



# ORO LOMA SANITARY DISTRICT

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2018

WITH COMPARATIVE FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2017



2600 GRANT AVENUE  
SAN LORENZO, CA 94580

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# ORO LOMA SANITARY DISTRICT

## Comprehensive Annual Financial Report Year Ended June 30, 2018

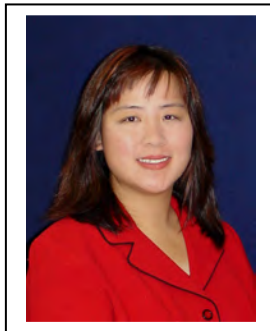
with Comparative Financial Statements for Year Ended June 30, 2017

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**ORO LOMA SANITARY DISTRICT**  
**Comprehensive Annual Financial Report**  
**for Fiscal Year Ended June 30, 2018**  
With Comparative Financial Statements for Year Ended June 30, 2017

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## **INTRODUCTORY SECTION**

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# ORO LOMA SANITARY DISTRICT

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December 15, 2018

## **To the Honorable Board of Directors and Customers of Oro Loma Sanitary District, San Lorenzo, California:**

State law requires that every general purpose local government publish a complete set of audited financial statements within 6 months of each fiscal year-end. This report is published in alignment with Oro Loma Sanitary District's standard for transparency while fulfilling the State's requirement for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Chavan & Associates, LLP has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2018. Immediately following the independent auditor's report, the Management's Discussion and Analysis (MD&A) segment provides a narrative analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **DISTRICT OVERVIEW**

Oro Loma Sanitary District was formed on August 11, 1911 to serve an 800-acre area. Today, the District encompasses 13 square miles, serving the communities of unincorporated Alameda County, including San Lorenzo, Ashland, Cherryland, Fairview, and portions of Castro Valley. The District's service area is located about 13 miles south of Oakland and 30 miles north of San Jose, on the eastern shore of the San Francisco Bay. The customer base is predominantly residential. Sewage collection and treatment services are provided to 47,229 customers, comprised of: residential 46,062 units (97.53%), commercial and light industrial 1,163 units (2.46%), and, 4 significant industrial customers (0.01%). The population served within the District's boundaries is approximately 139,371.

Oro Loma also provides sewage treatment services for other agencies by agreement. Approximately 20,400 customers of Castro Valley Sanitary District, 800 customers of the City of San Leandro, and 170 customers of the City of Hayward are connected to the District's gravity sewer system due to topography.

The District is governed by a 5-member Board of Directors, elected in the County's general election, for alternating 4-year terms. The election is at-large and non-partisan. Directors must reside within the District's boundaries. Policy making and legislative authority are vested in the Board, which appoints the General Manager to manage and oversee the District's activities.

## **Mission Statement**

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

The District's enabling legislation is the Sanitary Act of 1923 of the State Health and Safety Code, which empowers the District to provide the following services.

## **Sewage Collection**

- The District owns approximately 273 miles of underground sewer lines within its boundaries, and maintains 13 remote sewage lift stations, which are facilities for moving wastewater from lower to higher elevation, particularly where the elevation of the source is insufficient for gravity flow.
- Industrial dischargers are monitored for compliance to meet federal and state pretreatment standards, which assure treatment plant effluent quality.

## **Sewage Treatment**

- The District operates a water pollution control plant with a permitted capacity of 20 million gallons per day (MGD). The plant is jointly owned by Oro Loma Sanitary District (75%) and Castro Valley Sanitary District (25%).
- An average daily flow of 11 million gallons of sewage is treated each day.
- The plant uses primary and secondary treatment processes to clean wastewater to protect human health and the environment. The treated effluent is disposed of through a discharge pipe (collectively-owned by the District and 4 other local agencies) into the San Francisco Bay.
- Each day, 11 dry tons of biosolids are produced from the treatment process. These biosolids are disposed of annually, and used as alternative daily cover at the Altamont landfill.

## **Reuse of Treated Wastewater (Water Reclamation)**

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

## **Other Inter-Governmental Agency Services**

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

## **Solid Waste (Garbage) Services**

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

## **Recycling Services**

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

## **ECONOMIC CONDITION**

### **Local Economy**

Oro Loma Sanitary District's service area crosses over several political jurisdictions. Of the 47,229 customers within District boundaries, approximately 60% reside in unincorporated communities of Alameda County, 32% live in the City of San Leandro, and 8% live in the City of Hayward. Economic conditions vary slightly among communities. The 2012-2016 statistics published by the U.S. Census Bureau provided the following information on median household

income and occupancy: for the unincorporated areas of Alameda County, \$83,288 with 3.30 persons per household; for the City of San Leandro, \$64,065 with 2.78 persons per household; and, for the City of Hayward, \$68,138 with 3.24 persons per household. The region has shown significant recovery from the economic downturn which began in late 2008. The average unemployment rate in 2017-18 was 3.9%, as compared to the record high at 9.1% in 2011. Median housing sale price in 2017-2018 was \$630,000, surpassing its peak in June 2007 (\$537,000), and reflected a promising growth from its lowest level in June 2012 (\$277,000). Based on economic forecasts by the California Department of Transportation, it is anticipated that the County's population growth will be 0.7% per year; inflation adjusted average salaries are expected to rise by 1.4% annually; and, inflation adjusted per capita income is forecasted to increase by 1.4% per year.

### **Long-Term Financial Planning**

The District utilizes strategic capital spending, and utilizes in-house engineering design and construction management expertise for most pipeline projects. Other than small treatment plant projects (<\$250,000), staff partners with consulting engineers to assist with the design of treatment plant improvements. Staff continually updates long-term cost projections for collection system and treatment plant improvements. These projections serve as planning tools to ensure that the District's facilities, equipment, and infrastructure are in optimal condition and meet projected demands.

Including the \$23.7 million in capital improvements for the Nutrient Optimization Project over the next 2 years, the District plans to spend an average of \$17.8 million annually for the next 5 years in renewal and replacement projects and capital improvements. Of this total, an average of \$8.7 million per year are allocated to renewing the existing collection system and facilities. Other major long-range plans including replacing digesters No. 1, 2, 4 and 5, construction of a consolidated operations building, and extensive plant repaving.

The operating budget is expected to increase in line with inflation and regulatory compliance requirements, without any significant staffing changes. FY 2017-18 was the third year of a planned 5-year rate increase. The plan includes a Board approved 7.5% annual rate increases to provide for necessary spending and to maintain sufficient reserves.

### **Relevant Financial Policies**

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

- **Balanced Budget**

One of the District's fiscal responsibilities is to maintain a balanced budget, in which revenues are sufficient to cover expenses required to meet planned needs. To assist in its decision-making, the Board regularly examines a 5-year cash flow projection. Total planned capital improvements are projected to exceed \$85 million in the next 5 years. Until FY 2018-19, the Board elected to fund capital improvements by using existing reserves. In FY 2018-19, the District issued \$14.2 million in bonds to finance the construction of the Nutrient Optimization Project and may seek additional bond funding for the planned digester replacement projects. The District has established a strategic goal to incorporate a capital component into its sewer rate structure when it reviews and adopts new rates in FY 2021-22 to ensure long term financial health.

- **Budgetary Controls Policy**

The Board maintains budgetary controls by reviewing monthly financial reports to ensure compliance with the adopted budget. The General Manager has authority to reallocate up to \$50,000 between funds or projects based on actual need, while increases in the total budget always require Board approval. The adopted budget is typically amended by the Board shortly after the year begins to carry over prior year unused appropriations for projects in progress. Subsequent budget amendments occur continuously throughout the remainder of the year, as priorities are revised and new needs are identified. The District has consistently met its budgetary control requirements by managing operating expenses at between 90% to 96% of budget.

- **Investment Policy**

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

- **Financial Reserves Policy**

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

- **Capital Assets Policy**

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

- **Internal Control Policy**

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

- **Cash Management Policy**

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

- **Purchasing Policy**

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

## **Major Initiatives**

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

With increasing concern for the sustainability of public employees retirement benefits, the District has taken significant steps to accelerate funding by paying an additional \$8.35 million above its required contributions between 2015 and 2017. The unfunded accrued liability (UAL) was reduced to \$4.4 million. However, due to fluctuations in investment returns and changes in CalPERS' actuarial assumptions, the UAL has increased to \$7.6 million as of the valuation date of June 30, 2017.

With the goal of maintaining reliable infrastructure in mind, the Board recognizes the critical need to replace the District's aging sewer pipes (50-70 years old), and has adopted an accelerated plan to replace at least 4 miles of pipes per year as compared to the previous 3 miles per year. The plan includes the proactive approach of replacing sewer lines that require high frequency maintenance.

The District is prepared for regulatory changes in nutrient treatment. Upgrades are projected in FY 2027-28 to FY 2032-33, but may materialize sooner if water quality changes occur in the San Francisco Bay. The District is moving towards discharging peak effluent through its own local outfall pipes instead of utilizing the outfalls of EBDA. In the fall of 2018, the District issued \$14.2 million in sewer revenue bonds to finance the construction of nutrient optimization facilities for this purpose.

## **SIGNIFICANT ACCOMPLISHMENTS**

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

- The District maintains the lowest sewer service rates in Alameda County, and one of the lowest known rates in the State of California. As of July 1, 2018, the annual single family residential sewer rate of \$256 is 59% below the average of \$620 within the County.
- As of September 1, 2018, the monthly garbage and recycling rate for a 35-gallon container in unincorporated Alameda is \$22.75, 40% less than the average of \$37.77 within the County.
- The District achieved 554 days between April 2012 and October 2013, and 540 days between May 2015 and November 2016 without a sanitary sewer overflow, the longest periods in its history.
- The District maintains a high safety culture, and continuously trains and seeks to improve job safety. The District holds a record of 2716 days (more than 7 years) without a lost-time injury, from February 2008 to July 2015.
- The District won the 2013 SHELL Award given by California Sanitation Risk Management Authority (CSRMA). The award recognizes excellent management in Safety, Health, Environmental, Liability, and Losses.
- The District won the 2013 CWEA Collection System of the Year (250-500 miles) at both the San Francisco Bay Section and State levels. It is the only District in history to have won the State award 4 times.
- In December 2014, the District completed a 3-year, \$8.7 million construction project for 2 new digesters, thereby increasing operational efficiency and reliability.
- The District won the 2014 CWEA Plant Safety Award (26-75 employees) at both the San Francisco Bay Section and State levels.
- The District won the 2014 CWEA Research Achievement Award for its Zeolite-Anammox Pilot Project.
- The District won the 2015 Water Environment Federation (WEF) George W. Burke Facility Safety Award.

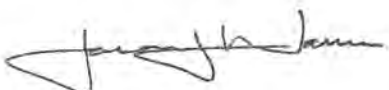
- Between March 2015 and July 2016, the District contributed a total of \$8.35 million towards its unfunded pension liability. Despite unfavorable market returns, the June 30, 2017 CalPERS valuation shows that the District still maintains an 85.9% funded ratio on its Classic Tier 1 plan, and 94% on its Classic Tier 2 and PEPRA plans.
- The District won the 2015-16 CSRMA Workers' Compensation Excellence Award, and was recognized for its ergonomic assessments of plant and field operations, for focusing on back injury prevention, and for keeping policies up to date on an ongoing basis.
- The District was honored with the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its Two-Year Budgets for fiscal years 2015-2017 and 2017-2019.
- The District completed the Wet Weather Equalization/Horizontal Levee Demonstration project which includes the construction of an 8-million gallon storage basin for wet weather equalization, combined with a horizontal levee for demonstration of wetland for dry weather flows. Benefits of this project include the ability to divert peak wet weather flows, improvement of existing wildlife habitat, and evaluation of the leading alternative response to sea level rise in the Bay Area. The project cost \$8.5 million, shared among the District (65%) and Castro Valley Sanitary District (35%), and funded partly by a \$1.9 million grant from the State of California.
- The District's Horizontal Levee Demonstration project won the 2017 California Association of Sanitation Agencies (CASA) Award of Excellence for Outstanding Capital Project for Small Agency and the 2017 Friends of the San Francisco Estuary Outstanding Environment Project Award.

## CAFR AWARDS AND ACKNOWLEDGMENTS

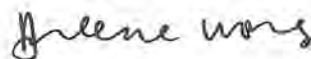
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Oro Loma Sanitary District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the 23<sup>rd</sup> consecutive year that the District has received this prestigious award. To be awarded a Certificate of Achievement, the governmental entity had to publish an informative, well organized, and easily readable CAFR that satisfies both generally accepted accounting principles and applicable program requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for 1 year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and are submitting it to GFOA to determine its eligibility for another certificate.

We wish to express our sincere appreciation to the Board of Directors, and especially to the members of the Finance & Insurance Committee, Directors Roland Dias, Shelia Young and Daniel Walters, and to the audit team of Chavan & Associates, LLP, for their support in submitting this Comprehensive Annual Financial Report. The presentation of this report could not have been accomplished without the professionalism and dedication demonstrated by the management and staff of the District. We would like to convey special thanks to all who provided input in the preparation of this report.

Respectfully submitted,



Jason J. Warner  
General Manager/Treasurer



Arlene Wong  
Finance Manager



Pearl Gonzalez  
Accountant



Government Finance Officers Association

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

Presented to

**Oro Loma Sanitary District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

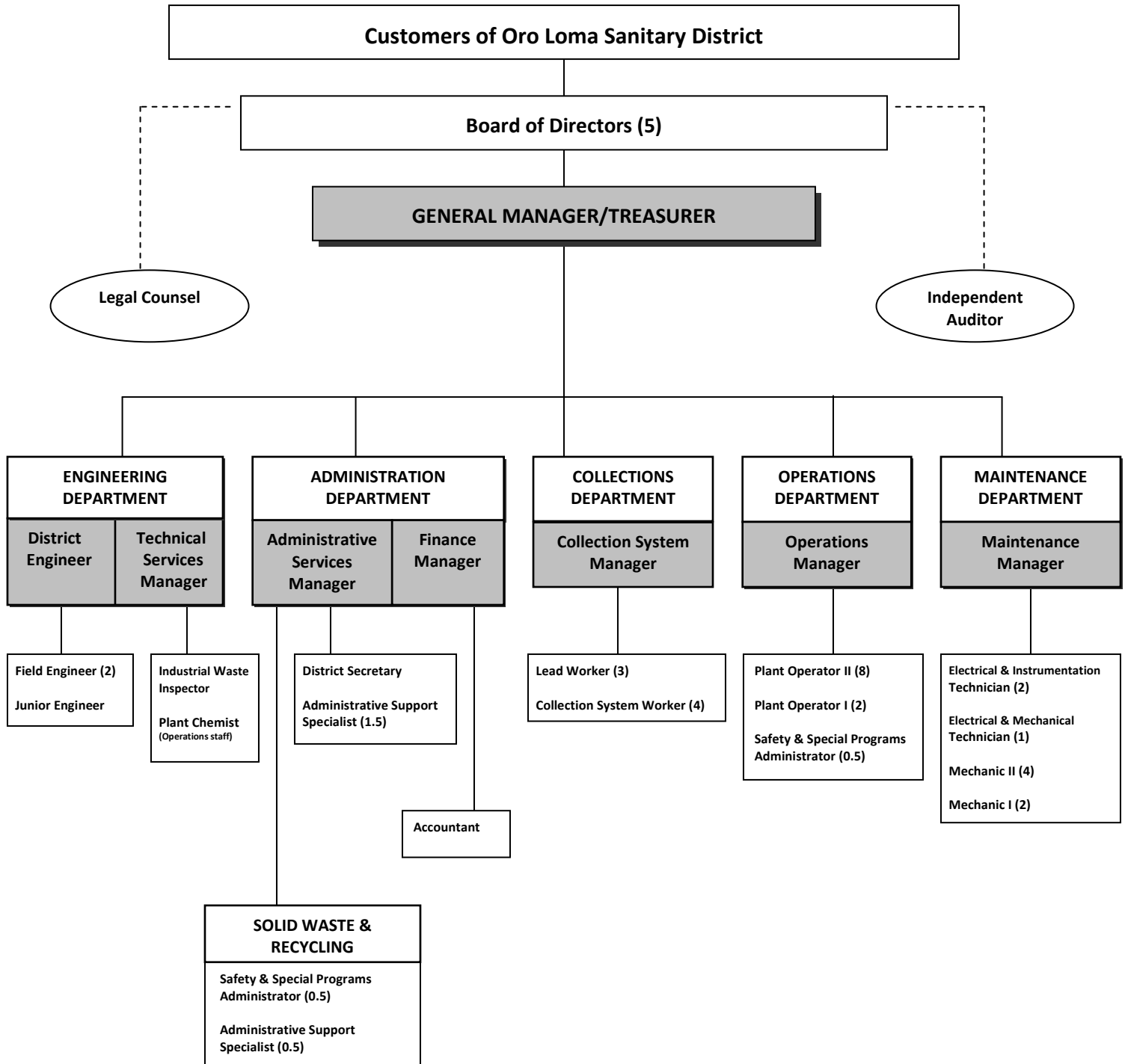
*Christopher P. Morrill*

Executive Director/CEO



# ORO LOMA SANITARY DISTRICT

## ORGANIZATIONAL CHART



# ORO LOMA SANITARY DISTRICT

## GOVERNING BODY / BOARD OF DIRECTORS

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

### BOARD OF DIRECTORS DURING FISCAL YEAR 2017-18



#### **Shelia Young, President**

*Term Expires 2022*

*Chairperson of Solid Waste Committee, member of Finance & Insurance Committee, and representative to ACWMA.*

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



#### **Dan Walters, Vice President**

*Term Expires 2020*

*Chairperson of Operations Committee, member of Personnel/Safety/Public Information Committee, and alternate representative to ACSDA and EBDA Commission.*

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



#### **Rita Duncan, Secretary**

*Term Expires 2022*

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

Ms. Duncan retired as the Director of Human Resources of a Bay Area manufacturing company and possesses a wealth of knowledge in personnel management. She has been on the Board since January 2016.



#### **Timothy Becker, Director**

*Term Expires 2018*

*Chairperson of Construction Committee, member of Operations Committee, representative to EBDA Commission, and member of CASA Executive Board.*

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



#### **Roland Dias, Director**

*Retired September 2018*

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

Mr. Dias is a retired Pacific Bell and AT&T executive who has extensive experience in fiscal budgeting and financial controls. He joined the Board of Directors in 1992 and has retired from the District in September 2018.

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

# ORO LOMA SANITARY DISTRICT

## MANAGEMENT TEAM

### OFFICIALS



**Jason Warner, General Manager/Treasurer (from 2008)**

Directs, manages, and coordinates District activities in accordance with Board policies. Manages the daily activities of the District and keeps the Board informed on projects and programs to facilitate good decision making. As Treasurer, the General Manager also oversees the District's financial operations and risk management.

### DEPARTMENTAL MANAGEMENT

#### ADMINISTRATION



**Andreea Simion, Administrative Services Manager (from 2003)**

Manages human resources functions, administrative support services, and public information programs. Oversees the preparation of agendas and minutes for the Board and various committee meetings, and coordinates the solid waste, recycling, safety, and training programs.



**Arlene Wong, Finance Manager (from 2013)**

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

#### COLLECTIONS



**Lenny Rather, Collection System Manager (from 1997)**

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

## ORO LOMA SANITARY DISTRICT

### MANAGEMENT TEAM

#### ENGINEERING



**William Halsted, District Engineer (from 2009)**

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



**Jimmy Dang, Technical Services Manager - Plant (from 2017)**

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

#### TREATMENT PLANT



**Manuel Talledo-Garcia, Operations Manager (from 2012)**

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



**Scott von der Lieth, Maintenance Manager (from 2011)**

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

## VISION OF ORO LOMA SANITARY DISTRICT

### **Safety is paramount.**

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



### **Our staff remains our key asset.**

Despite anticipated attrition, we will practice deliberate knowledge transfer, keep the selection of extraordinary team players as our norm, foster an environment to promote professional development, and offer an appropriate compensation package.

### **Shaping and responding to emerging regulations gives us a competitive advantage.**

We will perform sound planning, engage with the regulatory community, and innovate as we select optimal responses to significant emerging regulations.

### **Implement only new technologies that are worth our investment.**

We will scrutinize available technologies and implement only those that increase our standard for operational resiliency while meeting our high standards for investment of public funds.

### **Measured risk taking is part of sound management.**

We will continue to take prudent business risks that improve the District's ability to respond to future challenges while maintaining our fiscal strength.

### **The public deserves that we manage with the long term in mind.**

We will maintain a comprehensive understanding of our service and infrastructure needs and provide proper funding to manage their ongoing renewal.

### **Proactive communication is essential to providing the best service.**

We will identify issues of public concern and communicate our approach to addressing these issues well in advance of any requirement for significant action.

### **Excellence over average performance.**

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



# ORO LOMA SANITARY DISTRICT

## LOCATION & SERVICE AREA

Oro Loma Sanitary District was originally formed to serve an 800-acre area. Today, the District encompasses 13 square miles, serving the communities of unincorporated Alameda County, including San Lorenzo, Ashland, Cherryland, Fairview, portions of Castro Valley, and designated areas of the Cities of Hayward and San Leandro. The District's service area is located about 13 miles south of Oakland and 30 miles north of San Jose on the eastern shore of the San Francisco Bay.



# DISTRICT AWARDS – LAST TEN YEARS

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## California Association of Sanitation Agencies (CASA)

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

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

## California Water Environment Association (CWEA)

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

Collection System of the Year (250-500 miles)	2010*, 2013*
Plant of the Year (5-20 MGD)	2011
Plant Safety Award (26-75 employees)	2007*, 2014*
Research Achievement Award (Zeolite-Anammox Pilot Project)	2014

## Government Finance Officers Association (GFOA)

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

## Water Environment Federation (WEF)

George W. Burke Facility Safety Award	2008, 2015
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## Others

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



## **FINANCIAL SECTION**

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## **INDEPENDENT AUDITOR'S REPORT**



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Oro Loma Sanitary District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Oro Loma Sanitary District, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

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

The combining schedules and budgetary comparison information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary



comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

October 9, 2018  
San Jose, California

## **MANAGEMENT DISCUSSION & ANALYSIS**



# SERVICE RECOGNITIONS

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

## 20 Years



**Tim Cravalho**  
Lead Worker

## 15 Years



**Christopher Brown**  
Collection System Manager

## 5 Years



**Sam Bobbitt**  
Collection System Worker



**Sally Green**  
District Secretary



**Brian Charvet**  
Plant Operator II



**Andreea Simion**  
Administrative Services Manager



**Kristopher Decker**  
Field Engineer



**Scott von der Lieth**  
Maintenance Manager



**Patricia Schofield**  
Administrative Support Specialist

**ORO LOMA SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

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Oro Loma Sanitary District was established in 1911 and subsequently reorganized in 1940. The District is empowered to own and operate sewage facilities, and to provide sewer, solid waste and recycling services to its customers. The elected Board of Directors oversees its operations, sets policies, establishes fees, and ensures that its mission in serving the public is achieved.

