands Climate Change		22,321	(22,321)
EPA Sidestream			
Transport System Evaluation	75,000		75,000
Hayward Pump/Ponds			
Water Environment Research Foundation (WERF)	20,000	19,249	751
Total Expenses	$1,543,248	$1,417,375	$125,873

East Bay Dischargers Authority
Schedule of Cumulative Expenditures
Capital Projects and Planning and Special Studies Fund
From Inception to June 30, 2016

	Construction Fund					Planning	
	Preliminary Engineering Step 1	Final Design Step II	Construction Step III	Construction Preservation	Right-of-Way Acquisitions	and Special Studies Fund	Total
Cumulative Balance - June 30, 2015	$1,793,555	$6,446,495	$131,368,161	$108,686	$1,428,899	$20,387,528	$161,533,324
Current year expenses						1,417,375	1,417,375
Cumulative Balance - June 30, 2016	1,793,555	6,446,495	131,368,161	108,686	1,428,899	21,804,903	162,950,699
Transfer of completed joint-use facilities to funds	(770,081)	(1,960,537)	(46,455,940)	(108,686)	(712,274)	(58,866)	(50,066,384)
Transfer of completed sole-use facilities to owner-agency	(901,554)	(3,844,269)	(84,746,231)		(716,625)		(90,208,679)
PreDischarge monitoring study expensed	(121,920)	(641,689)					(763,609)
Grants Close-Out Programs Expensed:							
Joint-use			(129,270)				(129,270)
Sole-use			(36,720)				(36,720)
Planning and Special Studies Programs Expensed:							
Joint-use						(19,454,007)	(19,454,007)
Sole-use						(2,292,030)	(2,292,030)
Total Construction In-Progress - June 30, 2016							

East Bay Dischargers Authority
Schedule of Sole-Use Projects
Capital Projects Fund
From Inception to June 30, 2016

COMPLETED PROJECTS	
City of San Leandro:	
Treatment plant improvements	$1,480,369
Secondary treatment improvements	6,216,527
Data Acquisition system	1,195
Completion contract	23,717
Site improvements at Marina Dechlorination Facility	15,466
Total San Leandro	7,737,274
Oro Loma/Castro Valley Sanitary Districts:	
Treatment plant improvements	1,183,182
Incinerator modifications	404,780
Dechlorination Facilities	76,321
Total Oro Loma/Castro Valley Sanitary Districts	1,664,283
City of Hayward:	
Treatment plant improvements	2,039,560
Sand filter	216,875
Innovative/alternative pilot study	184,413
Secondary treatment facilities - unit 1, fixed film reactor	6,064,511
Sludge drying beds	64,319
Oxidation ponds	842
Secondary treatment facilities - unit 2, wastewater plant	15,254,732
Total City of Hayward	23,825,252
Union Sanitary District:	
Dechlorination Facilities	140,235
Treatment plant	26,918,937
Rotating biological contactors modification	16,386
Alvarado to Newark force main	10,059,045
Newark to Irvington force main	13,311,800
Newark gravity sewer	224,495
Completion contracts	44,566
Newark pump station	3,039,602
Irvington pump station	2,072,808
Cathodic protection	112,138
Miscellaneous improvements	59,089
Demolition of Irvington treatment plant and miscellaneous improvements	647,388
Treatment plant expansion	1,477
Treatment plant odor control	283,904
Total Union Sanitary District	56,931,870
Skywest Golf Course Irrigation	50,000
Grants Close-Out Programs Expenses:	
City of San Leandro	5,492
City of Hayward	14,930
Union Sanitary District	16,298
Total Grants Close-Out Programs Expenses	36,720
TOTAL CAPITAL PROJECTS	$90,245,399

East Bay Dischargers Authority
Schedule of Joint-Use Projects
Capital Projects Fund
From Inception to June 30, 2016

COMPLETED PROJECTS:	
Operations Center	$456,205
Data acquisition system	405,827
Bay Outfall	19,475,150
San Leandro to Marina Forcemain	3,775,940
Marina to Oro Loma Forcemain	5,410,434
Oro Loma to Hayward Forsemain	2,760,721
Hayward to Alvarado Forcemain	8,656,375
San Leandro pump station	408,316
Oro Loma pump station	4,878,889
Hayward pump station	473,018
Union Sanitary District pump station	1,215,335
Marina Dechlorination Facility	1,139,870
Completion contracts	70,230
Site improvements at Marina Dechlorination Facility	121,240
Miscellaneous improvements	3,035
Systems modification	67,026
Cathodic protection	68,211
Skywest Golf Course Irrigation	619,712
Total	50,005,534
PreDischarge Monitoring Study Expensed	763,609
Grants Close-Out Programs Expensed	129,270
TOTAL	$50,898,413

East Bay Dischargers Authority
Schedule of Sole-Use Projects
Planning and Special Studies Fund
From Inception to June 30, 2016

City of San Leandro:	
NPDES testing	$394,104
Oro Loma/Castro Valley Sanitary Districts:	
Energy optimization study	52,280
NPDES testing	373,653
OLSD project assistance	10,261
Total Oro Loma/Castro Valley Sanitary Districts	436,194
City of Hayward:	
Hayward project assistance	52,465
NPDES testing	381,767
Russell City Energy Center	3,211
Total City of Hayward	437,443
Union Sanitary District:	
NPDES testing	629,208
Treatment plant expansion	933
USD project assistance	203,483
Total Union Sanitary District	833,624
LAVWMA:	
LAVWMA project studies	84,141
DSRSD:	
DSRSD Antidegradation Analysis	106,524
TOTAL PLANNING AND SPECIAL STUDIES	$2,292,030

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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 Commission
East Bay Dischargers Authority
San Lorenzo, California

We have audited, in accordance with the 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 basic financial statements of the East Bay Dischargers Authority, as of and for the year ended June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated November 7, 2016. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

We have also issued a separate Memorandum on Internal Control dated November 7, 2016 which is an integral part of our audit and should be read in conjunction with this report.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
November 7, 2016

EAST BAY DISCHARGERS AUTHORITY

MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
JUNE 30, 2016

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EAST BAY DISCHARGERS AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2016

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MEMORANDUM ON INTERNAL CONTROL

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

In planning and performing our audit of the financial statements of the East Bay Dischargers Authority (Authority), in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Commission, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
November 7, 2016

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REQUIRED COMMUNICATIONS

To the Commission
East Bay Dischargers Authority
San Lorenzo, California

We have audited the basic financial statements of the East Bay Dischargers Authority for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards.*

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB Statement No. 72 – *Fair Value Measurement and Application*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The pronouncement became effective and affected the notes to the financial statements, but did not have a material effect on the financial statements. See Notes 2 and 3 to the financial statements for current year disclosures.

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GASB 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

The pronouncement became effective, but did not have a material effect on the financial statements.

GASB 79 – *Certain External Investment Pools and Pool Participants*

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The pronouncement became effective, but did not have a material effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Asset: Management's estimate of the net OPEB asset is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: As of June 30, 2016 the Authority held approximately $5.3 million of cash and investments as measured by fair value as disclosed in Note 2P and 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2016 These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 2J to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 2K and 5 to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Commission.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 7, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information, which accompanying the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Commission and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
November 7, 2016

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