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

The management discussion and analysis (MD&A) is an overview of the District's operations and financial performance during the fiscal year ended June 30, 2018. This information is presented in conjunction with the basic financial statements and the accompanying notes, which immediately follow this section.

**Financial Highlights for the Fiscal Year Ended June 30, 2018**

- The ending net position as of June 30, 2018 was \$94,390,135, reflecting an increase of \$348,414 (0.4%) from the prior year net position of \$94,041,721.
- Total assets were \$103,746,253, reflecting an increase of \$1,949,537 (1.9%) from \$101,796,716 in the prior year. A significant factor was that capital assets net of depreciation increased by \$5,160,698 (7.2%). Newly capitalized assets totaled \$5.8 million this year, of which \$5.0 million (88% of total) belonged to the collection system. The capital asset increase was offset by a \$3,511,122 (37.0%) decrease in cash and cash equivalents due to robust renewal & replacement and capital improvement activities; \$93,247 (1.5%) decrease in investment in sewage discharge facilities – EBDA; and, an accounting adjustment which eliminated a \$1.0 million Other Post-Employment Benefit (OPEB) asset under the old GASB Statement No. 45 reporting, and recognized a \$34,319 OPEB liability based on the new GASB Statement No. 75 that took effect this year.
- Total liabilities were \$10,880,384, reflecting an increase of \$1,325,272 (13.9%) from \$9,555,112 in the prior year. This change resulted from various line items, including \$734,202 (10.3%) increase in net pension liability; \$453,369 (29.6%) increase in accounts payable, \$52,854 (13.0%) increase in total accrued compensated absences; and, first-time recognition of a \$34,319 OPEB liability as mandated by GASB Statement No. 75. Regarding net pension liability, it was noteworthy that despite the 11.2% investment return in FY 2016-17 and the District's \$1.0 million additional payment towards its unfunded accrued liability in July 2016, the favorable results were offset by the lowering of the discount rate from 7.65% to 7.15%, resulting an increase from \$7,120,287 to \$7,854,489 in net pension liability.
- Deferred outflows of resources decreased \$309,008 (6.0%) from \$5,115,616 to \$4,806,608, while deferred inflows of resources decreased \$33,157 (1.0%) from \$3,315,499 to \$3,282,342. These items represent the different components required by GASB Statements No. 68 and No. 75. Deferred outflows reflect consumption of net assets that are applicable to a future reporting period and will increase the net position in a similar manner as assets. Deferred inflows are acquisition of net assets that are applicable to a future reporting and will decrease the net position in a similar manner as liabilities.

**ORO LOMA SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

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**Required Financial Statements**

The District provides services to the public and generates revenues through fee-based business-type activities. The accounting methods used are similar to those used by private entities, utilizing an enterprise fund under a broad fund category, known as proprietary funds. Required financial statements are listed as follows:

- The Statement of Net Position presents information about assets and deferred outflows of resources, and liabilities and deferred inflows of resources. It also provides a basis for evaluating liquidity, financial flexibility, and the capital structure.
- The Statement of Revenues, Expenses, and Changes in Net Position accounts for revenues and expenses. It shows current operations and provides a comparison to the prior year, and can be used to determine whether resources have been successfully recovered through user fees and other revenues.
- The Statement of Cash Flows provides information about cash receipts and disbursements, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It shows various cash sources and uses, and the changes in cash and cash equivalents between years.

**Financial Analysis of the District**

Total net position increased by \$348,414 (0.4%) during FY 2017-18. Changes affecting net position are reflected in the following table.

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

Period Ended June 30	Change in 2018				Change in 2017		
	2018	2017	\$	%	2016	\$	%
Current and other assets	26,663,810	29,874,971	(3,211,161)	-10.7%	30,169,331	(294,360)	-1.0%
Capital assets	77,082,443	71,921,745	5,160,698	7.2%	70,176,762	1,744,983	2.5%
Total assets	<u>103,746,253</u>	<u>101,796,716</u>	<u>1,949,537</u>	<u>1.9%</u>	<u>100,346,093</u>	<u>1,450,623</u>	<u>1.4%</u>
Deferred outflows of resources	<u>4,806,608</u>	<u>5,115,616</u>	<u>(309,008)</u>	<u>-6.0%</u>	<u>5,714,923</u>	<u>(599,307)</u>	<u>-10.5%</u>
Current liabilities	2,600,026	2,088,229	511,797	24.5%	2,361,614	(273,385)	-11.6%
Non-current liabilities	8,280,358	7,466,883	813,475	10.9%	5,099,135	2,367,748	46.4%
Total liabilities	<u>10,880,384</u>	<u>9,555,112</u>	<u>1,325,272</u>	<u>13.9%</u>	<u>7,460,749</u>	<u>2,094,363</u>	<u>28.1%</u>
Deferred inflows of resources	<u>3,282,342</u>	<u>3,315,499</u>	<u>(33,157)</u>	<u>-1.0%</u>	<u>4,822,803</u>	<u>(1,507,304)</u>	<u>-31.3%</u>
Net position							
Net investment in capital assets	77,082,443	71,921,745	5,160,698	7.2%	70,176,762	1,744,983	2.5%
Unrestricted	17,307,692	22,119,976	(4,812,284)	-21.8%	23,600,702	(1,480,726)	-6.3%
Total net position	<u>94,390,135</u>	<u>94,041,721</u>	<u>348,414</u>	<u>0.4%</u>	<u>93,777,464</u>	<u>264,257</u>	<u>0.3%</u>

**ORO LOMA SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

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This ending net position of \$94,390,135 is made up of the following components:

- \$77,082,443 – Net investment in capital assets. This amount represents investment in capital assets net of accumulated depreciation. There is no related debt. The capital assets are used to provide a variety of services. One of the biggest components of the assets category is the wastewater pollution control plant owned jointly by the District (75%) and Castro Valley Sanitary District (CVSD) (25%). Under a long-term agreement, CVSD reimburses the District and capitalizes its share of capital assets on its own financial records. Assets that do not pertain to the operations and maintenance of the water pollution control plant are fully owned by the District.
- \$17,307,692 – Unrestricted category. This amount is comprised of:
  - \$6,184,096 Investment in sewage discharge facilities – EBDA
  - \$9,451,500 Reserves established by the Board for specific activities. The current reserve levels were adopted in March 2017 to reflect changing requirements in different programs and are noted below.
    - \$3,700,000 reserved for cash flow fluctuations. Sewer service and recycling charges are collected on the Alameda County tax roll twice a year (December and April). There is a six-month delay between meeting current obligations and cash collections from the tax roll.
    - \$1,500 reserved for petty cash funds.
    - \$5,250,000 reserved for renewal & replacements and capital improvement programs.
    - \$500,000 reserved for self-insurance and catastrophic events. The deductible is \$250,000 per occurrence.
  - \$1,672,096 Unreserved/unrestricted net position

**ORO LOMA SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

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

Period Ended June 30	2018	2017	Change (\$)	Change (%)	2016	Change (\$)	Change (%)
<b>Operating revenues</b>							
District service charges	\$13,974,088	\$12,961,082	\$1,013,006	7.8%	\$11,949,883	\$1,011,199	8.5%
Agency treatment charges	3,094,690	2,933,967	160,723	5.5%	2,430,769	503,198	20.7%
Permits and inspection fees	280,541	169,390	111,151	65.6%	162,898	6,492	4.0%
Sanitary truck waste charges	68,214	129,725	(61,511)	-47.4%	90,621	39,104	43.2%
Grease receiving charges	102,208	117,403	(15,195)	-12.9%	158,967	(41,564)	-26.1%
Grit receiving charges	-	-	-	0.0%	4,860	(4,860)	-100.0%
Contract fees	1,062,218	1,010,999	51,219	5.1%	937,750	73,249	7.8%
Recycling charges-residential/green waste	2,321,208	2,309,444	11,764	0.5%	2,306,542	2,902	0.1%
Recycling charges-commercial/industrial	132,934	118,694	14,240	12.0%	110,721	7,973	7.2%
Landfills fees-Measure D	385,751	346,349	39,402	11.4%	319,719	26,630	8.3%
Others	646,413	599,721	46,692	7.8%	586,197	13,524	2.3%
Total operating revenues	22,068,265	20,696,774	1,371,491	6.6%	19,058,927	1,637,847	8.6%
<b>Operating expenses</b>							
Engineering	752,469	562,048	190,421	33.9%	684,704	(122,656)	-17.9%
Sewage collections	3,471,954	3,100,122	371,832	12.0%	2,637,991	462,131	17.5%
Sewage treatment operations	4,657,149	4,447,483	209,666	4.7%	3,483,009	964,474	27.7%
Sewage treatment maintenance	2,387,698	2,204,710	182,988	8.3%	2,498,881	(294,171)	-11.8%
Sewage disposal - EBDA	1,011,446	836,969	174,477	20.8%	779,476	57,493	7.4%
Administration and general	1,481,993	1,549,379	(67,386)	-4.3%	1,256,629	292,750	23.3%
Pension expense	1,553,814	2,976,128	(1,422,314)	-47.8%	1,192,396	1,783,732	149.6%
OPEB expense	129,848	(258,069)	387,917	150.3%	(315,916)	57,847	18.3%
Depreciation	2,825,630	3,326,930	(501,300)	-15.1%	3,351,201	(24,271)	-0.7%
Decrease in carrying value of EBDA	93,247	54,155	39,092	72.2%	165,735	(111,580)	-67.3%
Solid waste	353,546	304,471	49,075	16.1%	306,213	(1,742)	-0.6%
Recycling-residential and commercial	2,690,932	2,591,833	99,099	3.8%	2,574,922	16,911	0.7%
Total operating expenses	21,409,726	21,696,159	(286,433)	-1.3%	18,615,241	3,080,918	16.6%
Operating income (loss)	658,539	(999,385)	1,657,924	165.9%	443,686	(1,443,071)	-325.2%
<b>Non-operating revenues</b>							
Investment income	344,043	231,096	112,947	48.9%	128,479	102,617	79.9%
Increase in the fair value of investments	-	-	-	0.0%	86,020	(86,020)	-100.0%
Rents and leases	92,795	83,465	9,330	11.2%	79,956	3,509	4.4%
Gain on disposal of capital assets	6,140	-	6,140	100.0%	-	-	0.0%
Recovery of uncollectible accounts	11,902	16,276	(4,374)	-26.9%	17,203	(927)	-5.4%
Recycled water grant	-	56,250	(56,250)	-100.0%	-	56,250	100.0%
Other miscellaneous revenues	124,671	326,580	(201,909)	-61.8%	339,028	(12,448)	-3.7%
EBDA and other agreement refunds	79,371	79,371	-	0.0%	79,371	-	0.0%
Total non-operating revenues	658,922	793,038	(134,116)	-16.9%	730,057	62,981	8.6%
<b>Non-operating expenses</b>							
Decrease in the fair value of investments	223,552	137,921	85,631	62.1%	-	137,921	100.0%
Write-offs of uncollectible accounts	1,284	810	474	58.5%	1,515	(705)	-46.5%
Total non-operating expenses	224,836	138,731	86,105	62.1%	1,515	137,216	9057.2%
<b>Income before contributions and transfers</b>	1,092,625	(345,078)	1,437,703	416.6%	1,172,228	(1,517,306)	-129.4%
Connection fees and other contributions	399,277	609,335	(210,058)	-34.5%	298,612	310,723	104.1%
Capital grants	-	-	-	0.0%	1,202,580	(1,202,580)	-100.0%
Change in net position	1,491,902	264,257	1,227,645	464.6%	2,673,420	(2,409,163)	-90.1%
Net position – beginning, as reported	94,041,721	93,777,464	264,257	0.3%	90,911,175	2,866,289	3.2%
Prior period adjustment-GASB 68 Pension	-	-	-	0.0%	192,869	(192,869)	-100.0%
Prior period adjustment-GASB 75 OPEB	(1,143,488)	-	(1,143,488)	-100.0%	-	-	0.0%
Net position – beginning, as adjusted	\$92,898,233	\$93,777,464	(\$879,231)	-0.9%	\$91,104,044	\$2,673,420	2.9%
Net position – ending	\$94,390,135	\$94,041,721	\$348,414	0.4%	\$93,777,464	\$264,257	0.3%



**ORO LOMA SANITARY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2018**

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As presented in Table 2:

**Total Operating Revenues \$22.1 million (FY 2017-18) and \$20.7 million (FY 2016-17)** – Operating revenues increased by \$1.4 million (6.6%) in FY 2017-18 and \$1.6 million (8.6%) in FY 2016-17. This was mainly due to changes in revenues in the following categories:

- **District sewer service charges** increased by \$1.0 million (7.8%) in FY 2017-18 and \$1.0 million (8.5%) in FY 2016-17. Residential sewer revenues increased by \$854,703 (8.4%). The District was in its second year within a 5-year rate plan which began July 1, 2016. The adopted sewer rate increase was 7.5% per year. Commercial sewer revenues increased by \$255,451 (14.7%) as charges were billed based on higher water usage. Revenues from significant industrial customers decreased by \$97,148 (9.2%) due to a 5.3% drop in water consumption and lower levels of biochemical oxygen demand (BOD - 18.0% reduction) and suspended solids (SS - 31.8% reduction).
- **Agency treatment charges** increased by \$160,723 (5.5%) in FY 2017-18 and \$503,198 (20.7%) in FY 2016-17. Of the current year increase, \$225,686 was from operations and maintenance (O&M) and renewal & replacement (R&R) charges to CVSD. Although the O&M cost base remained stable, CVSD's flow contribution increased from 27.1% in FY 2016-17 to 29.3% in FY 2017-18. Increase in CVSD flow contributed approximately \$150,000 more in agency O&M revenues this year. Additionally, several major R&R projects that CVSD participated in were well in progress. These projects included Secondary Clarifier Coating, Ecotone Research & Monitoring, and Outfall NPDES Permitting which provided a feasibility analysis and the permitting of an alternate outfall that will reduce the District's capacity within East Bay Dischargers Authority (EBDA). Aside from CVSD, revenues from the Cities of Hayward and San Leandro remained relatively stable. EBDA revenues returned to its normalized level, a 32.7% decrease compared to FY 2016-17 during which increases in maintenance services and hypochlorite usage related to a surge in the enterococcus bacteria in EBDA system were significant.
- **Permits and inspection fees** increased by \$111,151 (65.6%) in FY 2017-18 and \$6,492 (4.0%) in FY 2016-17. A record total of 378 engineering permits were issued this year compared to 295 in FY 2016-17 due to increased construction activity. This resulted in \$113,008 (105%) addition revenues from construction inspection permits. On the other hand, revenues from industrial permits decreased by \$1,857 (3%).
- **Sanitary truck waste** decreased by \$61,511 (47.4%) in FY 2017-18 and increased by \$39,104 (43.2%) in FY 2016-17. The drop resulted when United Site Services discontinued discharging at the District since January 2018. Consequently, revenues are expected to decline further as currently only one small discharger remains.
- **Grease receiving charges** decreased by \$15,195 (12.9%) in FY 2017-18 and \$41,564 (26.1%) in FY 2016-17. The declining trend of Sequential's grease volume continued on from the previous year. The District has since contracted with two new smaller-scaled grease haulers to partially offset the loss of revenue.
- **Contract fees** increased by \$51,219 (5.1%) in FY 2017-18 and \$73,249 (7.8%) in FY 2016-17. The District provides solid waste services to its customers under an agreement with Waste Management of Alameda County (WMAC). Garbage rates go up each September based on the weighted average of the CPI and WMAC's teamsters wage and benefit increases. The garbage rate increases were 3.54% this year and 2.63% last year.
- **All remaining operating revenue categories** showed various growth trends. Residential recycling revenues increased slightly by \$11,764 (0.5%) as rates remained at the same level for both years per WMAC's contract agreement. Commercial and industrial recycling charges continued to rise from the business community's participation in recycling efforts, by \$14,240 (12.0%). Landfill fees – Measure D reflected an increase of \$39,402 (11.4%). Overhead revenues increased by \$46,692 (7.8%) due to higher labor costs and more direct labor being charged to renewal & replacement and capital improvement projects.

**ORO LOMA SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

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**Total Operating Expenses \$21.4 million (FY 2017-18) and \$21.7 million (FY 2016-17)** – Operating expenses decreased by \$286,433 (1.3%) in FY 2017-18 and increased by \$3.1 million (16.6%) in FY 2016-17. Many factors interacted to cause the FY 2017-18 decrease, but the greatest impact was from transactions related to GASB Statements No. 68 and No. 75. The pension expense was \$1.6 million based on CalPERS' GASB 68 valuation report measured at June 30, 2017. This represented a \$1.4 million (47.8%) drop from \$3.0 million last year due to favorable investment returns (11.2%) for the measurement period. Other pension items affecting operating expenses included the deferral of \$640,826 in current employer contributions to FY 2018-19 which lowered current year expenses, and the recognition of \$1,561,577 previously deferred from FY 2016-17 which increased current year expenses. On the OPEB side, the District reported an OPEB expense of \$129,848, compared to the negative OPEB expense of \$258,069 in FY 2016-17. This resulted in a \$387,917 increase from year to year. Depreciation decreased \$501,300 (15.1%) from last year as numerous assets from the 2007 Capacity Restoration Project became fully depreciated as of June 30, 2017.

For year-to-year operational comparison in which the effects of pension and OPEB adjustments were excluded, net operating expenses were \$20.5 million in FY 2017-18 and \$19.5 million in FY 2016-17, reflecting an actual increase of \$937,213 million (4.8%) between the years. Salaries and wages increased by \$327,389 (6.8%) as a result of a 3.7% cost-of-living adjustment and staffing increase in the Engineering and Operations departments. Employee benefits increased by \$55,879 (4.0%) as a 6.3% hike in health premium was partially offset by progressive increases in employee pension contributions. Renewal & Replacement projects were \$498,281 (17.2%) higher than last year, attributed to point repairs and plant structural coating, alternate outfall NPDES permitting and Ecotone research & monitoring. Expenses for public outreach went up by \$189,096 (427.3%) as the District adopted a rigorous outreach strategy which focused on communication channels such as website improvements, eBlasts, Facebook posts and theater advertisements, contracting with a solid waste/recycling consultant for school outreach, and hosting an open house attended by over 700 guests from the community where staff provided plant tours and hands-on demonstration on various sewage treatment and recycling processes. In addition, routine repairs and maintenance increased by \$37,898 (8.6%). These increases were partially offset by factors such as a \$147,501 decrease in election expenses due to a non-election year, and \$117,430 (34.1%) savings from sludge hauling which resulted from an overall reduction in tonnage and a pilot program to divert biosolids to uses on farmland through an agreement with Synagro.

**Total Non-operating Revenues \$658,922 (FY 2017-18) and \$793,038 (FY 2016-17)** – Non-operating revenues decreased by \$134,116 (16.9%) in FY 2017-18 and increased by \$62,981 (8.6%) in FY 2016-17. Investment income increased by \$112,947 (48.9%) as the market remained strong. Revenues from rents and leases increased slightly by \$9,330 (11.2%), due to a newly added tenant (KJ Woods Construction) in January 2018. In addition, the District sold two vehicles that have been declared surplus by the Board in March 2018 and received net proceeds of \$6,140. These revenue increases were offset by two revenue sources in FY 2016-17 which did not recur in FY 2017-18, namely, \$56,250 in State Recycled Water Grant and \$190,000 in CVSD reimbursement for additional UAL contribution, resulting in the overall decrease.

**Total Non-operating Expenses \$224,836 (FY 2017-18) and \$138,731 (FY 2016-17)** – Non-operating expenses increased by \$86,105 (62.1%) in 2018 and could be attributed entirely to a \$85,631 decrease in the fair value of investments.

### **Capital Assets**

On June 30, 2018, the District had \$77.1 million (net of accumulated depreciation) invested in a broad range of capital assets, as compared to \$71.9 million on June 30, 2017. These assets include land, collection system subsurface lines and lift stations, the sewage treatment plant, machinery and equipment, vehicles, solid waste and recycling assets.

In 2018, numerous projects were finished and as a result, \$5.8 million was added to the capital asset inventory. The majority of finished work (\$5.0 million, 88% of total) belonged to the District's collection system. A total sewer line replacement of 4 miles was completed for \$4.5 million. Other capitalized items included the Trojan lift station motor control center for \$448,107, Administration building roof with solar installation for \$244,458, plant security system and



**ORO LOMA SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

main gate controls for \$126,115, remote site programmable logic controllers for \$89,131, three new vehicles for \$66,008, SCADA network upgrades for \$56,185, laboratory fans for \$48,884, treatment plant safety improvements for \$44,832, a Collection televising camera for \$35,260, boiler rebuild for \$34,020, and various treatment plant improvements for \$122,314.

The annual comparison of capital assets is shown in Table 3, reflecting a \$8.0 million (5.6%) increase in FY 2017-18, and a \$5.0 million (3.7%) increase in FY 2016-17. Assets are recorded at cost and depreciated over their useful lives.

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

<b>Period Ended June 30</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Land	\$ 846,034	\$ 846,034	\$ 846,034
Construction in progress	4,347,377	2,129,851	6,279,801
Subsurface lines	67,040,575	62,587,087	59,547,118
Engineering	46,373	46,373	40,825
Collections	7,859,128	7,286,630	6,977,734
Operations	61,872,482	61,532,247	55,755,300
Maintenance	3,569,842	3,477,727	3,480,675
Administration	2,122,706	1,881,385	1,860,614
District vehicles	2,250,998	2,212,321	2,189,491
Subtotal – Sewer Services	144,762,104	139,023,770	129,851,757
Subtotal – Solid Waste	-	2,177	2,177
Subtotal – Recycling	26,045	26,045	26,045
Total capital assets	\$ 149,981,560	\$ 142,027,877	\$ 137,005,814
Increase (decrease) over prior year	\$ 7,953,683	\$ 5,022,063	\$ 4,781,058

Table 4 summarizes the changes in capital assets, net of accumulated depreciation. The net increase in capital assets was \$5.2 million (7.2%) in FY 2017-18 and \$1.7 million (2.5%) in FY 2016-17. Additional information on capital assets is presented in Note 4 to the financial statements.

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

<b>Period Ended June 30</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Balance at beginning of year	\$ 142,027,877	\$ 137,005,814	\$ 132,224,756
Additions	10,115,004	11,285,957	7,262,365
Retirements, write-offs and transfers	(2,161,321)	(6,263,894)	(2,481,307)
Total capital assets	149,981,560	142,027,877	137,005,814
Accumulated depreciation at beginning of year	(70,106,132)	(66,829,052)	(63,500,183)
Depreciation - retired assets	32,645	49,850	22,332
Annual depreciation	(2,825,630)	(3,326,930)	(3,351,201)
Accumulated depreciation at end of year	(72,899,117)	(70,106,132)	(66,829,052)
Capital assets at end of year, net of depreciation	\$ 77,082,443	\$ 71,921,745	\$ 70,176,762
Increase (decrease) over prior year	\$ 5,160,698	\$ 1,744,983	\$ 1,452,189

**ORO LOMA SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018**

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### **Debt Administration**

The District has been debt-free after its \$3,389,904 in outstanding bonds were redeemed in September 2009. In October 2018, the District issued new debt – \$14.2 million of sewer revenue bonds to be paid over 25 years. The bonds have a AA+ rating and 3.482% interest rate. Proceeds will partially fund the Nutrient Optimization Project which will take two years to complete and is expected to cost \$24.7 million. The project is jointly funded by the District (75%) and CVSD (25%), and will include a new aeration basin, replacement and upgrade of the existing aeration system, and construction of a new effluent pump station. Annual debt service (principal and interest) is \$850,000 beginning April 2019.

### **Economic Factors & Outlook for the Future**

With the mission to provide customers with the best possible service at the lowest possible cost, the Board and staff take pride in efficiency, accountability, customer service, entrepreneurial spirit, and an attitude of stewardship. These values have enabled the District to maintain the lowest known sewer rate in the State of California. The single family residential sewer service charge for FY 2017-18 was \$238, or 60% less than the average rate of \$594 in Alameda County.

In recent years, the District took proactive steps to reduce its unfunded accrued liability (UAL) for pensions, and has contributed a total of \$8.35 million in additional funding between March 2015 and July 2016 which reduced the UAL from \$11.6 million (72.0% funded) to \$6.0 million (87.9% funded). However, the volatility of the investment market and other experience factors can cause the UAL to have huge fluctuations. In the June 30, 2016 valuation issued in August 2017, the UAL has rebounded to \$8.9 million (82.8% funded). CalPERS has also adopted to lower the assumed rate of return from 7.5% to 7% over 3 years. This action poses further constraints on pension funding, and affects benefit costs beginning FY 2018-19, with an added impact around 0.5% of payroll for normal cost (\$25,000/year).

Capital projects have long been funded by using existing cash reserves. As a result, in 2015, cash on hand reached below \$20 million for the first time since 1994. The Board closely examined a cash flow projection in April 2016, and approved a 5-year, 7.5% annual rate increase to rebuild cash reserves for meeting future needs. The single family residential charge will reach \$296 by FY 2020-21, and is expected to generate additional revenues of \$0.8 million from year to year. With the goal of maintaining reliable infrastructure in mind, the Board recognizes the critical need to replace the District's aging sewer pipes (50-70 years old), and has adopted an accelerated pipeline replacement plan. The District spent over \$5 million on pipeline replacement work in FY 2017-18 and plans to maintain the same pace in FY 2018-19. During the next rate study in 2020, the District will evaluate the addition of a capital component into the rate structure to sustain its cash requirements for capital improvements.

The District also considered alternative means of discharging its peak effluent instead of utilizing the outfalls of EBDA, of which the joint powers agreement is coming up for renewal in 2020. The undertaking of \$14.2 million sewer revenue bonds to fund the Nutrient Optimization Project will enhance effluent quality and reduce the amount of nitrogen remaining in the final effluent. The project will allow for the nitrification and denitrification of flows up to 30 mgd. The District has obtained a National Pollutant Discharge Elimination System (NPDES) permit for the discharge of peak flows in an existing local outfall pipe which is contingent upon upgrading the treatment process. The local discharge of effluent flows will allow decreased dependence and costs for the District's partnership with EBDA. With these upgrades, the District's effluent quality is expected to meet or exceed all projected effluent limits for at least twenty years.

### **Request for Information**

This report aims to provide the public with a financial overview, to maintain transparency, and to highlight the successes in fiscal responsibility. Additional information may be requested from the Finance Manager at 2655 Grant Avenue, San Lorenzo, CA 94580, or (510) 481-6979.

## **BASIC FINANCIAL STATEMENTS**

**ORO LOMA SANITARY DISTRICT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018 AND 2017**

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,968,792	\$ 9,479,914
Investments at fair value	12,326,110	11,528,085
Interest receivable	98,931	67,335
Accounts receivable	1,998,485	1,401,059
Prepaid and other items	87,396	89,284
<b>Total current assets</b>	<b>20,479,714</b>	<b>22,565,677</b>
<b>Non-current assets</b>		
Other post-employment benefits (OPEB) asset	-	1,031,951
Investment in sewage discharge facilities - EBDA	6,184,096	6,277,343
<b>Capital assets</b>		
Land	846,034	846,034
Sewer service assets	144,762,104	139,023,770
Solid waste assets	-	2,177
Recycling assets	26,045	26,045
Construction in progress	4,347,377	2,129,851
Less: accumulated depreciation	(72,899,117)	(70,106,132)
Total capital assets (net of accumulated depreciation)	77,082,443	71,921,745
<b>Total non-current assets</b>	<b>83,266,539</b>	<b>79,231,039</b>
<b>Total assets</b>	<b>\$ 103,746,253</b>	<b>\$ 101,796,716</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension & other post-retirement benefits related	\$ 4,806,608	\$ 5,115,616

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018 AND 2017**

**(CONTINUED)**

**LIABILITIES**

	<b>2018</b>	<b>2017</b>
<b>Current liabilities</b>		
Accounts payable	\$ 1,984,882	\$ 1,531,513
Accrued salaries and wages	198,689	180,199
Customer deposits payable	347,355	315,317
Accrued compensated absences (current)	69,100	61,200
Other benefits set-aside (current)	-	-
<b>Total current liabilities</b>	<u>2,600,026</u>	<u>2,088,229</u>
<b>Non-current liabilities</b>		
Accrued compensated absences	391,550	346,596
Net pension liability	7,854,489	7,120,287
Net other post-retirement benefit liability	34,319	-
<b>Total non-current liabilities</b>	<u>8,280,358</u>	<u>7,466,883</u>
<b>Total liabilities</b>	<u>\$ 10,880,384</u>	<u>\$ 9,555,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension & other post-retirement benefits related	<u>\$ 3,282,342</u>	<u>\$ 3,315,499</u>
<b>NET POSITION</b>		
Net investment in capital assets	77,082,443	71,921,745
Unrestricted	17,307,692	22,119,976
<b>Total net position</b>	<u>\$ 94,390,135</u>	<u>\$ 94,041,721</u>

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating revenues</b>		
District service charges	\$ 13,974,088	\$ 12,961,082
Agency treatment charges	3,094,690	2,933,967
Permits and inspection fees	280,541	169,390
Sanitary truck waste charges	68,214	129,725
Grease receiving charges	102,208	117,403
Contract fees	1,062,218	1,010,999
Recycling charges - residential and green waste	2,321,208	2,309,444
Recycling charges - commercial and industrial	132,934	118,694
Landfills fees - Measure D	385,751	346,349
Other	646,413	599,721
<b>Total operating revenues</b>	<b>22,068,265</b>	<b>20,696,774</b>
<b>Operating expenses</b>		
Engineering	752,469	562,048
Sewage collections	3,471,954	3,100,122
Sewage treatment operations	4,657,149	4,447,483
Sewage treatment maintenance	2,387,698	2,204,710
Sewage disposal - EBDA	1,011,446	836,969
Administration and general	1,481,993	1,549,379
Pension expense	1,553,814	2,976,128
OPEB expense	129,848	(258,069)
Depreciation	2,825,630	3,326,930
Decrease in carrying value of EBDA	93,247	54,155
Solid waste	353,546	304,471
Recycling - residential, green waste, commercial, industrial	2,690,932	2,591,833
<b>Total operating expenses</b>	<b>21,409,726</b>	<b>21,696,159</b>
<b>Operating income</b>	<b>\$ 658,539</b>	<b>\$ (999,385)</b>

The accompanying notes are an integral part of these financial statements

**ORO LOMA SANITARY DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

**(CONTINUED)**

	<u>2018</u>	<u>2017</u>
<b>Non-operating revenues</b>		
Investment income	\$ 344,043	\$ 231,096
Rents and leases	92,795	83,465
Gain on disposal of capital assets	6,140	-
Recovery of uncollectible accounts	11,902	16,276
Recycled water grant	-	56,250
Other miscellaneous revenues	124,671	326,580
EBDA and other agreement refund	79,371	79,371
<b>Total non-operating revenues</b>	<u>658,922</u>	<u>793,038</u>
<b>Non-operating expenses</b>		
Decrease in the fair value of investments	223,552	137,921
Write-off of uncollectible accounts	1,284	810
<b>Total non-operating expenses</b>	<u>224,836</u>	<u>138,731</u>
<b>Income before contributions and other items</b>	1,092,625	(345,078)
Connection and other developers' fees	399,277	609,335
<b>Change in net position</b>	<u>1,491,902</u>	<u>264,257</u>
<b>Net position - beginning (as reported)</b>	94,041,721	93,777,464
<b>Prior period adjustment - OPEB adjustments</b>	<u>(1,143,488)</u>	<u>-</u>
<b>Net position - beginning (as adjusted)</b>	92,898,233	93,777,464
<b>Net position - ending</b>	<u><u>\$ 94,390,135</u></u>	<u><u>\$ 94,041,721</u></u>

The accompanying notes are an integral part of the financial statements

**ORO LOMA SANITARY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEARS JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 21,470,839	\$ 20,461,030
Payments to suppliers	(11,419,933)	(12,089,346)
Payments to employees and employee benefit plans	(5,580,726)	(5,284,850)
<b>Net cash provided by operating activities</b>	<u>4,470,180</u>	<u>3,086,834</u>
<b>Cash flows from non-capital financing activities</b>		
EBDA agreement refund	79,371	79,371
Agency reimbursements	124,671	326,580
Rents and leases	92,795	83,465
Recovery of uncollectible accounts	11,902	16,276
<b>Net cash provided by non-capital and related financing activities</b>	<u>308,739</u>	<u>505,692</u>
<b>Cash flows from capital and related financing activities</b>		
Connection and other developers' fees	399,277	609,335
Additions to property, plant and equipment	(7,986,328)	(5,071,913)
Proceeds from sale of fully depreciated capital assets	6,140	-
Capital grants	-	56,250
<b>Net cash used by capital and related financing activities</b>	<u>(7,580,911)</u>	<u>(4,406,328)</u>
<b>Cash flows from investing activities</b>		
Interest on investments	312,447	223,824
Purchases of investments	(1,021,577)	-
Proceeds from investments	-	2,860,356
<b>Net cash provided by investing activities</b>	<u>(709,130)</u>	<u>3,084,180</u>
<b>Net decrease in cash and cash equivalents</b>	(3,511,122)	2,270,378
<b>Cash and cash equivalents, beginning of year</b>	<u>9,479,914</u>	<u>7,209,536</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 5,968,792</u></u>	<u><u>\$ 9,479,914</u></u>

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



**ORO LOMA SANITARY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEARS JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 21,470,839	\$ 20,461,030
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Payments to employees and employee benefit plans	(5,580,726)	(5,284,850)
<b>Net cash provided by operating activities</b>	<u>4,470,180</u>	<u>3,086,834</u>
<b>Cash flows from non-capital financing activities</b>		
EBDA agreement refund	79,371	79,371
Agency reimbursements	124,671	326,580
Rents and leases	92,795	83,465
Recovery of uncollectible accounts	11,902	16,276
<b>Net cash provided by non-capital and related financing activities</b>	<u>308,739</u>	<u>505,692</u>
<b>Cash flows from capital and related financing activities</b>		
Connection and other developers' fees	399,277	609,335
Additions to property, plant and equipment	(7,986,328)	(5,071,913)
Proceeds from sale of fully depreciated capital assets	6,140	-
Capital grants	-	56,250
<b>Net cash used by capital and related financing activities</b>	<u>(7,580,911)</u>	<u>(4,406,328)</u>
<b>Cash flows from investing activities</b>		
Interest on investments	312,447	223,824
Purchases of investments	(1,021,577)	-
Proceeds from investments	-	2,860,356
<b>Net cash provided by investing activities</b>	<u>(709,130)</u>	<u>3,084,180</u>
<b>Net decrease in cash and cash equivalents</b>	(3,511,122)	2,270,378
<b>Cash and cash equivalents, beginning of year</b>	<u>9,479,914</u>	<u>7,209,536</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,968,792</u>	<u>\$ 9,479,914</u>

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

# BOARD OF DIRECTORS

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Three Directors took the Oath of Office on December 18, 2018.  
(From left to right) re-elected Directors Shelia Young and Rita Duncan, elected Director Fred Simon, officiated by legal counsel Tivonna Stern.



The Oro Loma Sanitary District Board of Directors, December 2018.  
(From left to right) Shelia Young (Director), Bob Glaze (Secretary), Dan Walters (President), Rita Duncan (Vice President), Fred Simon (Director).

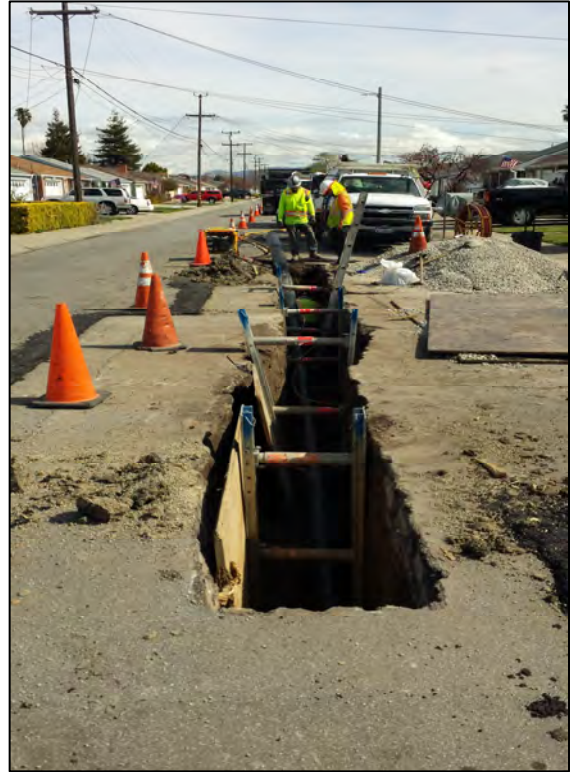
## **NOTES TO FINANCIAL STATEMENTS**



# PIPELINE REPLACEMENT PROGRAM

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



**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 1 – DISTRICT OVERVIEW**

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

The District is governed by a five-member Board of Directors, elected in the Alameda County's general election for alternating four-year terms. The Board oversees policy decisions and appoints the General Manager to manage day-to-day operations.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to enterprise governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB establishes standards for financial reporting for all state and local governmental entities, which require a management discussion and analysis section, a statement of net position, a statement of revenues, expenses and changes in net position, and, a statement of cash flows. It requires the classification of net position into three components: investment in capital assets, restricted net position, and unrestricted net position.

**Financial Reporting Entity**

For financial reporting purposes, component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable, and, other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has determined that there are no component units that meet these criteria as of June 30, 2018, and has reported all funds that are controlled by or are dependent upon its Board of Directors. Its relationship with East Bay Dischargers Authority (EBDA) is reflected based upon its proportionate share of the investment in the discharge facilities of EBDA.

**Basis of Presentation and Accounting**

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

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**Budgets and Budgetary Accounting**

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

**Cash and Cash Equivalents**

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

The District participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which invests a portion of the pooled funds in structured notes and asset-backed securities. Details are described in Note 3.

**Investments**

Investments are reported in the Statement of Net Position at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in fair value are recognized in the Statement of Revenues and Expenses and Changes in Net Position. Investment income includes interest earnings and any gains or losses realized upon maturity or sale of investments. See Note 3 for further disclosures.

**Inventories**

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

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets are defined by the District as assets with a minimum individual cost of \$10,000 and an estimated useful life of more than one year. Assets are recorded at acquisition cost on the Statement of Net Position. Capital costs for projects include salaries and overhead, contractual and professional services, materials, equipment, and other costs that contribute to the completion of the project. Costs of normal maintenance and repairs that neither add to the asset value nor materially extend useful lives are not capitalized. Capital assets within the sewage treatment plant are owned jointly by the District (75%) and Castro Valley Sanitary District (25%). Assets that do not pertain to the treatment plant are fully owned by the District. Note 4 presents further information on capital assets.

**Depreciation**

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

**Capital Contributions**

Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Examples include sewer pipelines, easements, and manholes, typically constructed in new residential developments. Other capital contributions include fees imposed on connections to the District's sewer system. These fees are reserved for the purpose of capital improvements.

**Debt Management**

The District did not have any long-term debt at June 30, 2018. Consequently, there was no restricted net position associated with debt at the end of FY 2017-18. In July 2018, the District adopted a debt management policy in anticipation of bond issuance for the Nutrient Optimization Project.

**Compensated Absences**

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

Balance at June 30, 2017	\$ 407,796
Addition for employees with accrued compensated absences earned	70,473
Deduction for employees with accrued compensated absences used	(17,619)
Net change in accrued compensated absences	<u>52,854</u>
Balance at June 30, 2018	<u><u>\$ 460,650</u></u>



**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The current portion of the compensated absences liability to be used within the next year is estimated by management to be \$69,100 or approximately 15%.

**Net Position**

The Statement of Net Position is designed to display the financial position of the District. Net position is the excess of assets and deferred outflow of resources over liabilities and deferred inflow of resources, and is classified into the following components:

- Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- Restricted – consists of constraints placed on net asset use by creditors or by law and constitutional provisions. The District has no restrictions on June 30, 2018.
- Unrestricted – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Classification of Revenues and Expenses**

Operating revenues are generally fees for providing sewer, garbage and recycling services. Non-operating revenues include income that is not directly derived from these services, but from investments, penalty charges, rent, gain on disposal of assets, EBDA/LAVWMA agreement refunds and other miscellaneous sources. Revenues can be used for either operating or capital purposes, except grants that are designated for specific purposes. Operating expenses are expenditures that are directly related to the District's primary operations, and include costs of providing sewage collection and treatment, garbage and recycling services, as well as non-cash expenses like depreciation and decrease in the carrying value of EBDA. All other expenses are reported as non-operating expenses.

**Pensions**

The amounts reported for the District's net pension liability, pension expense and deferred outflows/inflows of resources were determined based on CalPERS' GASB 68 Miscellaneous Risk Pool Accounting Valuation Report for the measurement dates June 30, 2017 and 2016, and the corresponding Schedules of Employer Allocations. Note 6 and the Required Supplementary Information section provide further details on pension liability and other related information.

**Other Post-Employment Benefits (OPEB)**

The District established an OPEB trust with CalPERS (CERBT) in January 2008 while maintaining an in-house account to pay for OPEB obligations. Funds in the in-house account were fully exhausted in FY 2016-17. Since then, the District began withdrawing from the CERBT to reimburse itself for OPEB payments made during the year. Based on biennial actuarial valuations performed by an independent actuary, the District's OPEB funding has consistently been around 100%. OPEB reporting for FY 2017-18 followed standards established by GASB Statement No. 75 which superseded GASB Statement No. 45. See Note 7 for detailed disclosures.



**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting Estimates**

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

**Subsequent Events**

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the audited statements were issued. The financial statements include all events and transactions required to be recognized in accordance with generally accepted accounting principles. Readers should note that the District subsequently issued \$14.2 million in sewer revenue bonds (25-year term, 3.482% interest) on October 10, 2018.

**New Accounting Pronouncements**

***GASB Statement No. 75*** – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The provisions in GASB Statement No. 75 are effective for FY 2017-18. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for other post-employment benefits (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts. This Statement impacted the District's FY 2017-18 Statement of Net Position through the elimination of last year's OPEB asset determined under GASB Statement No. 45 and the recognition of a net OPEB liability.

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

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

***GASB Statement No. 86 – Certain Debt Extinguishment Issues.*** This Statement establishes uniform guidance on accounting for debt that is defeased in substance. Debt is considered to be defeased in substance when the debtor places cash or monetary assets from either refunding or existing resources in a trust to be used solely for paying principal and interest of the debt. The Statement requires disclosure of such transactions and the amount of debt that remains outstanding at period end. In addition, it provides guidance on how to account for the difference between the amount placed in trust and the net carrying amount of the debt defeased in substance. This Statement is effective beginning FY 2017-18. The District is currently not impacted by the Statement because it had no outstanding debt.

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GASB Statement No. 87 – *Lease*.** The objective of this Statement is to improve accounting and financial reporting for leases by governments, by requiring the recognition of certain lease assets and liabilities that were previously classified as operating leases and recognized as inflows/outflows of resources based on the payment provision of the contract. Lessees will be required to recognize a lease liability and an intangible right-to-use lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective beginning FY 2020-21, and has no effect on the District's financial reporting.

**GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.** The objective of this Statement is to improve disclosure by requiring that additional essential information related to debt be included in notes to financial statements. Examples of required information includes: unused lines of credit; assets pledged as collateral for the debt; terms related to significant events of default, termination, or acceleration with finance-related consequences. Information about resources to liquidate debt and the risks associated with changes in terms will also be disclosed. This Statement is effective beginning FY 2018-19. This Statement will affect how the debt is disclosed on next year's financial statements. Staff will work closely with the auditor to be in compliance.

**GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*.** The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective beginning FY 2020-21 and may be remotely applicable to the District's reporting on bond interest incurred during the construction of the Nutrient Optimization Project, as construction is expected to be completed by the end of FY 2019-20.

**GASB Statement No. 90 – *Majority Equity Interests, an Amendment of GASB Statements No.14 and No. 61*.** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement is effective beginning FY 2019-20, and has no effect on the District's financial reporting.

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

The District had \$18,294,902 in cash, cash equivalents and investments, which are reported at fair value as of June 30, 2018. GASB Statement No. 72, *Fair Value Measurement and Application*, established a hierarchy of inputs to the valuation techniques. Below is the distribution of inputs used to measure the fair value of the District's cash equivalents and investments.

- Level 1 inputs – Quoted market prices
 

U.S. Government Bonds	\$4,992,325
Certificates of Deposit	\$6,326,770
Corporate Bonds	\$1,007,015
- Level 2 inputs – Observable inputs other than quoted market prices, based on statements provided.
 

California Local Agency Investment Fund (LAIF)	\$4,609,219
UMB Bank Money Market Account	\$33,792
U.S. Bank Checking Account	\$1,324,281

The following table provides details on the District's cash, cash equivalents and investments at June 30, 2018, as reported in the Statement of Net Position of the basic financial statements:

Cash and cash equivalents	\$ 5,968,792
Investments	<u>12,326,110</u>
Total cash, cash equivalents and investments	<u>\$ 18,294,902</u>

**Cash, cash equivalents and investments as of June 30, 2018 consist of:**

Petty cash	\$ 1,500
Deposits with financial institutions	
Checking account – U.S. Bank	1,324,281
Money market account – UMB Bank	33,792
California Local Agency Investment Fund (LAIF)	<u>4,609,219</u>
Subtotal cash and cash equivalents	<u>5,968,792</u>
Investments	
U.S. Government Bonds – UMB Bank	\$ 4,992,325
Certificates of Deposit – UMB Bank	6,326,770
Corporate Bonds – UMB Bank	<u>1,007,015</u>
Subtotal investments	<u>12,326,110</u>
Total cash, cash equivalents and investments	<u>\$ 18,294,902</u>

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Policies, Practices and General Authorizations**

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

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

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

Authorized Investment Type with Minimum Rating Requirements where applicable	State of California Limits			District Policy
	Maximum Remaining <u>Maturity</u>	Maximum of <u>Portfolio</u>	Maximum in <u>Single Issuer</u>	Maximum of Portfolio / Maximum in <u>Single Issuer</u>
U.S. Treasury obligations	5 years	None	None	None
U.S. Government <sup>1</sup> and GNMA securities	5 years	None	None	None / 30%
Banker's acceptance [A-1; A for senior debt]	180 days	40%	30%	20% / 5%
Commercial papers ["Prime"]	270 days	25%	10%	25% / 5%
Negotiable certificates of deposit <sup>2</sup>	5 years	30%	None	30%
Repurchase agreements	1 year	None	None	Not permitted
Reverse repurchase agreements	92 days	20% of base	None	Not permitted
Money market mutual funds [Aaa]	N/A	20%	10%	20% / 10%
Local Agency Investment Fund	N/A	\$50 million	None	\$50 million
Bank deposits	N/A	None	None	20%
Corporate notes, medium term [A]	5 years	30%	None	30% / 5%

<sup>1</sup> U.S. Government Securities – securities issued by agencies sponsored by the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

<sup>2</sup> All certificates of deposit must be insured by the Federal Deposit Insurance Corporation (FDIC).

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

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Interest Rate Risk and Credit Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity is its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of short-term and long-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary to provide the cash flow and liquidity needed for operations.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The following schedule provides information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation by showing the distribution by maturity. The actual ratings as of the June 30, 2018 for each investment type are shown.

(Source: Moody's)

Investment Type	Maturities of Instruments			Rating as of June 30, 2018	Total	Percentage of Portfolio
	12 months or less	12 – 24 months	25 months or longer			
U.S. government bonds						
FFCB	\$ -	\$ 737,340	\$ -	Aaa	\$ 737,340	4%
FHLB	992,740	1,282,325	-	Aaa	2,275,065	12%
FHLMC	742,245	-	-	Aaa	742,245	4%
FNMA	-	1,237,675	-	Aaa	1,237,675	7%
Corporate bonds	1,007,015	-	-	A3 – A2	1,007,015	6%
Certificates of deposit	498,223	1,729,742	4,098,805	FDIC insured	6,326,770	35%
Total investments	3,240,223	4,987,082	4,098,805		12,326,110	68%
Cash and money market	1,359,573	-	-	Not required	1,359,573	7%
LAIF State investment pool	4,609,219	-	-	Not required	4,609,219	25%
Total cash & investments	\$ 9,209,015	\$ 4,987,082	\$ 4,098,805		\$18,294,902	100%

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Concentration of Credit Risk**

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy limits the amount that can be invested in any one issuer. As of June 30, 2018, all concentrations are within the amounts permitted.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, deposits may not be returnable. California Government Code Sections 53651.6 and 53651(p) require that a financial institution secure deposits by pledging securities in an undivided collateral pool held by a depository regulated under State law. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The collateral and deposit pool balance is monitored by the Administrator of Local Security Program of the State of California. State law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits, and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2018, the amount of deposits in U.S. Bank (\$1,324,281, before reduction for outstanding checks and addition of deposits in transit) was covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000. The remaining amount was secured by collateral held in an undivided collateral pool, as described above.

**Custodial Credit Risk - Investments**

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk. A list of approved broker-dealers are named in the District's investment policy and updated each year. Of those firms, the District frequently works with Wells Fargo Securities to carry out investment transactions in compliance with the requirements of the investment policy. Securities purchased through are held with UMB Bank in the District's name under a custody agreement dated November 17, 2016.

**Investment in the State's Investment Pool**

The District participates in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of investments in the pool is reported in the accompanying financial statements at amounts based on the District's pro-rata share of the fair value provided by LAIF for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. The LAIF balance at June 30, 2018 was \$4,609,219.



**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 is summarized as follows:

	<u>Useful Life</u>	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
<b>Non-depreciable capital assets</b>					
Land		\$ 846,034	\$ -	\$ -	\$ 846,034
Construction in progress		2,129,851	4,346,202	(2,128,676)	4,347,377
<b>Total non-depreciable capital assets</b>		<u>2,975,885</u>	<u>4,346,202</u>	<u>(2,128,676)</u>	<u>5,193,411</u>
<b>Depreciable capital assets</b>					
<u>Sewer Service</u>					
Subsurface lines	20-80yrs	62,587,087	4,453,488	-	67,040,575
Engineering	5-20 yrs	46,373	-	-	46,373
Collections	5-20 yrs	7,286,630	572,498	-	7,859,128
Operations	2-20 yrs	61,532,247	340,235	-	61,872,482
Maintenance	5-20 yrs	3,477,727	92,115	-	3,569,842
Administration	5-20 yrs	1,881,385	244,458	(3,137)	2,122,706
District vehicles	5-10 yrs	2,212,321	66,008	(27,331)	2,250,998
Subtotal - Sewer Service		<u>139,023,770</u>	<u>5,768,802</u>	<u>(30,468)</u>	<u>144,762,104</u>
<u>Solid Waste</u>					
Subtotal - Solid Waste		<u>2,177</u>	<u>-</u>	<u>(2,177)</u>	<u>-</u>
<u>Recycling</u>					
Subtotal - Recycling	10 yrs	<u>26,045</u>	<u>-</u>	<u>-</u>	<u>26,045</u>
<b>Total depreciable capital assets</b>		<u>139,051,992</u>	<u>5,768,802</u>	<u>(32,645)</u>	<u>144,788,149</u>
<b>Total capital assets</b>		<u>\$ 142,027,877</u>	<u>\$ 10,115,004</u>	<u>\$ (2,161,321)</u>	<u>\$ 149,981,560</u>

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Less: accumulated depreciation				
<u>Sewer Service</u>				
Subsurface lines	\$ (28,544,350)	\$ (846,694)	\$ -	\$ (29,391,044)
Engineering	(38,650)	(3,285)	-	(41,935)
Collections	(4,262,111)	(261,047)	-	(4,523,158)
Operations	(31,187,524)	(1,459,999)	-	(32,647,523)
Maintenance	(2,658,473)	(120,141)	-	(2,778,614)
Administration	(1,822,085)	(11,782)	3,137	(1,830,730)
District vehicles	(1,564,717)	(122,682)	27,331	(1,660,068)
Subtotal - Sewer Service	(70,077,910)	(2,825,630)	30,468	(72,873,072)
<u>Solid Waste</u>				
Subtotal – Solid Waste	(2,177)	-	2,177	-
<u>Recycling</u>				
Subtotal – Recycling	(26,045)	-	-	(26,045)
<b>Total accumulated depreciation</b>	<b>(70,106,132)</b>	<b>(2,825,630)</b>	<b>32,645</b>	<b>(72,899,117)</b>
<b>Net depreciable capital assets</b>	<b>68,945,860</b>	<b>2,943,172</b>	<b>-</b>	<b>71,889,032</b>
<b>Net capital assets</b>	<b>\$ 71,921,745</b>	<b>\$ 7,289,374</b>	<b>\$ (2,128,676)</b>	<b>\$ 77,082,443</b>

**Construction commitments**

The District has active construction projects as of June 30, 2018. Significant work in progress include sewer line repairs and replacements, lift station improvements, nutrient optimization, cogeneration engine overhaul, pond bridge piping replacement and plant paving. As of June 30, 2018, the total outstanding construction commitments was \$1,162,842.

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

East Bay Dischargers Authority (EBDA) was established in 1974 by the Cities of Hayward and San Leandro, and by the Oro Loma, Castro Valley, and Union Sanitary Districts under the Joint Exercise of Powers Act of the State of California. The purpose for creating the Authority was to plan, acquire, construct, manage and operate common use areas for sewage disposal facilities for its member agencies. The governing body of EBDA consists of five members, one appointed by each of its member agencies, all with equal vote. As a separate legal entity, EBDA exercises full power and authorities within the scope of the Joint Powers Agreement. Its obligations and liabilities are not those of its member agencies.

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

The financial activities for EBDA are not included in the accompanying financial statements as it is administered by a Commission separate from and independent of the District. Current fiscal year transactions with, and the investment in, the Joint Powers Authority are accounted for as follows:

- The District's long-term investment in EBDA is reported as Investment in Sewage Discharge Facilities - EBDA under capital assets in the amount of \$6,184,096 for 2018 and \$6,277,343 for 2017. The respective changes of \$93,247 and \$54,155 are reported under Decrease in Carrying Value of EBDA, as operating expenses.
- The District's share of payments to EBDA is reported as Sewage Disposal - EBDA, an operating expense on the financial statements. Payments were \$1,011,446 and \$836,969 respectively during the fiscal years ended 2018 and 2017.
- The District received from EBDA \$79,371 per year in 2018 and 2017 for its share of revenues from the long-term agreement between EBDA and Livermore-Amador Valley Water Management Agency (LAVWMA). These amounts are reported as EBDA and Other Agreement Refunds under non-operating revenues.

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

The assets of EBDA are the costs of the property, plant, and equipment used to discharge treated effluent into the San Francisco Bay. Over \$40 million of the construction costs and planning related thereto were primarily funded by federal and state sources as follows: 75% by the U.S. Environmental Protection Agency (EPA), and 12.5% by the State Water Resources Control Board (SWRCB). The remaining 12.5% was funded by EBDA's member agencies.

Legal title and pertinent grant documents, and, conditions for joint-use facilities remain with EBDA. Each agency owns an undivided portion of the joint facilities, including the portions funded by federal and state grants, based on its contributed percentage of project costs, as defined by the Joint Exercise of Powers Agreement.

The financial statements of EBDA are available upon request from: East Bay Dischargers Authority, 2651 Grant Avenue, San Lorenzo, California 94580. Summary financial data taken from EBDA's audited financial statements for its fiscal years ended June 30, 2017 and 2016 (latest available) is as follows:

	<b>Fiscal Year Ended June 30</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Net position at beginning of year	\$ 32,516,670	\$ 32,797,195
Net income before depreciation	440,174	640,886
Depreciation	<u>(923,194)</u>	<u>(921,411)</u>
Changes in net position	<u>(483,020)</u>	<u>(280,525)</u>
Net position at end of year	<u>\$ 32,033,650</u>	<u>\$ 32,516,670</u>
Comprised of		
Total assets	33,156,735	33,805,482
Deferred outflow of resources	160,624	173,256
Total liabilities	(1,180,433)	(1,339,567)
Deferred inflow of resources	<u>(103,276)</u>	<u>(122,501)</u>
Total net position	<u>\$ 32,033,650</u>	<u>\$ 32,516,670</u>

The District's investment in sewage discharge facilities (EBDA) at 19.305% is as follows\*:

Investment in sewage discharge facilities (EBDA) - beginning of year	6,277,343	6,331,498
Decrease in carrying value of sewage discharge facilities of EBDA	<u>(93,247)</u>	<u>(54,155)</u>
Investment in sewage discharge facilities (EBDA) - end of year (listed as a non-current asset on the Statement of Net Position)	<u>\$ 6,184,096</u>	<u>\$ 6,277,343</u>

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

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Plan Description**

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

**Benefits Provided**

CalPERS administers service and disability retirement benefits, annual cost of living adjustments, and death benefits to the Plans’ members and beneficiaries, based on the pension formula of the Plans, the member’s years of service, age, and final compensation. Benefit levels are established by State statute and based on the contract between CalPERS and the District. Members may elect to retire at an earlier age with statutorily reduced benefits. Cost of living adjustments are applied as specified by the Public Employees’ Retirement Law. Eligibility for disability retirement applies after five years of service with the District. The Plans’ provisions and benefits for FY 2017-18 are summarized as follows:

<b>Plan Information</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
Date of employment	Before 11/14/2011	Between 11/15/2011 & 12/31/2012	On or After 1/1/2013
Benefit formula	2.5% @55	2.0% @60	2.0% @62
Benefits vesting schedule	5 Years	5 Years	5 Years
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	55	60	62
Eligible age for early retirement	50	50	52
Benefits as a % of eligible compensation (applied to each year of service)	2.0% (age 50) to 2.5% (age 55)	1.092% (age 50) to 2.0% (age 60)	1.0% (age 52) to 2.0% (age 62)
Required employee contributions	8%	7%	6.5%
Required employer contributions	10.848% and \$156,662	7.850% and \$852	6.908% and \$1,652

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Employees Covered**

<b>Participant Status</b>	<b>Number of Participants</b>
Inactive employees receiving benefits	73
Inactive employees entitled to but not receiving benefits	19
Active members	44
Total	136

**Employer Contribution History**

Section 20814(c) of the California Public Employees’ Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The amounts of employer contributions during the last three years are as follows. The District contributed an addition \$1 million per year towards its unfunded pension liability in FY 2015-16 and FY 2016-17.

<b>Employer Contributions</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	<b>Total</b>
FY 2015-16	1,428,734	17,869	49,712	1,496,315
FY 2016-17	1,477,930	20,710	62,937	1,561,577
FY 2017-18	537,664	24,270	78,892	640,826

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Total and Net Pension Liabilities**

The District’s net pension liability is measured as a proportionate share of the Risk Pool’s net pension liability (NPL), measured as of June 30, 2017. The total pension liability of the Plan used to calculate the net pension liability was determined by CalPERS’ actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard actuarial roll forward methods. The proportionate share of the Risk Pool’s net pension liability was based on a projection of the District’s long-term share of contributions relative to the projected contributions of all participating employers (actuarially determined). As of June 30, 2016 and June 30, 2017, the proportionate shares of the Risk Pool’s net pension liability and changes during the measurement period were as follows:

<b>Net Pension Liability as of Measurement Date</b>	<b>Proportionate Share of Risk Pool’s NPL (\$)</b>	<b>Proportionate Share of Risk Pool’s NPL (%)</b>
June 30, 2016	\$7,120,287	0.082286%
<b>June 30, 2017</b>	<b>\$7,854,489</b>	<b>0.079200%</b>
Change	\$734,202	(0.003806%)

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

	<b>Proportionate Share of Risk Pool’s</b>		
	<b>Total Pension Liability</b>	<b>Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at Valuation Date June 30, 2016	\$51,833,352	\$44,713,065	\$7,120,287
<b>Balance at Measurement Date June 30, 2017</b>	<b>\$56,137,999</b>	<b>\$48,283,510</b>	<b>\$7,854,489</b>
Net Changes	\$4,304,647	\$3,570,445	\$734,202



**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Pension Expenses and Deferred Outflows/Inflows of Resources**

For the fiscal year ended June 30, 2018, the District recognized a pension expense of \$1,553,814, a net decrease in deferred outflows of resources of \$419,008, and a net decrease in deferred inflows of resources of \$240,223. The detailed balances of various deferred outflows and inflows at the measurement date of June 30, 2017 are as follows.

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 18,880	\$ 270,485
Changes in assumptions	2,342,517	178,619
Net differences between projected and actual earnings on plan investments	529,781	-
Change in employer's proportion	-	2,353,150
Differences between the employer's contributions and the employer's proportionate share of contributions	1,164,603	273,022
Pension contributions subsequent to measurement date	640,827	-
Financial statement balances at June 30, 2018	<u>\$ 4,696,608</u>	<u>\$ 3,075,276</u>

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

<b>Fiscal Year Ending June 30,</b>	<b>Deferred Outflows (Inflows) of Resources to be Recognized as Pension Expense</b>
2019	\$ 2,733
2020	809,631
2021	482,681
2022	(314,541)

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

The following presents the District’s proportionate share of the Risk Pool’s net pension liability, calculated using the discount rate of 7.15%, as well as what it would be if the discount rate is 1% lower (6.15%) or 1% higher (8.15%). The 7.15% discount rate was from CalPERS' GASB 68 Accounting Valuation Report for June 30, 2017.

<b>Changes in Discount Rate</b>	<b>Discount Rate</b>	<b>Proportionate Share of Risk Pool’s NPL</b>
1% decrease	6.15%	\$15,576,096
Current discount rate	7.15%	\$7,854,489
1% increase	8.15%	1,459,314

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

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

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

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

The Risk Pool's assets are allocated among public equity (50%), private equity (8%), global fixed income (28%), liquidity (1%), and real assets (13%). Total market value of assets as of the June 30, 2017 valuation date were \$323.7 billion.

**Projected Employer Contributions**

		<b>Required Contributions</b>		<b>Projected Future Employer Contributions</b>			
		<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Tier 1	Normal cost %	11.419%	12.142%	13.000%	13.000%	13.000%	13.000%
	UAL Payment	\$292,513	\$431,468	\$574,000	\$720,000	\$833,000	\$884,000
Tier 2	Normal cost %	8.346%	8.668%	9.300%	9.300%	9.300%	9.300%
	UAL Payment	\$1,085	\$1,374	\$1,900	\$2,500	\$2,000	\$2,300
Tier 3	Normal cost %	7.266%	7.072%	7.600%	7.600%	7.600%	7.600%
	UAL Payment	\$2,090	\$2,756	\$4,100	\$5,400	\$4,800	\$5,700

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Actuarial techniques were used to adjust the total OPEB liability back from the valuation date to the beginning of the measurement period, June 30, 2016.

**Plan Description**

The Oro Loma Sanitary District Retiree Healthcare Plan provides benefits as approved by the Board and subject to the requirements of California Government Code Section 22892. In January 2008, the District established an account with CalPERS' California Employees' Retiree Benefit Trust (CERBT) with an initial deposit of \$5 million to prefund its OPEB costs. For purposes of reporting under GASB Statements 74 and 75, the plan is an agent multiple employer plan. The objective of this trust is to seek favorable returns through a diverse asset allocation and market exposure. Participating employers own units of the portfolio that invests in accordance with the approved strategic asset allocation. The unit value changes with market condition. The CERBT is a self-funded program. The program cost is currently 10 basis points charged to each participating employers based on average daily balance of assets. The OPEB plan reports under GASB Statement 74 as part of CalPERS CAFR which is available here: <https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>.

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

**Employees Covered**

As of June 30, 2017 the following current and former employees were covered by the benefit terms under the OPEB plan:

Current employees	43
Retired former employees or survivors currently receiving benefits	46
Total	<u>89</u>

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Contributions**

The District intends to continue reimbursing pay-as-you-go benefits from Trust. For the fiscal year ended June 30, 2018, the District's cash contributions were \$317,824 in premium payments made on behalf of retirees and implied subsidy payments of \$110,000. The District requested reimbursement of \$317,824 from Trust, resulting in contributions of \$110,000 for the year.

**Actuarial Assumptions**

The District's net OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation dated June 30, 2017 based on the following actuarial methods and assumptions:

Discount rate	7.00%
Inflation	2.75%
Salary Increases	3% per year
Long term rate of return on investments	7.00%
Mortality rate	2014 CalPERS OPEB Assumptions Model for "public agency miscellaneous" based on the 1997-2011 experience study
Pre-Retirement turnover and retirement	2014 CalPERS OPEB Assumptions Model for "public agency miscellaneous 2.5% at 55" based on the 1997-2011 experience study
Healthcare trend rate	CalPERS medical premium amounts are assumed to increase 5% per year after 2018
Participation	99% of eligible employees are assumed to elect coverage upon retirement, and to remain covered under District plans for life

**Discount Rate**

The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return (7%) which was applied to all periods of projected benefit payments to determine the total OPEB liability.

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Net OPEB Liability**

The changes in the net OPEB liability for the Retiree Healthcare Plan are as follows:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability/(Asset) (c)=(a)-(b)</b>
Balance at June 30, 2017 (Measurement Date 6/30/16)	\$7,772,019	\$7,253,276	\$518,743
Changes recognized for measurement period:			
Service cost	158,746	-	158,746
Interest	526,742	-	526,742
Differences between actual and expected experience	-	-	-
Contributions - employer	-	407,206	(407,206)
Net investment income	-	766,432	(766,432)
Benefit payments	(494,273)	(494,273)	-
Administrative expense	-	(3,726)	3,726
Net changes	191,215	675,639	(484,424)
<b>Balance at June 30, 2018 (Measurement Date 6/30/17)</b>	<b>7,963,234</b>	<b>7,928,915</b>	<b>34,319</b>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the District's net OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017.

	<b>1% Decrease 6.0 %</b>	<b>Discount Rate 7.0 %</b>	<b>1% Increase 8.0 %</b>
Net OPEB Liability (Asset)	\$ 1,096,663	\$ 34,319	\$ (840,747)

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents District's the net OPEB liability if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017.

	<b>1% Decrease 4.0 %</b>	<b>Current Healthcare Cost Trend Rates 5.0 %</b>	<b>1% Increase 6.0 %</b>
Net OPEB Liability (Asset)	\$ (859,668)	\$ 34,319	\$ 1,123,932

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**OPEB Expense**

The following summarizes the OPEB expense by source during the year ended June 30, 2018, for the measurement date of June 30, 2017:

Service Cost	\$158,746
Interest	526,742
Expected investment return	(507,599)
Administrative expense	3,726
Recognition of difference between projected and actual earnings on investments	(51,767)
Total	<u>\$129,848</u>

**Deferred Outflows and Deferred Inflows of Resources**

At fiscal year end June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	207,066
District contributions subsequent to the measurement date	110,000	-
Total	<u>110,000</u>	<u>207,066</u>

The \$110,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

<b>Fiscal Year Ended June 30</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2019	\$(51,767)
2020	(51,767)
2021	(51,767)
2022	(51,765)
2023	0
Thereafter	0

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 – OTHER DEFERRED OR DEFINED COMPENSATION PLANS**

**Section 457(b) Deferred Compensation Plan**

The District maintains a deferred compensation plan, qualified under section 457(b) of the Internal Revenue Code, in which all full-time employees may participate. Employees and the District each contributes 0.32% of gross salary into the plan. In addition, \$0.50 for each \$1.00 of employee voluntary contributions is matched, up to a maximum of \$750 per employee per calendar year. Employees may defer additional amounts up to the Internal Revenue Code limits (from all sources). Generally, deferred compensation is available for withdrawal upon retirement, termination of employment, disability, or death. Contributions are made to, and accumulated in, a trust maintained by the administrator, Lincoln Financial Group, for the benefit of individual participants. Neither the assets nor the liabilities of this plan are those of the District. Changes in the plan assets for fiscal years ended June 30, 2018 and 2017 are summarized as follows:

<b>Lincoln – 457(b)</b>	<b>2018</b>	<b>2017</b>
Plan assets – beginning of year	\$ 7,581,277	\$ 7,197,682
Contributions by:		
Employer	52,354	39,497
Employee pre-tax deductions	374,637	320,854
Employee rollover	-	353,602
Investment earnings	509,823	595,727
Withdrawals and fees	(352,898)	(926,085)
Plan assets – end of year	<u>\$ 8,165,193</u>	<u>\$ 7,581,277</u>

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

The PARS-ARS plan was put into effect on July 1, 2008. It is an alternative to Social Security, a qualified defined contribution plan under Section 457(b), and tax-exempt under Section 501(a) of the Internal Revenue Code, and is available to part-time employees and Board members who are not eligible for CalPERS. It is administered by Public Agency Retirement System (PARS). Enrollment in the PARS-ARS plan is mandatory for all qualified employees upon employment. The selection of investment choices for the plan resides with the District. Participating employees contribute 6.20% of salary, the District contributes 2.20%. Contributions are pre-tax. Combined annual contributions to the plan and to any other qualified 457(b) deferred compensation plans shall not exceed the limits established by the Internal Revenue Service. Neither the assets nor the liabilities of this plan are those of the District. Changes in the plan's assets for the fiscal years ended June 30, 2018 and 2017 are summarized as follows:

<b>PARS-ARS – 457(b)</b>	<b>2018</b>	<b>2017</b>
Plan assets – beginning of year	\$ 111,957	\$ 91,808
Contributions by:		
Employer	3,665	3,652
Employee (pre-tax)	10,327	10,292
Investment earnings	3,793	6,222
Withdrawals and fees	(17)	(17)
Plan assets – end of year	<u>\$ 129,725</u>	<u>\$ 111,957</u>

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Section 401(a) Defined Contribution Plan**

The defined contribution plan (IRS Section 401(a)) was established in 1997. Eligible participants include the General Manager, management and confidential employees, and Board members. The plan was amended in 2007 in accordance with current Internal Revenue Service regulations. The administrator of the plan is ICMA Retirement Corporation. Neither the assets nor the liabilities of this plan are those of the District. Changes in the plan assets for fiscal years ended June 30, 2018 and 2017 are summarized as follows:

<b>ICMA – 401(a)</b>	<b>2018</b>	<b>2017</b>
Plan assets – beginning of year	\$ 1,694,102	\$ 1,403,381
Contributions by:		
Employer	105,646	90,679
Employee (pre-tax)	45,969	42,631
Employee loan repayments (pre-tax)	8,593	7,107
Investment earnings	158,886	185,691
Withdrawals and fees	(5,035)	(35,387)
Plan assets – end of year	\$ 2,008,161	\$ 1,694,102

**NOTE 9 – RISK MANAGEMENT AND INSURANCE**

The District is exposed to various risks of loss related to torts, theft and damage of assets, errors and omissions, injuries to employees and natural disasters. It is a member of the California Sanitation Risk Management Authority (CSRMA), a joint powers authority (JPA) and a public entity risk pool currently operating as a common risk management and insurance program for its member entities. The purpose of CSRMA is to spread the adverse effects of losses among its member entities and to purchase excess insurance as a group, thereby reducing costs. The layers of coverage within the general and automobile liability program are as follows:

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



**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 9 – RISK MANAGEMENT AND INSURANCE (CONTINUED)**

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

The District paid \$9,010, \$18,213 and \$994 in insurance claims during fiscal years ended June 30, 2018, 2017 and 2016 respectively, and has no outstanding claims, or carried no liabilities related thereto in its financial statements. The amount of claims paid were within the \$250,000 deductible limit.

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Administration	\$ 167,176	\$ 153,275	\$ 167,768
Insurance premiums	213,498	230,005	201,289
Losses and settlements	9,010	18,213	994
	<u>\$ 389,684</u>	<u>\$ 401,493</u>	<u>\$ 370,051</u>

Since no liabilities for claims has been provided in the financial statements as of June 30, 2018, 2017, and 2016, the indicated claims paid above represent the claims experience for the last three fiscal years.

As of June 30, 2018, the District has no current or anticipated litigation.

Insurance related expenses are distributed to the following departments.

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Engineering	\$ 30,371	\$ 30,212	\$ 29,340
Collections	113,224	108,990	106,173
Operations	133,945	148,754	128,590
Maintenance	77,678	80,032	72,714
Administration	34,466	33,505	33,234
	<u>\$ 389,684</u>	<u>\$ 401,493</u>	<u>\$ 370,051</u>

**ORO LOMA SANITARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

On September 1, 1997, under a 10-year franchise agreement, the District contracted with Waste Management of Alameda (WMAC) to provide solid waste, residential and green waste recycling services. On March 1, 2004, the original agreement was extended. On January 1, 2012, a new agreement was signed with an expiration date of August 31, 2024.

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

Customer-related:

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

District-related:

- Under the new agreement, WMAC purchased new collection vehicles and placed them into service within the District's service area.
- WMAC assumes full responsibility for expenses related to closure/post-closure of its landfill (Altamont Landfill).
- Throughout the current contract period and extension(s), WMAC shall accept the District's biosolids at the Altamont Landfill for use as alternative daily cover (ADC). To qualify as ADC, the biosolids must comply with certain criteria for metals, pathogens and water content in accordance with local, state and federal regulations. Once WMAC accepts delivery of the biosolids, the District ceases to have any responsibility or liability for their content or for their compliance with any regulations for use as ADC.
- WMAC shall furnish a performance bond in the amount of \$6,000,000, adjusted every September 1 by a combination factor as follows:  $[0.5 \times (\text{April CPI-U for all urban consumer items in San Francisco, Oakland, and San Jose, as published by the US Department of Labor, Bureau of Statistics – Series CUURA422SA0})] + [0.5 \times (\text{Weighted average of Teamsters wage, benefits and pension contract increases for the following year})]$ .
- As part of the agreement, WMAC maintains a Public Education Account on behalf of the District. These funds are used to support public outreach, information and education campaigns – newsletters, bill inserts, Earth Day poster contests, and other events. The balance in this account as of June 30, 2018 was \$141,174.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ORO LOMA SANITARY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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**Pension Benefits**

Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

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

	Fiscal Year Ended June 30			
	2018	2017	2016	2015
Measurement date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of net pension liability	0.079200%	0.082286%	0.069898%	0.132651%
District's proportionate share of net pension liability	\$ 7,854,489	\$ 7,120,287	\$ 4,797,739	\$ 8,254,184
District's covered payroll	\$ 4,590,299	\$ 4,373,734	\$ 4,332,992	\$ 3,885,932
District's proportionate share of net pension liability as a % of covered payroll	171.11%	162.80%	110.73%	212.41%
Plan's fiduciary net position as a % of Plan's total pension liability	73.31%	74.06%	78.40%	79.82%

**Schedule of the District's Contributions**

	Fiscal Year Ended June 30			
	2018	2017	2016	2015
Contributions for the fiscal year ended June 30				
Actuarially determined contribution	\$ 640,827	\$ 561,577	\$ 496,315	\$ 727,291
Contributions in relation to actuarially determined contribution	\$ 640,827	\$ 1,561,577	\$ 1,496,315	\$ 7,075,186
Contribution deficiency (excess)	\$ -	\$ (1,000,000)	\$ (1,000,000)	\$ (6,347,895)
District's covered payroll for the fiscal year	\$ 4,928,629	\$ 4,590,299	\$ 4,373,734	\$ 4,332,992
Contributions as a % of covered payroll	13.00%	34.02%	34.21%	163.29%

**ORO LOMA SANITARY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**Other Post-Employment Benefits (OPEB)**

Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**Schedule of Changes in Net OPEB Liability & Related Ratios**

	<b>Fiscal Year Ended June 30 2018</b>
Measurement Period ended	6/30/17
<b>Total OPEB Liability</b>	
Service Cost	\$ 158,746
Interest on Total OPEB Liability	526,742
Actual and expected experience difference	-
Changes in assumptions	-
Changes in benefits terms	-
Benefits payments	(494,273)
Net Change in Total OPEB Liability	\$ 191,215
Total OPEB Liability - beginning	7,772,019
Total OPEB Liability - ending (a)	<u>\$ 7,963,234</u>
 <b>Plan Fiduciary Net Position</b>	
Contribution - employer	\$ 407,206
Net investment income	766,432
Benefit payments	(494,273)
Administrative expenses	(3,726)
Net Change in Plan Fiduciary Net Position	\$ 675,639
Plan Fiduciary Net Position - beginning	7,253,276
Plan Fiduciary Net Position - ending (a)	<u>\$ 7,928,915</u>
 <b>Net OPEB Liability - ending (a)</b>	 <u><u>\$ 34,319</u></u>
 Plan Fiduciary Net Position as a % of Total OPEB Liability	 99.57%
Covered-Employee Payroll	\$ 4,590,299

**Schedule of the District's Contributions**

	<b>Fiscal Year Ended June 30 2018</b>
Measurement Period ended	6/30/2017
Actuarially Determined Contribution (ADC)	\$ 104,829
Contributions in relation to the ADC	110,000
Contribution deficiency (excess)	\$ (5,171)
Covered-Employee Payroll	\$ 5,107,308

## **OTHER SUPPLEMENTARY INFORMATION**

**ORO LOMA SANITARY DISTRICT  
DESCRIPTION OF FUNDS UTILIZED  
JUNE 30, 2018**

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

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

**Sewer Services**

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

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

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

**Solid Waste / Garbage Services**

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

**Recycling Services**

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



ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2018

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

SCHEDULE 1

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 8,432,556	\$ (4,612,913)	\$ (1,290,935)
Investments at fair value	-	6,326,770	5,999,340
Interest receivable	55,297	(5,263)	30,254
Accounts receivable	1,459,923	125,571	191,569
Prepaid and other items	87,396	-	-
<b>Total current assets</b>	<b>10,035,172</b>	<b>1,834,165</b>	<b>4,930,228</b>
<b>Non-current assets</b>			
Other post-employment benefits (OPEB) asset	-	-	-
Investment in sewage discharge facilities - EBDA	6,184,096	-	-
Capital assets			
Land	846,034	-	-
Sewer service assets	144,762,104	-	-
Solid waste assets	-	-	-
Recycling assets	-	-	-
Construction in progress	-	-	4,347,377
Less: accumulated depreciation	(72,873,072)	-	-
Total capital assets	72,735,066	-	4,347,377
<b>Total non-current assets</b>	<b>78,919,162</b>	<b>-</b>	<b>4,347,377</b>
<b>Total assets</b>	<b>\$ 88,954,334</b>	<b>\$ 1,834,165</b>	<b>\$ 9,277,605</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension & other post-retirement benefits related	\$ 4,806,608	\$ -	\$ -

**COMBINING SCHEDULE OF NET POSITION**  
**ALL DISTRICT SERVICES**  
**AS OF JUNE 30, 2018**  
**WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017**  
**SCHEDULE 1 (continued)**

<b>Solid Waste Services</b>		<b>Recycling Services</b>					
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	Combined June 30,		\$	%		
		2018	2017			Change	Change
\$ 2,112,935	\$ 1,327,149	\$ 5,968,792	\$ 9,479,914	\$ (3,511,122)	-37.0%		
-	-	12,326,110	11,528,085	798,025	6.9%		
11,577	7,066	98,931	67,335	31,596	46.9%		
39,055	182,367	1,998,485	1,401,059	597,426	42.6%		
-	-	87,396	89,284	(1,888)	-2.1%		
2,163,567	1,516,582	20,479,714	22,565,677	(2,085,963)	-9.2%		
-	-	-	1,031,951	(1,031,951)	-100.0%		
-	-	6,184,096	6,277,343	(93,247)	-1.5%		
-	-	846,034	846,034	-	0.0%		
-	-	144,762,104	139,023,770	5,738,334	4.1%		
-	-	-	2,177	(2,177)	-100.0%		
-	26,045	26,045	26,045	-	0.0%		
-	-	4,347,377	2,129,851	2,217,526	104.1%		
-	(26,045)	(72,899,117)	(70,106,132)	(2,792,985)	4.0%		
-	-	77,082,443	71,921,745	5,160,698	7.2%		
-	-	83,266,539	79,231,039	4,035,500	5.1%		
\$ 2,163,567	\$ 1,516,582	\$ 103,746,253	\$ 101,796,716	\$ 1,949,537	1.9%		
\$ -	\$ -	\$ 4,806,608	\$ 5,115,616	\$ (309,008)	-6.0%		

*To be continued on the following pages*

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2018

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

SCHEDULE 1 (continued)

	Sewer Services		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 193,305	\$ 249,921	\$ 1,347,461
Accrued salaries and wages	198,689	-	-
Customer deposits payable	55,787	99,112	192,456
Accrued compensated absences (current)	69,100	-	-
<b>Total current liabilities</b>	<b>516,881</b>	<b>349,033</b>	<b>1,539,917</b>
<b>Non-current liabilities</b>			
Accrued compensated absences	391,550	-	-
Net pension liability	7,854,489	-	-
Net other post-retirement benefit liability	34,319	-	-
<b>Total non-current liabilities</b>	<b>8,280,358</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>\$ 8,797,239</b>	<b>\$ 349,033</b>	<b>\$ 1,539,917</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension & other post-retirement benefits related	\$ 3,282,342	\$ -	\$ -
<b>NET POSITION</b>			
Net investment in capital assets	\$ 72,735,066	\$ -	\$ 4,347,377
Unrestricted	8,946,295	1,485,132	3,390,311
<b>Total net position</b>	<b>\$ 81,681,361</b>	<b>\$ 1,485,132</b>	<b>\$ 7,737,688</b>

ORO LOMA SANITARY DISTRICT

COMBINING SCHEDULE OF NET POSITION

ALL DISTRICT SERVICES

AS OF JUNE 30, 2018

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017

SCHEDULE 1 (continued)

Solid Waste Services		Recycling Services		Combined June 30,		\$	%
Garbage	Residential, Green Waste, Commercial & Industrial Recycling	2018	2017	Change	Change		
\$ 5,488	\$ 188,707	\$ 1,984,882	\$ 1,531,513	\$ 453,369	29.6%		
-	-	198,689	180,199	18,490	10.3%		
-	-	347,355	315,317	32,038	10.2%		
-	-	69,100	61,200	7,900	12.9%		
5,488	188,707	2,600,026	2,088,229	511,797	24.5%		
-	-	391,550	346,596	44,954	13.0%		
-	-	7,854,489	7,120,287	734,202	10.3%		
-	-	34,319	-	34,319	100.0%		
-	-	8,280,358	7,466,883	813,475	10.9%		
\$ 5,488	\$ 188,707	\$ 10,880,384	\$ 9,555,112	\$ 1,325,272	13.9%		
\$ -	\$ -	\$ 3,282,342	\$ 3,315,499	\$ (33,157)	-1.0%		
\$ -	\$ -	\$ 77,082,443	\$ 71,921,745	\$ 5,160,698	7.2%		
2,158,079	1,327,875	17,307,692	22,119,976	(4,812,284)	-21.8%		
\$ 2,158,079	\$ 1,327,875	\$ 94,390,135	\$ 94,041,721	\$ 348,414	0.4%		

**ORO LOMA SANITARY DISTRICT**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**ALL DISTRICT SERVICES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2017**  
**SCHEDULE 2**

	<b>Sewer Services</b>		
	Operations and Maintenance	Renewal and Replacement	Capital Improvement
<b>Operating revenues</b>			
District service charges	\$ 9,974,088	\$ 4,000,000	\$ -
Agency treatment charges	2,716,677	378,013	-
Permits and inspection fees	280,541	-	-
Sanitary truck waste charges	68,214	-	-
Grease receiving charges	102,208	-	-
Contract fees	-	-	-
Recycling charges - residential and green waste	-	-	-
Recycling charges - commercial and industrial	-	-	-
Landfills fees - Measure D	-	-	-
Other	646,413	-	-
<b>Total operating revenues</b>	<b>13,788,141</b>	<b>4,378,013</b>	<b>-</b>
<b>Operating expenses</b>			
Engineering	742,499	9,970	-
Sewage collections	1,486,794	1,985,160	-
Sewage treatment operations	3,530,338	1,126,811	-
Sewage treatment maintenance	2,254,842	132,856	-
Sewage disposal - EBDA	892,196	119,250	-
Administration and general	1,456,938	25,055	-
Pension expense	1,553,814	-	-
OPEB expense	129,848	-	-
Depreciation	2,825,630	-	-
Decrease in carrying value of EBDA	93,247	-	-
Solid waste	-	-	-
Recycling - residential, green waste, commercial and industrial	-	-	-
<b>Total operating expenses</b>	<b>14,966,146</b>	<b>3,399,102</b>	<b>-</b>
<b>Operating income (loss)</b>	<b>(1,178,005)</b>	<b>978,911</b>	<b>-</b>
<b>Non-operating revenues</b>			
Investment income	142,465	43,770	114,090
Rents and leases	92,795	-	-
Gain on disposal of capital assets	6,140	-	-
Recovery of uncollectible accounts	-	-	-
Recycled water grant	-	-	-
Other miscellaneous revenues	108,683	23	160
EBDA and other agreement refunds	-	-	79,371
<b>Total non-operating revenues</b>	<b>350,083</b>	<b>43,793</b>	<b>193,621</b>
<b>Non-operating expenses</b>			
Decrease in the fair value of investments	-	151,002	72,550
Write-off of uncollectible accounts	-	-	-
<b>Total non-operating expenses</b>	<b>-</b>	<b>151,002</b>	<b>72,550</b>
<b>Income (loss) before contributions, transfers and other items</b>	<b>(827,922)</b>	<b>871,702</b>	<b>121,071</b>
Connection and other developers' fees	-	-	399,277
Transfers in (out) of capital assets	5,768,802	-	(5,768,802)
Equity transfers in (out)	(3,824,000)	-	4,000,000
<b>Change in net position</b>	<b>1,116,880</b>	<b>871,702</b>	<b>(1,248,454)</b>
<b>Net position - beginning (as reported)</b>	<b>81,707,969</b>	<b>613,430</b>	<b>8,986,142</b>
<b>Prior period adjustment - OPEB adjustments</b>	<b>(1,143,488)</b>	<b>-</b>	<b>-</b>
<b>Net position - beginning (as adjusted)</b>	<b>80,564,481</b>	<b>613,430</b>	<b>8,986,142</b>
<b>Net position - ending</b>	<b>\$ 81,681,361</b>	<b>\$ 1,485,132</b>	<b>\$ 7,737,688</b>

ORO LOMA SANITARY DISTRICT

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ALL DISTRICT SERVICES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
SCHEDULE 2 (continued)**

<b>Solid Waste Services</b>		<b>Recycling Services</b>			
<b>Garbage</b>	<b>Residential, Green Waste, Commercial &amp; Industrial Recycling</b>	<b>Combined June 30,</b>		<b>Change</b>	<b>Change</b>
		<b>2018</b>	<b>2017</b>	<b>\$</b>	<b>%</b>
\$ -	\$ -	\$ 13,974,088	\$ 12,961,082	\$ 1,013,006	7.8%
-	-	3,094,690	2,933,967	160,723	5.5%
-	-	280,541	169,390	111,151	65.6%
-	-	68,214	129,725	(61,511)	-47.4%
-	-	102,208	117,403	(15,195)	-12.9%
1,062,218	-	1,062,218	1,010,999	51,219	5.1%
-	2,321,208	2,321,208	2,309,444	11,764	0.5%
-	132,934	132,934	118,694	14,240	12.0%
-	385,751	385,751	346,349	39,402	11.4%
-	-	646,413	599,721	46,692	7.8%
<u>1,062,218</u>	<u>2,839,893</u>	<u>22,068,265</u>	<u>20,696,774</u>	<u>1,371,491</u>	<u>6.6%</u>
-	-	752,469	562,048	190,421	33.9%
-	-	3,471,954	3,100,122	371,832	12.0%
-	-	4,657,149	4,447,483	209,666	4.7%
-	-	2,387,698	2,204,710	182,988	8.3%
-	-	1,011,446	836,969	174,477	20.8%
-	-	1,481,993	1,549,379	(67,386)	-4.3%
-	-	1,553,814	2,976,128	(1,422,314)	-47.8%
-	-	129,848	(258,069)	387,917	150.3%
-	-	2,825,630	3,326,930	(501,300)	-15.1%
-	-	93,247	54,155	39,092	72.2%
353,546	-	353,546	304,471	49,075	16.1%
-	2,690,932	2,690,932	2,591,833	99,099	3.8%
<u>353,546</u>	<u>2,690,932</u>	<u>21,409,726</u>	<u>21,696,159</u>	<u>(286,433)</u>	<u>-1.3%</u>
<u>708,672</u>	<u>148,961</u>	<u>658,539</u>	<u>(999,385)</u>	<u>1,657,924</u>	<u>-165.9%</u>
28,226	15,492	344,043	231,096	112,947	48.9%
-	-	92,795	83,465	9,330	11.2%
-	-	6,140	-	6,140	100.0%
11,902	-	11,902	16,276	(4,374)	-26.9%
-	-	-	56,250	(56,250)	-100.0%
191	15,614	124,671	326,580	(201,909)	-61.8%
-	-	79,371	79,371	-	0.0%
<u>40,319</u>	<u>31,106</u>	<u>658,922</u>	<u>793,038</u>	<u>(134,116)</u>	<u>-16.9%</u>
-	-	223,552	137,921	85,631	62.1%
1,284	-	1,284	810	474	58.5%
<u>1,284</u>	<u>-</u>	<u>224,836</u>	<u>138,731</u>	<u>86,105</u>	<u>62.1%</u>
<u>747,707</u>	<u>180,067</u>	<u>1,092,625</u>	<u>(345,078)</u>	<u>1,437,703</u>	<u>416.6%</u>
-	-	399,277	609,335	(210,058)	-34.5%
-	-	-	-	-	0.0%
(176,000)	-	-	-	-	0.0%
<u>571,707</u>	<u>180,067</u>	<u>1,491,902</u>	<u>264,257</u>	<u>1,227,645</u>	<u>464.6%</u>
1,586,372	1,147,808	94,041,721	93,777,464	264,257	0.3%
-	-	(1,143,488)	-	(1,143,488)	-100.0%
<u>1,586,372</u>	<u>1,147,808</u>	<u>92,898,233</u>	<u>93,777,464</u>	<u>(879,231)</u>	<u>-0.9%</u>
<u>\$ 2,158,079</u>	<u>\$ 1,327,875</u>	<u>\$ 94,390,135</u>	<u>\$ 94,041,721</u>	<u>\$ 348,414</u>	<u>0.4%</u>

**ORO LOMA SANITARY DISTRICT  
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY  
JUNE 30, 2018**

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### **Budgetary Information**

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

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

The Two-Year Budget for Fiscal Years 2017-18 and 2018-19 was approved by Resolution No. 3637, dated May 16, 2017. The Budget for the audit year of FY 2017-18 was amended by the following Board actions:

- Resolution No. 3643 – Amendment No. 1, dated September 19, 2017, with a net increase to Renewal & Replacement and Capital Improvement Program of \$3,383,800.
- Various funding allocations by Board motions during FY 2017-18, authorizing a total net increase to Renewal & Replacement and Capital Improvement Program of \$833,000.

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

### **Budget Accounting**

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

### **Budgetary Comparisons**

The following schedules present the District's budgetary comparison with actual revenues, expenses, and changes in net position for the year ended June 30, 2018 for each service.



**ORO LOMA SANITARY DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEWER SERVICES - OPERATIONS AND MAINTENANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**SCHEDULE 3**

	<b>Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget- Favorable (Unfavorable)</b>
<b>Operating revenues</b>			
District service charges	\$ 9,625,300	\$ 9,974,088	\$ 348,788
Agency treatment charges	2,372,000	2,716,677	344,677
Permits and inspection fees	128,000	280,541	152,541
Sanitary truck waste charges	90,000	68,214	(21,786)
Grease receiving charges	128,000	102,208	(25,792)
Other	650,000	646,413	(3,587)
<b>Total operating revenues</b>	<b>12,993,300</b>	<b>13,788,141</b>	<b>794,841</b>
<b>Operating expenses</b>			
Engineering	873,700	742,499	131,201
Sewage collections	1,723,400	1,486,794	236,606
Sewage treatment operations	4,271,200	3,530,338	740,862
Sewage treatment maintenance	2,451,300	2,254,842	196,458
Sewage disposal - EBDA	715,200	892,196	(176,996)
Administration and general	1,672,800	1,456,938	215,862
Pension expense	-	1,553,814	(1,553,814)
OPEB expense	-	129,848	(129,848)
Depreciation	2,700,000	2,825,630	(125,630)
Decrease in carrying value of EBDA	100,000	93,247	6,753
<b>Total operating expenses</b>	<b>14,507,600</b>	<b>14,966,146</b>	<b>(458,546)</b>
<b>Operating income (loss)</b>		<b>(1,178,005)</b>	
<b>Non-operating revenues</b>			
Interest income	30,000	142,465	112,465
Rents and leases	92,500	92,795	295
Gain on disposal of capital assets	-	6,140	6,140
Other miscellaneous revenues	80,000	108,683	28,683
<b>Total non-operating revenues</b>	<b>202,500</b>	<b>350,083</b>	<b>147,583</b>
<b>Non-operating expenses</b>			
Write-off of plant and equipment	-	-	-
Write-off of uncollectible accounts	10,000	-	10,000
Other expenses	120,000	-	120,000
<b>Total non-operating expenses</b>	<b>130,000</b>	<b>-</b>	<b>130,000</b>
<b>Income (loss) before contributions and transfers</b>	<b>\$ (1,441,800)</b>	<b>\$ (827,922)</b>	<b>\$ 613,878</b>
<b>Transfers of plant and equipment from Capital Improvement Program</b>		<b>5,768,802</b>	
<b>Equity transfers in (out)</b>		<b>(3,824,000)</b>	
<b>Change in net position</b>		<b>1,116,880</b>	
<b>Net position - beginning (as reported)</b>		<b>81,707,969</b>	
<b>Prior period adjustment - OPEB adjustments</b>		<b>(1,143,488)</b>	
<b>Net position - beginning</b>		<b>80,564,481</b>	
<b>Net position - ending</b>		<b>\$ 81,681,361</b>	

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL EXPENSES  
SEWER SERVICES - OPERATIONS AND MAINTENANCE  
BY ACCOUNT CATEGORIES AND DEPARTMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
SCHEDULE 4**

	<b>Budgeted Amounts</b>	<b>Actual Amounts by Account Category</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Operating expenses</b>			
Salaries	\$ 4,405,600	\$ 4,402,651	\$ 2,949
Employee benefits	2,441,500	1,345,360	1,096,140
Directors' benefits and fees	184,800	172,352	12,448
Election expenses	-	-	-
Gasoline, oil and fuel	88,600	60,326	28,274
Insurance	507,800	389,684	118,116
Office expenses	54,200	59,260	(5,060)
Operating supplies	699,700	551,506	148,194
Safety supplies	30,800	32,867	(2,067)
Contractual services	1,096,000	1,107,342	(11,342)
Professional services	201,000	183,064	17,936
Memberships and publications	63,100	54,219	8,881
Public outreach	105,000	115,878	(10,878)
Rents and leases	23,300	20,661	2,639
Repairs and maintenance	496,500	478,632	17,868
Research and monitoring	101,000	60,269	40,731
Travel, meetings and training	113,000	96,867	16,133
Recognition program	34,300	18,989	15,311
Utilities	346,200	321,484	24,716
<b>Departmental expenses</b>	<b>10,992,400</b>	<b>9,471,411</b>	<b>1,520,989</b>
Sewage disposal - EBDA	715,200	892,196	(176,996)
Pension expense	-	1,553,814	(1,553,814)
OPEB expense	-	129,848	(129,848)
Depreciation	2,700,000	2,825,630	(125,630)
Decrease in carrying value of EBDA	100,000	93,247	6,753
<b>Non-departmental expenses</b>	<b>3,515,200</b>	<b>5,494,735</b>	<b>(1,979,535)</b>
<b>Total operating expenses</b>	<b>14,507,600</b>	<b>14,966,146</b>	<b>(458,546)</b>
<b>Non-operating expenses:</b>			
Write-off of uncollectible accounts	10,000	-	10,000
Other miscellaneous expenses	120,000	-	120,000
<b>Total non-operating expenses</b>	<b>130,000</b>	<b>-</b>	<b>130,000</b>
<b>Total expenses</b>	<b>\$ 14,637,600</b>	<b>\$ 14,966,146</b>	<b>\$ (328,546)</b>

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL EXPENSES  
SEWER SERVICES - OPERATIONS AND MAINTENANCE  
BY ACCOUNT CATEGORIES AND DEPARTMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
SCHEDULE 4 (continued)**

	<b>Annual Departmental Expenses vs. Budget</b>				
	Engineering Department	Sewage Collections Department	Sewage Treatment Operations Department	Sewage Treatment Maintenance Department	Administration and General Department
<b>Operating expenses</b>					
Salaries	\$ 372,787	\$ 844,284	\$ 1,688,646	\$ 1,014,910	\$ 482,024
Employee benefits	163,192	223,519	426,028	\$ 272,312	\$ 260,309
Directors' benefits and fees	-	-	-	\$ -	\$ 172,352
Election expenses	-	-	-	\$ -	\$ -
Gasoline and oil	3,386	33,030	11,974	\$ 11,647	\$ 289
Insurance	30,371	113,224	133,945	\$ 77,678	\$ 34,466
Office expenses	7,643	4,006	12,257	\$ 10,536	\$ 24,818
Operating supplies	3,777	49,762	470,054	\$ 27,913	\$ -
Safety supplies	1,197	11,819	7,759	\$ 11,114	\$ 978
Contractual services	106,255	47,641	447,387	\$ 360,059	\$ 146,000
Professional services	21,583	2,681	29,944	\$ 3,146	\$ 125,710
Memberships and publications	5,439	4,381	11,871	\$ 3,856	\$ 28,672
Public Outreach	-	-	-	\$ -	\$ 115,878
Rents and leases	-	-	11,409	\$ 7,435	\$ 1,817
Repairs and maintenance	2,843	57,761	1,257	\$ 413,986	\$ 2,785
Research and monitoring	-	-	58,849	\$ 1,420	\$ -
Travel, meetings and training	6,619	8,719	20,349	\$ 27,730	\$ 33,450
Recognition program	2,551	1,925	3,548	\$ 1,533	\$ 9,432
Utilities	14,856	84,042	195,061	\$ 9,567	\$ 17,958
<b>Departmental expenses FY 2017-18</b>	<b>\$ 742,499</b>	<b>\$ 1,486,794</b>	<b>\$ 3,530,338</b>	<b>\$ 2,254,842</b>	<b>\$ 1,456,938</b>
<b>Departmental budget</b>	<b>\$ 873,700</b>	<b>\$ 1,723,400</b>	<b>\$ 4,271,200</b>	<b>\$ 2,451,300</b>	<b>\$ 1,672,800</b>
<b>% of budget used</b>	<b>85%</b>	<b>86%</b>	<b>83%</b>	<b>92%</b>	<b>87%</b>
<b>Departmental expenses FY 2016-17</b>	<b>\$ 560,300</b>	<b>\$ 1,447,800</b>	<b>\$ 3,445,160</b>	<b>\$ 2,105,538</b>	<b>\$ 1,523,373</b>
<b>Change in FY 2017-18 (\$)</b>	<b>\$ 182,199</b>	<b>\$ 38,994</b>	<b>\$ 85,178</b>	<b>\$ 149,304</b>	<b>\$ (66,435)</b>
<b>Change in FY 2017-18 (%)</b>	<b>32.5%</b>	<b>2.7%</b>	<b>2.5%</b>	<b>7.1%</b>	<b>-4.4%</b>

ORO LOMA SANITARY DISTRICT

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEWER SERVICES - RENEWAL AND REPLACEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
SCHEDULE 5**

		<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
		<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>Operating revenues</b>					
	District service charges	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ -
	Agency treatment charges	253,350	503,500	378,013	(125,487)
	<b>Total operating revenues</b>	<b>4,253,350</b>	<b>4,503,500</b>	<b>4,378,013</b>	<b>(125,487)</b>
<b>Project #</b>	<b>Project costs</b>				
	<u><b>Collections system</b></u>				
100.00/04/06/16	Lift Stations - General/Railroad/Monika/Ralston	80,000	58,300	39,096	19,204
141.00	Collections Asset Repair and Maintenance	1,250,000	2,125,300	1,859,246	266,054
144.00	Source Detection/Hydraulic Model Update	150,000	13,700	10,105	3,595
144.10	Collections System GIS & Asset Management	25,000	98,400	70,011	28,389
151.10	Easement Clearing & Road Maintenance	50,000	7,000	6,702	298
	Postponed or Cancelled Projects	45,000	2,000	-	2,000
		<b>1,600,000</b>	<b>2,304,700</b>	<b>1,985,160</b>	<b>319,540</b>
	<u><b>Treatment plant</b></u>				
328.00	Arc Flash Hazard Review	30,000	30,000	28,080	1,920
266.00	CEPT System Rehabilitation	35,000	31,900	31,900	-
289.00	Concrete Assessment & Rehabilitation	100,000	15,000	14,980	20
213.08	Consolidated Operations Building Planning Study	-	41,000	39,530	1,470
293.02	Ecotone Research & Monitoring	60,000	489,300	471,668	17,632
213.07	Effluent Local Limits Reporting & Testing	50,000	40,000	30,549	9,451
305.00	Gate & Valve Replacements	25,000	10,600	10,567	33
213.05	Microvi Pilot Study	-	59,800	52,907	6,893
213.06	Outfall NPDES Permitting	-	182,700	85,475	97,225
213.00	Pre-Design Studies	65,000	73,000	69,707	3,293
239.00	Safety Improvements	30,000	11,400	11,327	73
222.02	Secondary Clarifier Coating	-	323,000	301,694	21,306
204.00	Treatment Plant GIS & Asset Management	10,000	12,000	11,695	305
219.00	Treatment Unit Influent Channel Coating	150,000	350,000	5,378	344,622
395.0X	Recurring Maintenance	240,000	81,000	77,196	3,804
900.93	Critical Renewal and Replacements	70,000	27,000	17,014	9,986
	Postponed or Cancelled Projects	75,000	-	-	-
		<b>940,000</b>	<b>1,777,700</b>	<b>1,259,667</b>	<b>518,033</b>
	<u><b>Administration &amp; Engineering</b></u>				
595.40/45	Computers and Network Maintenance	30,000	10,900	10,879	21
524.00/525.00	Fiscal Agent & Debt Financing Fees	2,500	14,200	14,176	24
900.9X	Critical Renewal and Replacements	40,000	10,000	9,970	30
626.00	EBDA replacement assessment	125,000	119,400	119,250	150
		<b>197,500</b>	<b>154,500</b>	<b>154,275</b>	<b>225</b>
	<b>Total project costs</b>	<b>2,737,500</b>	<b>4,236,900</b>	<b>3,399,102</b>	<b>837,798</b>
	<b>Operating expenses</b>				
	Engineering			9,970	
	Sewage collections			1,985,160	
	Sewage treatment operations			1,126,811	
	Sewage treatment maintenance			132,856	
	Sewage disposal - EBDA			119,250	
	Administration			25,055	
	<b>Total operating expenses</b>			<b>3,399,102</b>	
	<b>Operating income (loss)</b>			<b>978,911</b>	
	<b>Non-operating revenues (expenses)</b>				
	Investment income	40,000	38,000	43,770	5,770
	Increase (decrease) in the fair value of investments	-	-	(151,002)	(151,002)
	Recycled water grant	-	-	-	-
	Other miscellaneous revenues	-	-	23	23
	<b>Total non-operating revenues (expenses)</b>	<b>40,000</b>	<b>38,000</b>	<b>(107,209)</b>	<b>(145,209)</b>
	<b>Income before contributions and transfers</b>	<b>\$ 1,555,850</b>	<b>\$ 304,600</b>	<b>\$ 871,702</b>	<b>\$ 567,102</b>
	<b>Equity transfers in (out)</b>			<b>-</b>	
	<b>Change in net position</b>			<b>871,702</b>	
	<b>Net position - beginning</b>			<b>613,430</b>	
	<b>Net position - ending</b>			<b>\$ 1,485,132</b>	

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SEWER SERVICES - CAPITAL IMPROVEMENT PROGRAM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
SCHEDULE 6**

Project #	Project costs	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
		Original	Final		
	<u>Collections system</u>				
100.01	Lift Stations - Trojan MCC / Pump	\$ 400,000	\$ 398,500	\$ 398,432	\$ 68
107.00	Lift Stations Rehabilitation	150,000	150,000	6,513	143,487
105.00	Lift Stations Remote Site PLC Upgrades	100,000	100,000	89,131	10,869
142.00	Altamont Road Easement Line Replacement	250,000	40,000	17,644	22,356
166.00	Collections Truck Replacement	35,000	28,700	28,674	26
143.04/.05	Pipeline Replacements (FY 2016-17)	1,266,200	1,266,200	1,266,127	73
143.06/07/09	Pipeline Replacements (Glenbrook/Lomita/Hacienda)	1,124,300	1,124,300	1,124,196	104
143.08	Pipeline Replacements (FY 2017-18)	1,820,000	3,628,000	3,469,027	158,973
143.10	Pipeline Replacements (FY 2018-19)	139,500	139,500	31,628	107,872
900.91	Critical Equipment - Collections	15,000	36,000	35,261	739
	Postponed or Cancelled projects	50,000	50,000	-	50,000
		5,350,000	6,961,200	6,466,633	494,567
	<u>Treatment plant</u>				
310.00	Boiler Rebuild	-	53,000	45,360	7,640
299.00	Cogeneration Engine Overhaul	-	47,300	47,210	90
267.00	Grit Pump Replacement & Piping Rehabilitation	25,000	21,840	21,834	6
284.00	Influent Grinder Rebuild	30,000	32,000	31,837	163
314.01	Laboratory Fans Replacement	75,000	65,200	65,179	21
395.06	Landscaping & Grounds	-	42,000	26,600	15,400
213.06	Nutrient Optimization	-	1,230,000	880,058	349,942
395.07	Plant Paving	500,000	100,000	96,940	3,060
301.00	Plant Security System	175,000	158,200	158,153	47
315.00	Pond Bridge Piping Replacement & Containment	250,000	100,000	70,978	29,022
249.00	Primary Discharge Line #4 Water Pipe Replacement	25,000	20,730	20,728	2
239.00	Safety Improvements	-	37,000	36,507	493
319.00	SCADA Network Upgrades	50,000	75,000	74,913	87
316.00	Vehicle Replacements	40,000	50,800	49,779	1,021
900.93	Critical Equipment - Plant	70,000	95,130	88,686	6,444
		1,240,000	2,128,200	1,714,762	413,438
	<u>Administration &amp; Engineering</u>				
900.45	Administration Roof & Solar Installation	-	288,000	287,953	47
	Postponed or Cancelled projects	70,000	-	-	-
		70,000	288,000	287,953	47
	<b>Total project costs</b>	<b>6,660,000</b>	<b>9,377,400</b>	<b>8,469,348</b>	<b>908,052</b>
	Less:				
	Additions to plant and equipment			(3,640,126)	
	Additions to construction in progress			(4,346,202)	
	Castro Valley Sanitary District capital assets			(483,020)	
	<b>Operating income (loss)</b>			<b>-</b>	
	<b>Non-operating revenues (expenses)</b>				
	Investment income	40,000	40,000	114,090	74,090
	Increase (decrease) in the fair value of investments	-	-	(72,550)	(72,550)
	EBDA agreement refund	80,000	80,000	79,371	(629)
	Other miscellaneous revenues	-	-	160	160
	<b>Total non-operating revenues (expenses)</b>	<b>120,000</b>	<b>120,000</b>	<b>121,071</b>	<b>1,071</b>
	<b>Income before contributions, transfers and other items</b>	<b>\$ 120,000</b>	<b>\$ 120,000</b>	<b>\$ 121,071</b>	<b>\$ 1,071</b>
	<b>Connection and other developer fees</b>			399,277	
	<b>Transfer of plant and equipment to Operations and Maintenance</b>			(5,768,802)	
	<b>Equity transfers in (out)</b>			4,000,000	
	<b>Change in net position</b>			<b>(1,248,454)</b>	
	<b>Net position - beginning</b>			8,986,142	
	<b>Net position - ending</b>			<b>\$ 7,737,688</b>	

**ORO LOMA SANITARY DISTRICT**

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
SOLID WASTE SERVICES - GARBAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
SCHEDULE 7**

	<b>Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Operating revenues</b>			
Contract fees	\$ 1,025,000	\$ 1,062,218	\$ 37,218
<b>Total operating revenues</b>	<u>1,025,000</u>	<u>1,062,218</u>	<u>37,218</u>
<b>Operating expenses</b>			
Salaries	174,600	159,175	15,425
Directors' fees	8,900	5,720	3,180
Overhead	183,500	164,895	18,605
Office expenses	3,000	857	2,143
Safety supplies	500	-	500
Contractual services	3,000	1,320	1,680
Professional services	10,000	1,364	8,636
Memberships, printing and publications	1,000	432	568
Public outreach	80,000	19,315	60,685
Repairs and maintenance	500	-	500
Travel, meetings and training	-	-	-
Recognition program	600	61	539
Utilities	500	407	93
Depreciation	-	-	-
Contingency and other reserves	30,000	-	30,000
<b>Total operating expenses</b>	<u>496,100</u>	<u>353,546</u>	<u>142,554</u>
<b>Operating income (loss)</b>		<u>708,672</u>	
<b>Non-operating revenues (expenses)</b>			
Investment income	7,000	28,226	21,226
Recovery of uncollectible accounts	10,000	11,902	1,902
Other miscellaneous revenues	-	191	191
Write-off of uncollectible accounts	(3,000)	(1,284)	1,716
<b>Total non-operating revenues (expenses)</b>	<u>14,000</u>	<u>39,035</u>	<u>25,035</u>
<b>Income before contributions and transfers</b>	<u>\$ 542,900</u>	<u>\$ 747,707</u>	<u>\$ 204,807</u>
<b>Equity transfers in (out)</b>		<u>(176,000)</u>	
<b>Change in net position</b>		<u>571,707</u>	
<b>Net position - beginning</b>		<u>1,586,372</u>	
<b>Net position - ending</b>		<u>\$ 2,158,079</u>	

**SCHEDULE OF BUDGETARY COMPARISON WITH ACTUAL  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
RECYCLING SERVICES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
SCHEDULE 8**

	<b>Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Operating revenues</b>			
Recycling charges - residential and green waste	\$ 2,309,000	\$ 2,321,208	\$ 12,208
Recycling charges - commercial and industrial	100,000	132,934	32,934
Landfill fees - Measure D	320,000	385,751	65,751
<b>Total operating revenues</b>	<u>2,729,000</u>	<u>2,839,893</u>	<u>110,893</u>
<b>Operating expenses</b>			
Salaries	174,600	167,376	7,224
Overhead	174,600	167,376	7,224
Office expenses	1,000	105	895
Contractual services	2,320,000	2,214,301	105,699
Professional services	2,000	-	2,000
Memberships and publications	-	-	-
Public outreach	180,000	99,341	
Travel, meetings and training	-	-	-
San Leandro Measure D	40,000	42,433	(2,433)
Depreciation	-	-	-
Contingency reserve	10,000	-	10,000
<b>Total operating expenses</b>	<u>2,902,200</u>	<u>2,690,932</u>	<u>130,609</u>
<b>Operating income (loss)</b>		<u>148,961</u>	
<b>Non-operating revenues (expenses)</b>			
Investment income	4,000	15,492	11,492
Other miscellaneous revenues	12,000	15,614	3,614
Grant revenues	-	-	-
Grant expenses	-	-	-
Write-off of uncollectible accounts	(200)	-	200
<b>Total non-operating revenues (expenses)</b>	<u>15,800</u>	<u>31,106</u>	<u>15,306</u>
<b>Income (loss) before contributions and transfers</b>	<u>\$ (157,400)</u>	<u>\$ 180,067</u>	<u>\$ 256,808</u>
<b>Equity transfers in (out)</b>		<u>-</u>	
<b>Change in net position</b>		<u>180,067</u>	
<b>Net position - beginning</b>		<u>1,147,808</u>	
<b>Net position - ending</b>		<u>\$ 1,327,875</u>	



# TREATMENT UNIT INFLUENT CHANNEL

---

Work included coating of the concrete channel between the influent pump station and the treatment unit.



Before

Work In Progress



After



## **OTHER INDEPENDENT AUDITOR'S REPORT**



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

To the Board of Directors  
Oro Loma Sanitary District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oro Loma Sanitary District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



**Purpose of this Report**

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

C & A LLP

October 9, 2018  
San Jose, California

# COLLECTION SYSTEM REPAIR/MAINTENANCE

---

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



Before



Work In Progress



After

## **STATISTICAL SECTION**

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## STATISTICAL SECTION OVERVIEW

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

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

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



# ORO LOMA SANITARY DISTRICT

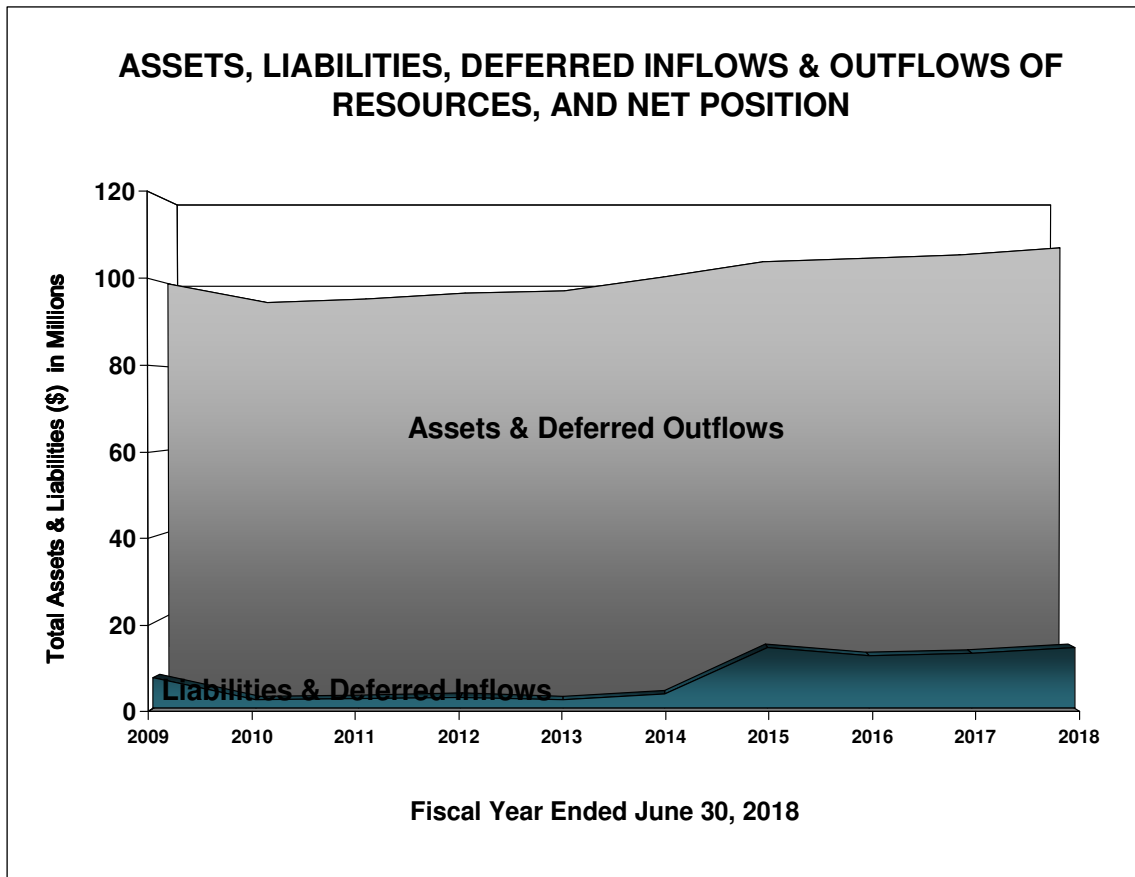
## FINANCIAL TRENDS

**TABLE 1**

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

Fiscal Year Ended June 30	Assets	Deferred Outflows of Resources	Liabilities	Deferred Inflows of Resources	Net Position			
					Net Investment in Capital Assets	Restricted for Debt Service	Unrestricted	Total Net Position
2018	\$ 103,746,253	\$ 4,806,608	\$ 10,880,384	\$ 3,282,342	\$ 77,082,443	\$ -	\$ 17,307,692	\$ 94,390,135
2017	101,796,716	5,115,616	9,555,112	3,315,499	71,921,745	-	22,119,976	94,041,721
2016	100,346,093	5,714,923	7,460,749	4,822,803	70,176,762	-	23,600,702	93,777,464
2015	98,004,700	7,131,734	10,940,123	3,285,136	68,724,573	-	22,186,602	90,911,175
2014	101,575,687	-	3,306,407	-	66,742,699	-	31,526,581	98,269,280
2013	98,330,104	-	1,946,779	-	61,334,894	-	35,048,431	96,383,325
2012	97,610,232	-	2,642,889	-	60,137,540	-	34,829,803	94,967,343
2011	96,239,189	-	2,279,945	-	66,538,774	-	27,420,470	93,959,244
2010	95,474,012	-	1,919,911	-	65,552,405	-	28,001,696	93,554,101
2009	99,769,503	-	7,100,005	-	63,311,493	907,320	28,450,685	92,669,498

**GRAPH A**



# ORO LOMA SANITARY DISTRICT

## FINANCIAL TRENDS

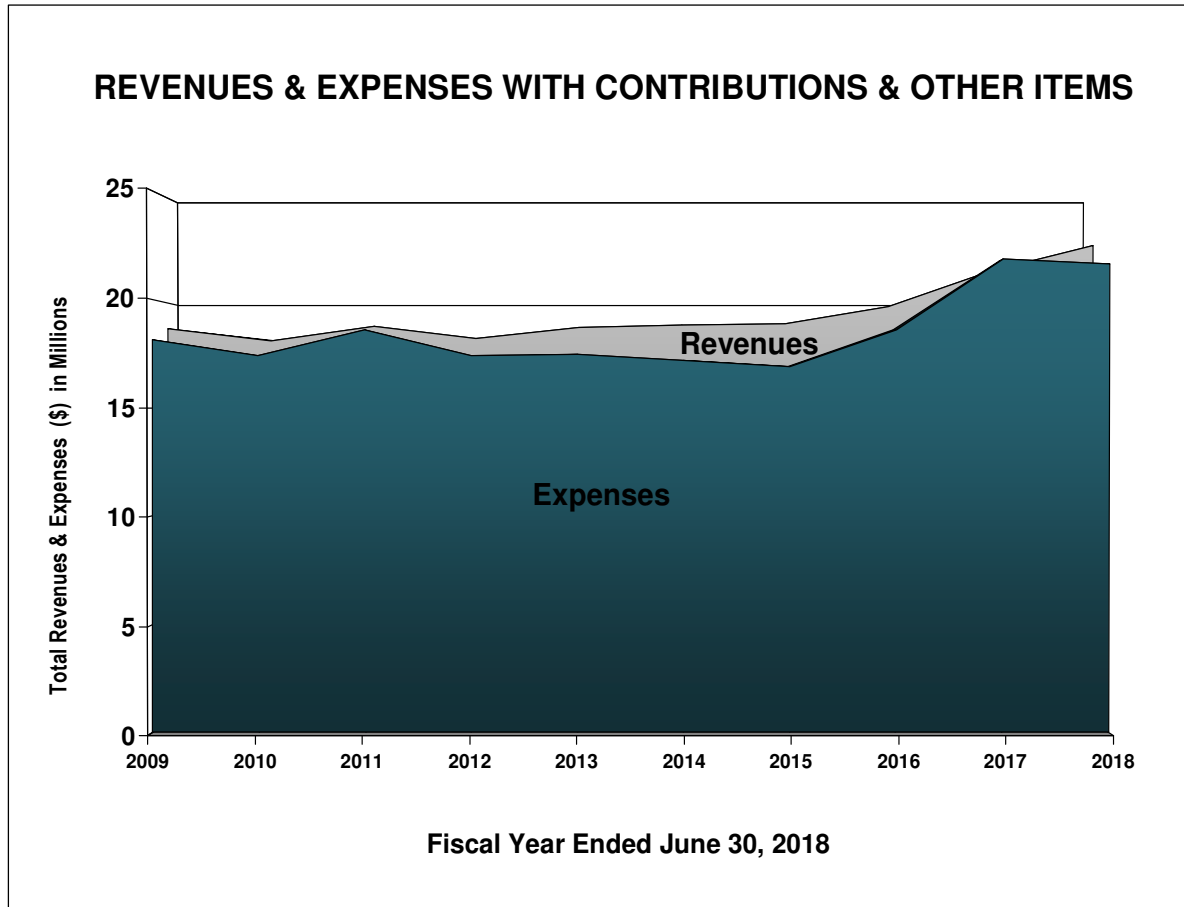
**TABLE 2**

### Revenues, Expenses & Changes in Net Position

Fiscal Year Ended June 30	Revenues	Expenses	Income before Contributions	Contributions & Other Items		Change in Net Position
				Connection & Upsizing Fees	Other Items	
2018	\$22,727,187	\$21,634,562	\$1,092,625	\$399,277	\$ -	\$1,491,902
2017	21,489,812	21,834,890	(345,078)	609,335	-	264,257
2016	19,788,984	18,616,756	1,172,228	298,612	*1,202,580	2,673,420
2015	18,979,747	16,921,335	2,058,412	1,076,699	-	3,135,111
2014	18,944,945	17,195,227	1,749,718	135,600	637	1,885,955
2013	18,814,211	17,467,989	1,346,222	69,759	-	1,415,981
2012	18,463,108	17,567,136	895,972	112,127	-	1,008,099
2011	18,885,829	18,580,591	305,238	99,905	-	405,143
2010	18,214,645	17,379,995	834,650	49,953	-	884,603
2009	18,754,862	18,134,727	620,135	367,611	-	987,746

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

**GRAPH B**



# ORO LOMA SANITARY DISTRICT

## FINANCIAL TRENDS

**TABLE 3**

### Statement of Revenues and Expenses & Changes in Net Position (2018 - 2014)

	2018	2017	2016	2015	2014
<b>OPERATING REVENUES:</b>					
District service charges	\$13,974,088	\$12,961,082	\$11,949,883	\$11,678,040	\$11,583,176
Agency treatment charges	3,094,690	2,933,967	2,430,769	2,190,362	2,206,459
Permits & inspection fees	280,541	169,390	162,898	170,994	126,143
Sanitary truck waste charges	68,214	129,725	90,621	56,454	48,815
Grease receiving facilities	102,208	117,403	158,967	142,005	120,927
Grit receiving facilities	-	-	4,860	-	-
Contract fees	1,062,218	1,010,999	937,750	791,397	755,676
Recycling charges-residential & green waste	2,321,208	2,309,444	2,306,542	2,295,385	2,286,977
Recycling charges-commercial & industrial	132,934	118,694	110,721	102,060	87,783
Landfill fees-Measure D	385,751	346,349	319,719	329,606	327,570
Others	646,413	599,721	586,197	682,873	763,138
Total operating revenues	22,068,265	20,696,774	19,058,927	18,439,176	18,306,664
<b>OPERATING EXPENSES:</b>					
Engineering	752,469	562,048	684,704	698,221	712,859
Sewage collections	3,471,954	3,100,122	2,637,991	2,897,622	2,727,099
Sewage treatment operations	4,657,149	4,447,483	3,483,009	3,507,420	3,768,468
Sewage treatment maintenance	2,387,698	2,204,710	2,498,881	2,155,643	1,951,508
Sewage disposal-EBDA	1,011,446	836,969	779,476	684,638	645,786
Administration and general	1,481,993	1,549,379	1,256,629	1,332,934	1,206,450
Pension expense	1,553,814	2,976,128	1,192,396	(547,141)	-
OPEB expense	129,848	(258,069)	(315,916)	(182,991)	-
Depreciation	2,825,630	3,326,930	3,351,201	3,329,414	3,179,437
Decrease in carrying value of EBDA	93,247	54,155	165,735	89,455	95,162
Solid waste	353,546	304,471	306,213	305,189	296,535
Recycling-all services	2,690,932	2,591,833	2,574,922	2,591,742	2,599,618
Total operating expenses	21,409,726	21,696,159	18,615,241	16,862,146	17,182,922
<b>OPERATING INCOME (LOSS)</b>	<b>658,539</b>	<b>(999,385)</b>	<b>443,686</b>	<b>1,577,030</b>	<b>1,123,742</b>
<b>NON-OPERATING REVENUES:</b>					
Investment income	344,043	231,096	128,479	216,318	217,367
Increase in the fair value of investments	-	-	86,020	-	53,279
Rents & leases	92,795	83,465	79,956	92,741	84,856
Castro Valley side fund reimbursement	-	-	-	-	-
Gain on disposal of capital assets	6,140	-	-	-	14,643
Recovery of uncollectible accounts	11,902	16,276	17,203	11,343	11,702
Other miscellaneous revenues	124,671	326,580	339,028	140,798	177,063
EBDA agreement and other refunds	79,371	79,371	79,371	79,371	79,371
Grant revenues	-	56,250	-	-	-
Total non-operating revenues	658,922	793,038	730,057	540,571	638,281
<b>NON-OPERATING EXPENSES:</b>					
Interest on bonds payable	-	-	-	-	-
CalPERS side fund contribution	-	-	-	-	-
Grant expenses	-	-	-	-	10,725
Decrease in the fair value of investments	223,552	137,921	-	58,326	-
Write-off plant & equipment	-	-	-	-	78
Write-off uncollectible accounts	1,284	810	1,515	863	1,502
Other miscellaneous expenses	-	-	-	-	-
Total non-operating expenses	224,836	138,731	1,515	59,189	12,305
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>1,092,625</b>	<b>(345,078)</b>	<b>1,172,228</b>	<b>2,058,412</b>	<b>1,749,718</b>
Connection fees	399,277	609,335	298,612	1,076,699	135,600
CVSD contrib. for transferred vehicle	-	-	-	-	637
Capital Grants	-	-	1,202,580	-	-
<b>CHANGES IN NET POSITION</b>	<b>1,491,902</b>	<b>264,257</b>	<b>2,673,420</b>	<b>3,135,111</b>	<b>1,885,955</b>
<b>NET POSITION-BEGINNING</b>	<b>94,041,721</b>	<b>93,777,464</b>	<b>90,911,175</b>	<b>98,269,280</b>	<b>96,383,325</b>
Prior period adjustment - GASB 68 pension	-	-	192,869	(10,768,191)	-
Prior period adjustment - OPEB	(1,143,488)	-	-	274,975	-
<b>NET POSITION-ENDING</b>	<b>94,390,135</b>	<b>94,041,721</b>	<b>93,777,464</b>	<b>90,911,175</b>	<b>98,269,280</b>

# ORO LOMA SANITARY DISTRICT

## FINANCIAL TRENDS

**TABLE 3 (continued)**

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

	2013	2012	2011	2010	2009
<b>OPERATING REVENUES:</b>					
District service charges	\$11,368,931	\$10,539,022	\$10,183,687	\$10,120,561	\$10,098,745
Agency treatment charges	2,341,562	2,356,508	2,113,496	2,213,303	2,321,971
Permits & inspection fees	105,122	105,501	118,649	132,534	138,888
Sanitary truck waste charges	44,614	34,119	33,369	43,921	48,960
Grease receiving facilities	113,397	100,964	47,248	7,135	-
Grit receiving facilities	-	-	-	-	-
Contract fees	728,946	1,014,122	1,177,161	1,231,477	1,249,130
Recycling charges-residential & green waste	2,285,768	2,285,609	2,281,257	2,277,284	2,272,570
Recycling charges-commercial & industrial	71,686	96,011	99,721	80,824	59,895
Landfill fees-Measure D	342,132	322,360	337,996	358,386	311,732
Others	719,682	761,461	812,882	753,313	828,072
Total operating revenues	18,121,840	17,615,677	17,205,466	17,218,738	17,329,963
<b>OPERATING EXPENSES:</b>					
Engineering	694,142	585,037	756,806	637,505	631,004
Sewage collections	2,375,275	2,207,219	2,426,428	2,350,901	2,880,750
Sewage treatment operations	3,961,746	3,833,846	3,616,626	4,405,258	4,262,868
Sewage treatment maintenance	2,100,408	2,419,194	1,831,130	1,846,305	1,895,607
Sewage disposal-EBDA	682,807	696,967	638,715	478,693	501,112
Administration and general	1,405,494	1,215,432	1,320,909	1,168,674	1,246,174
Pension expense	-	-	-	-	-
OPEB expense	-	-	-	-	-
Depreciation	3,133,447	2,993,361	3,134,347	3,148,568	3,079,226
Decrease in carrying value of EBDA	92,055	104,088	98,084	78,973	13,365
Solid waste	330,769	395,554	397,390	435,618	516,185
Recycling-all services	2,682,645	2,662,165	2,688,271	2,657,699	2,656,868
Total operating expenses	17,458,788	17,112,863	16,908,706	17,208,194	17,683,159
<b>OPERATING INCOME (LOSS)</b>	<b>663,052</b>	<b>502,814</b>	<b>296,760</b>	<b>10,544</b>	<b>(353,196)</b>
<b>NON-OPERATING REVENUES:</b>					
Investment income	194,227	157,237	190,115	197,078	584,497
Increase in the fair value of investments	19,345	-	-	-	-
Rents & leases	132,159	394,141	375,087	382,120	364,982
Castro Valley side fund reimbursement	-	-	297,151	-	-
Gain on disposal of capital assets	-	-	-	-	-
Recovery of uncollectible accounts	9,821	16,172	69,587	-	-
Other miscellaneous revenues	220,500	200,510	171,846	203,125	232,112
EBDA agreement and other refunds	79,371	79,371	79,371	79,371	89,138
Grant revenues	36,948	-	497,206	134,213	154,170
Total non-operating revenues	692,371	847,431	1,680,363	995,907	1,424,899
<b>NON-OPERATING EXPENSES:</b>					
Interest on bonds payable	-	-	-	4,367	150,926
CalPERS side fund contribution	-	-	1,640,762	-	-
Grant expenses	444	34,623	30,268	19,240	244,863
Decrease in the fair value of investments	-	157,399	-	-	-
Write-off plant & equipment	-	260,034	389	-	8,837
Write-off uncollectible accounts	8,757	2,217	466	8,824	31,398
Other miscellaneous expenses	-	-	-	139,370	15,544
Total non-operating expenses	9,201	454,273	1,671,885	171,801	451,568
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>1,346,222</b>	<b>895,972</b>	<b>305,238</b>	<b>834,650</b>	<b>620,135</b>
Connection fees	69,759	112,127	99,905	49,953	367,611
CVSD contrib. for transferred vehicle	-	-	-	-	-
Capital Grants	-	-	-	-	-
<b>CHANGES IN NET POSITION</b>	<b>1,415,981</b>	<b>1,008,099</b>	<b>405,143</b>	<b>884,603</b>	<b>987,746</b>
<b>NET POSITION-BEGINNING</b>	<b>94,967,344</b>	<b>93,959,245</b>	<b>93,554,102</b>	<b>92,669,499</b>	<b>91,681,753</b>
Prior period adjustment - GASB 68 pension	-	-	-	-	-
Prior period adjustment - OPEB	-	-	-	-	-
<b>NET POSITION-ENDING</b>	<b>96,383,325</b>	<b>94,967,344</b>	<b>93,959,245</b>	<b>93,554,102</b>	<b>92,669,499</b>

# ORO LOMA SANITARY DISTRICT

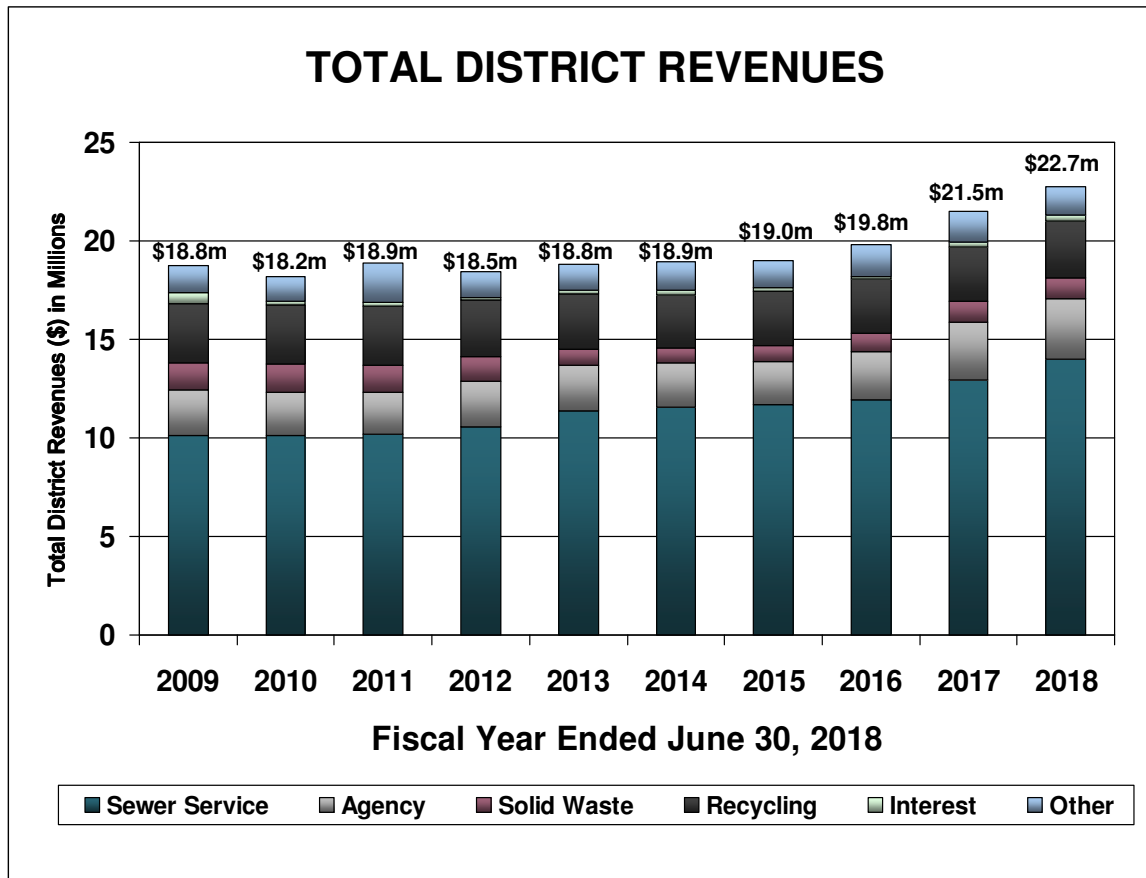
## REVENUE CAPACITY

**TABLE 4**

### Major Revenue Components

Fiscal Year Ended June 30	Sewer Service Revenues	Agency Service Revenues	Solid Waste Service Revenues	Recycling Service Revenues	Interest Income	Other Revenues	Total Revenues
% of 2018 Total	61.5%	13.6%	4.7%	12.6%	1.5%	6.1%	100.0%
2018	\$13,974,088	\$3,094,690	\$1,074,311	\$2,855,507	\$344,043	\$1,384,548	\$22,727,187
2017	12,961,082	2,933,967	1,027,485	2,792,774	231,096	1,543,408	21,489,812
2016	11,949,883	2,430,769	955,173	2,748,570	128,479	1,576,110	19,788,984
2015	11,678,040	2,190,362	803,007	2,743,838	216,318	1,348,182	18,979,747
2014	11,583,176	2,206,459	767,501	2,721,425	217,367	1,449,017	18,944,945
2013	11,368,931	2,341,562	765,379	2,805,924	194,227	1,338,188	18,814,211
2012	10,539,022	2,356,508	1,199,728	2,884,556	157,237	1,326,057	18,463,108
2011	10,183,687	2,113,496	1,405,010	3,009,099	190,115	1,984,422	18,885,829
2010	10,120,561	2,213,303	1,390,374	3,039,228	197,078	1,254,101	18,214,645
2009	10,098,745	2,321,971	1,407,685	2,983,776	584,497	1,358,188	18,754,862

**GRAPH C**



# ORO LOMA SANITARY DISTRICT

## REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

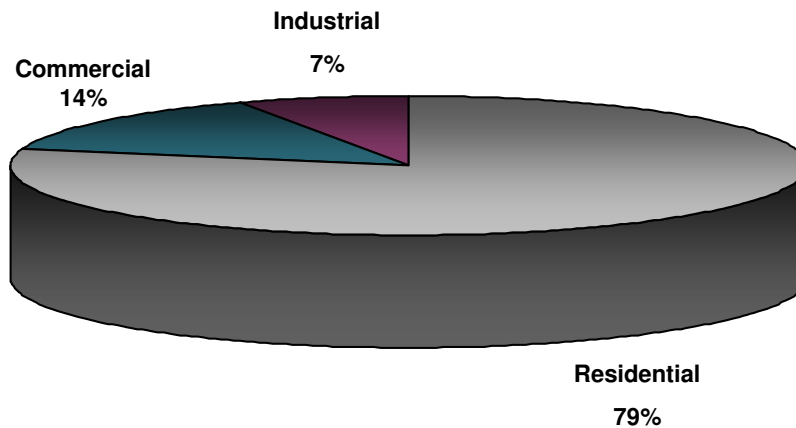
**TABLE 5**

### Sewer Service Revenues by Customer Type

Fiscal Year Ended June 30	Customer Type						Total Sewer Service Revenues
	Residential	% of Total	Commercial	% of Total	Industrial	% of Total	
2018	\$11,025,892	79%	\$1,968,822	14%	\$979,374	7%	\$13,974,088
2017	10,175,503	79%	1,711,673	13%	1,073,906	8%	12,961,082
2016	9,479,050	79%	1,576,268	13%	894,565	8%	11,949,883
2015	9,223,995	79%	1,693,427	16%	760,618	7%	11,678,040
2014	8,959,561	77%	1,782,630	15%	840,985	7%	11,583,176
2013	8,677,340	76%	1,771,964	16%	919,627	7%	11,368,931
2012	8,394,231	80%	1,541,786	15%	603,005	6%	10,539,022
2011	8,163,543	80%	1,422,552	14%	597,592	6%	10,183,687
2010	8,148,938	81%	1,432,635	14%	538,988	4%	10,120,561
2009	8,146,161	81%	1,485,963	15%	466,621	5%	10,098,745

**GRAPH D**

### SEWER SERVICE REVENUES BY CUSTOMER TYPE FY 2017-18



The District's customer base is predominantly residential customers.

# ORO LOMA SANITARY DISTRICT

## REVENUE CAPACITY

~ REVENUE RATES ~

**TABLE 6**

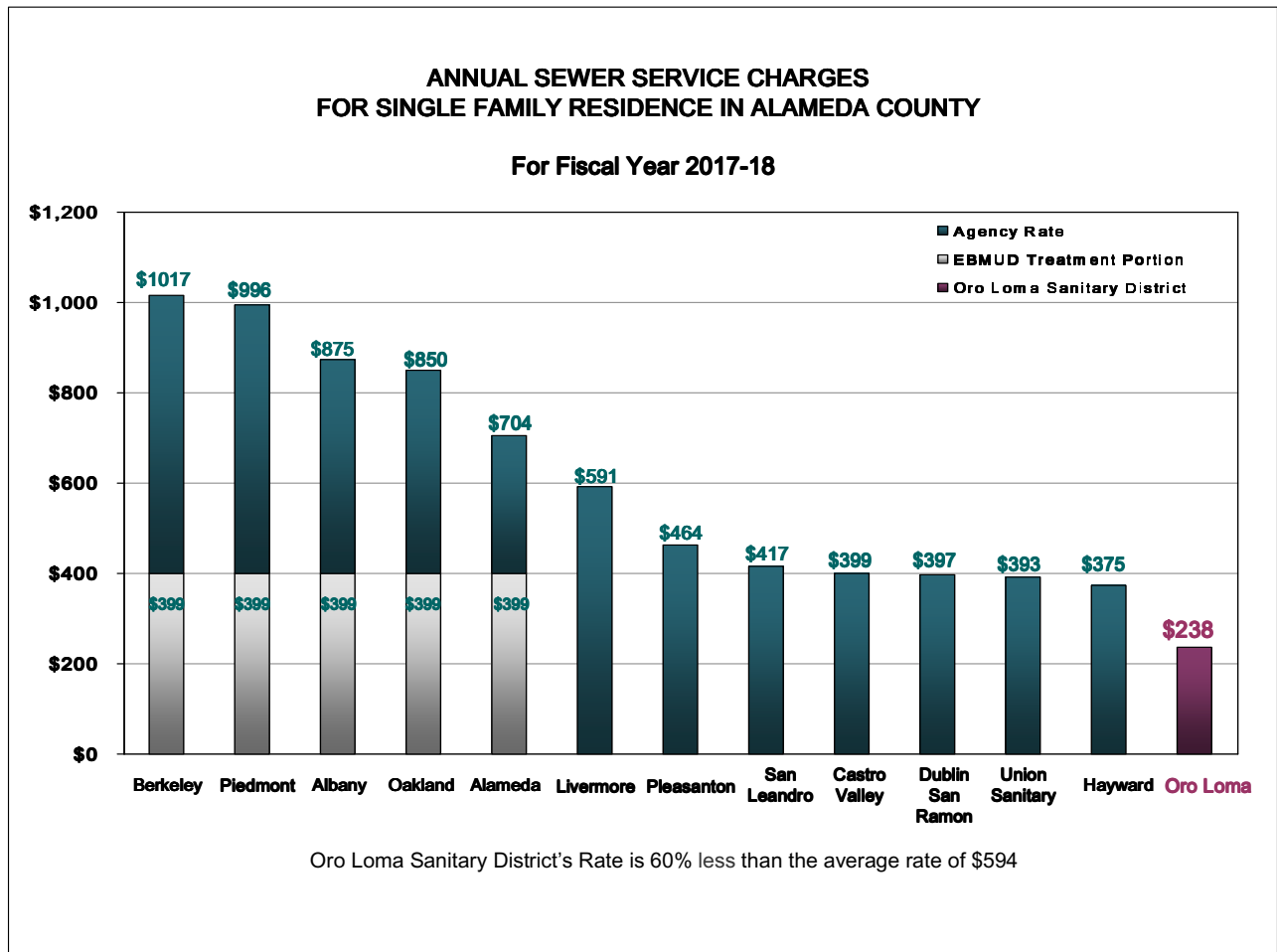
### Annual Sewer Service Rates & Customer Base Ordinance 37 with Resolution #3627

Fiscal Year Ended June 30	Ord. #	Residential						Commercial & Significant Industrial Users		Total Customer Base
		Single Family Dwellings		Apartment Units		Mobile Homes		# of customers	per 100 cf of water used	
		# of units	Annual Rate	# of units	Annual Rate	# of units	Annual Rate			
2018	R#3627	29,896	\$238.00	14,937	\$238.00	1,229	\$194.00	1,167	\$3.518	47,229
2017	R#3627	29,861	221.00	14,820	221.00	1,229	181.00	1,194	3.273	47,104
2016	R#3536	29,779	206.00	14,849	206.00	1,229	168.00	1,247	3.045	47,104
2015	R#3536	29,762	200.00	14,845	200.00	1,229	163.00	1,259	2.956	47,095
2014	R#3536	29,739	195.00	14,848	195.00	1,245	158.00	1,274	2.870	47,106
2013	R#3536	29,742	189.00	14,849	189.00	1,261	153.00	1,237	2.786	47,089
2012	37-27	29,696	183.00	14,773	183.00	1,311	149.00	1,162	2.705	46,942
2011	37-26	29,632	178.00	14,862	178.00	1,261	145.00	1,141	2.626	46,896
2010	37-26	29,632	178.00	14,785	178.00	1,264	145.00	1,156	2.626	46,837
2009	37-26	29,560	178.00	14,819	178.00	1,264	145.00	1,160	2.626	46,803

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

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

**GRAPH E**



# ORO LOMA SANITARY DISTRICT

## REVENUE CAPACITY

~ PRINCIPAL REVENUE PAYERS ~

### Commercial and Industrial Sewer Service Customers

- Residential sewer customers are billed on the Alameda County tax roll, using flat rates per residential category.
  - Commercial sewer customers are billed through East Bay Municipal Utility District, based on water consumption.
  - Significant industrial users are billed by the District, based on water consumption, suspended solids and biochemical oxygen demand
- Below are some vital statistics on revenues derived from commercial and industrial customers in Fiscal Year 2017-18.

**21.1%** ← **\$2,948,196** out of **\$13,974,088** total sewer service revenues were derived from commercial (\$1,968,822) and industrial (\$979,374) customers

**12.2%** ← **\$1,701,552** out of **\$13,974,088** total sewer service revenues were derived from the twenty largest commercial and industrial customers

**57.7%** ← **\$1,701,552** out of **\$2,948,196** total commercial and industrial sewer service revenues were derived from the twenty largest commercial and industrial customers.

**TABLE 7**

### Twenty Largest Commercial Customers

Source: 2017 East Bay Municipal Utility District water consumption and billing report and 2017 significant industrial users invoices.

Customer	Type of Business	Sewer Charges	% of Sewer Revenues
Santini Foods	Food manufacturing	\$ 656,949	4.7%
The Hillshire Brands	Food manufacturing	141,640	1.0%
Ghirardelli Chocolate	Food manufacturing	138,187	1.0%
Hayward Area Recreation & Park District	Recreation and parks	116,882	0.8%
Madison Bayfair	Shopping mall	116,064	0.8%
Fairmont Hospital Complex	Hospital, medical clinics and correctional facilities	96,066	0.7%
San Lorenzo Unified School District	School District	79,821	0.6%
County of Alameda General Services	Government services	53,819	0.4%
Greenhouse Marketplace	Retail businesses	43,354	0.3%
Hayward Unified School District	School District	37,866	0.3%
San Leandro Hospital (SLCO)	Hospital	32,653	0.3%
Guadalajara Enterprises	Retail businesses	27,658	0.2%
Lorenzo Manor Shopping Center	Retail businesses	24,654	0.2%
Fusion Delight	Restaurant	24,411	0.2%
Launderworld	Laundry mat	21,007	0.2%
San Leandro Unified School District	School District	19,373	0.1%
Kaiser Foundation Health Plan	Medical clinics	18,515	0.1%
Packaging Corporation of America	Packaging materials manufacturing	18,127	0.1%
Allsafe Self Storage	Storage facility	17,582	0.1%
Save Mart Supermarket	Grocery store	16,924	0.1%
<b>Total</b>		<b>\$ 1,701,552</b>	<b>12.2%</b>

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



# ORO LOMA SANITARY DISTRICT

## REVENUE CAPACITY

~ SIGNIFICANT SINGLE SOURCE REVENUES ~

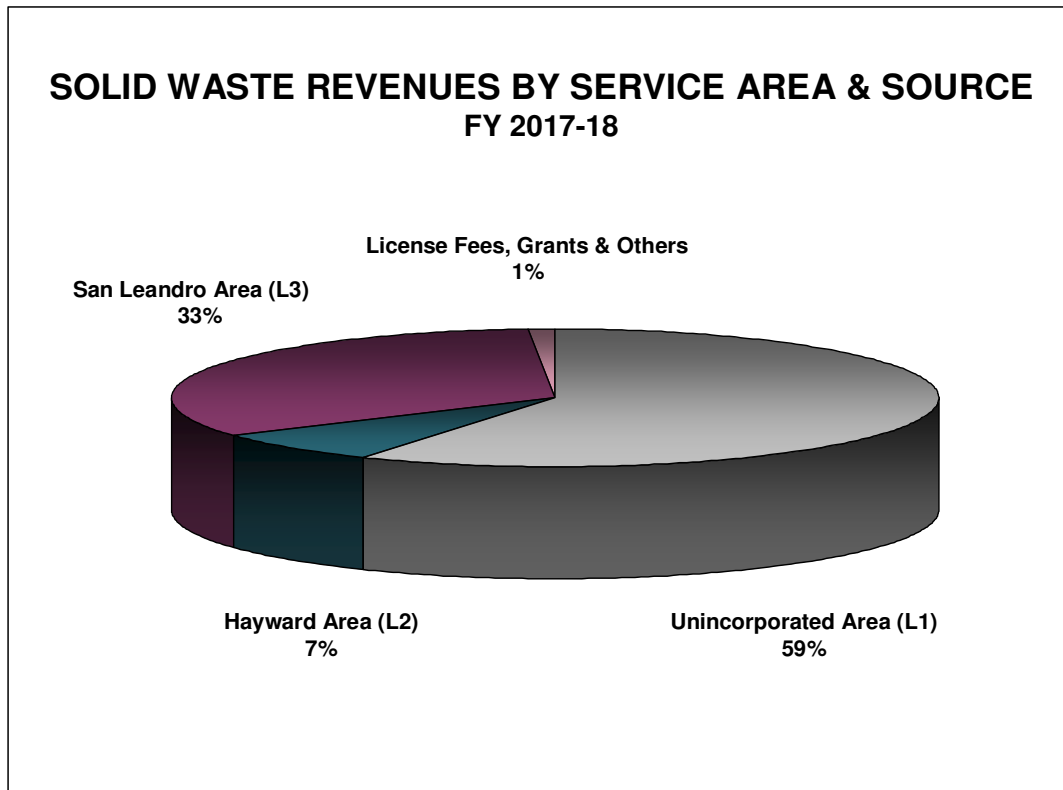
**TABLE 8**

### Solid Waste Revenues by Service Area & Source

Fiscal Year Ended June 30	Unincorporated Area (L1)	Hayward Area (L2)	San Leandro Area (L3)	License Fees, Grants & Others	Total
2018	\$628,058	\$79,063	\$355,097	\$12,093	\$1,074,311
2017	600,390	76,177	334,432	16,486	1,027,485
2016	549,788	71,216	316,746	17,423	955,173
2015	467,799	52,194	270,764	12,250	803,007
2014	442,829	49,122	263,393	12,157	767,501
2013	437,719	38,856	252,371	36,433	765,379 *
2012	612,959	56,455	344,708	185,606	1,199,728
2011	726,120	68,902	408,818	201,170	1,405,010
2010	751,591	65,919	413,967	158,897	1,390,374
2009	764,607	67,553	416,970	158,555	1,407,685

\* Contract fees were reduced from 10% to 5% beginning January 2012, and increased to 6% beginning September 2015.

**GRAPH F**



# ORO LOMA SANITARY DISTRICT

## REVENUE CAPACITY

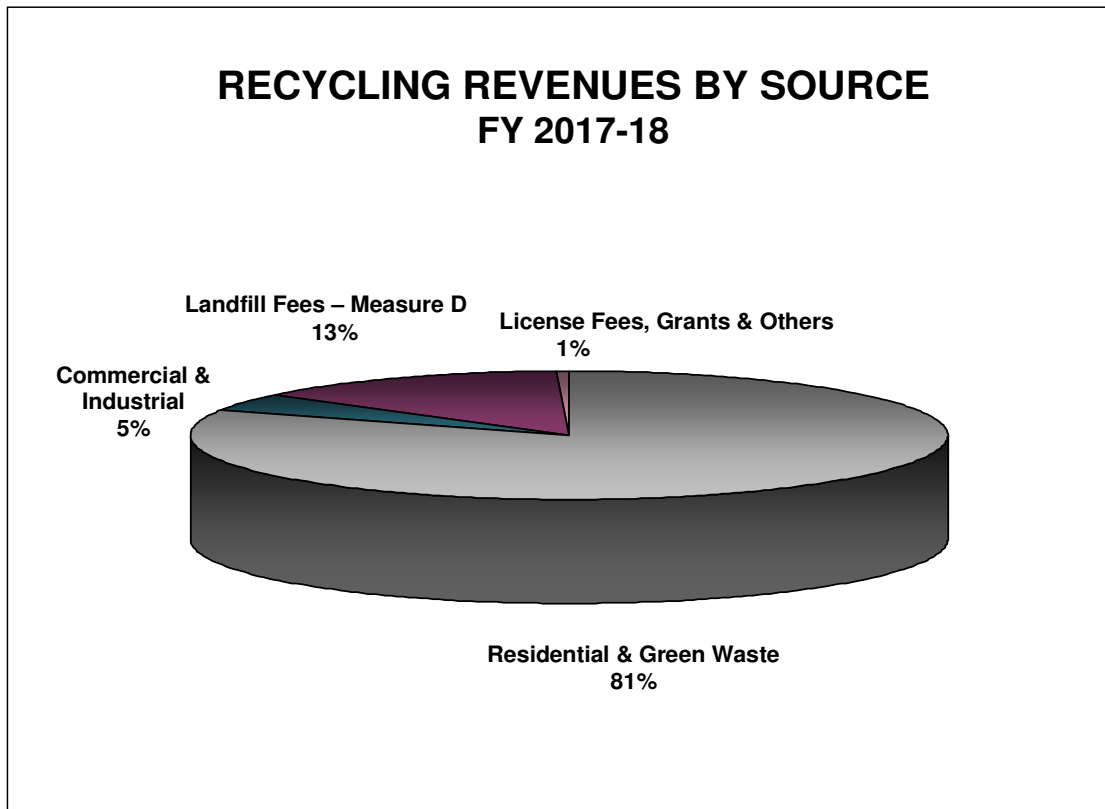
~ SIGNIFICANT SINGLE SOURCE REVENUES ~

**TABLE 9**

### Recycling Revenues by Source

Fiscal Year Ended June 30	Recycling Charges		Landfill Fees   Measure D	License Fees, Grants & Others	Total
	Residential & Green Waste	Commercial & Industrial			
2018	\$2,321,208	\$132,934	\$385,751	\$15,614	<b>\$2,855,507</b>
2017	2,309,444	118,694	346,349	18,287	<b>2,792,774</b>
2016	2,306,542	110,721	319,719	11,588	<b>2,748,570</b>
2015	2,295,385	102,060	329,606	16,787	<b>2,743,838</b>
2014	2,286,977	87,783	327,570	19,095	<b>2,721,425</b>
2013	2,285,768	71,686	342,132	106,337	<b>2,805,924</b>
2012	2,285,609	96,011	322,360	180,576	<b>2,884,556</b>
2011	2,281,257	99,721	337,996	290,125	<b>3,009,099</b>
2010	2,277,284	80,824	358,386	322,734	<b>3,039,228</b>
2009	2,272,570	59,895	311,732	339,579	<b>2,983,776</b>

**GRAPH G**



# ORO LOMA SANITARY DISTRICT

## REVENUE CAPACITY

~ REVENUE RATES ~

**TABLE 10**

### Solid Waste (Garbage) & Recycling Rates

Ordinance 34

Rate Change Effective *	Ord. #	Garbage Rates								Recycling Rates			
		Residential (Monthly)						Commercial ** (Monthly)		Residential (Monthly)		Commercial *** (Monthly)	
		20-gallon can		35-gallon can		64-gallon can		1-cubic yard bin		Single Family	Multi-Family / Mobile Home	1-cubic yard bin	
		L1 & L2	L3	L1 & L2	L3	L1 & L2	L3	L1 & L2	L3			L1 & L2	L3
2018	34-43	\$9.10	\$10.50	\$18.15	\$21.06	\$36.35	\$42.05	\$118.76	\$137.37	\$4.60	\$4.32	\$51.01	\$53.61
2017	34-42	8.84	10.20	17.64	20.46	35.32	40.86	115.40	133.47	4.60	4.32	49.58	52.09
2016	34-41	8.54	9.85	17.04	19.76	34.11	39.46	111.45	128.93	4.60	4.32	47.89	50.31
2015	34-40	8.32	9.60	16.60	19.25	33.24	38.45	108.59	125.63	4.60	4.32	46.68	49.02
2014	34-39	8.02	9.25	15.99	18.55	32.02	37.04	104.63	121.01	4.60	4.32	44.98	47.23
2013	34-38	7.75	8.94	15.44	17.91	30.93	35.78	101.05	116.87	4.60	4.32	43.44	45.62
Sep 1, 2012	34-37	7.56	8.72	15.07	17.48	30.18	34.91	98.59	114.04	4.60	4.32	42.39	44.51
Jan 1, 2012	34-36	7.26	8.37	14.47	16.78	28.98	33.52	94.66	109.49	4.60	4.32	40.70	42.74
2011	34-35	6.31	7.17	12.58	14.38	25.20	28.72	81.93	93.41	4.60	4.32	35.25	36.46
2010	34-34	6.09	6.92	12.15	13.87	24.34	27.71	79.12	90.11	4.60	4.32	34.03	35.16
2009	34-33	5.98	6.80	11.94	13.62	23.91	27.22	77.72	88.49	4.60	4.32	33.45	34.54

L1 is the unincorporated area within the District's boundaries, and receives both garbage and recycling services from the District.

L2 is the area in the City of Hayward within the District's boundaries. This area receives only garbage services from the District.

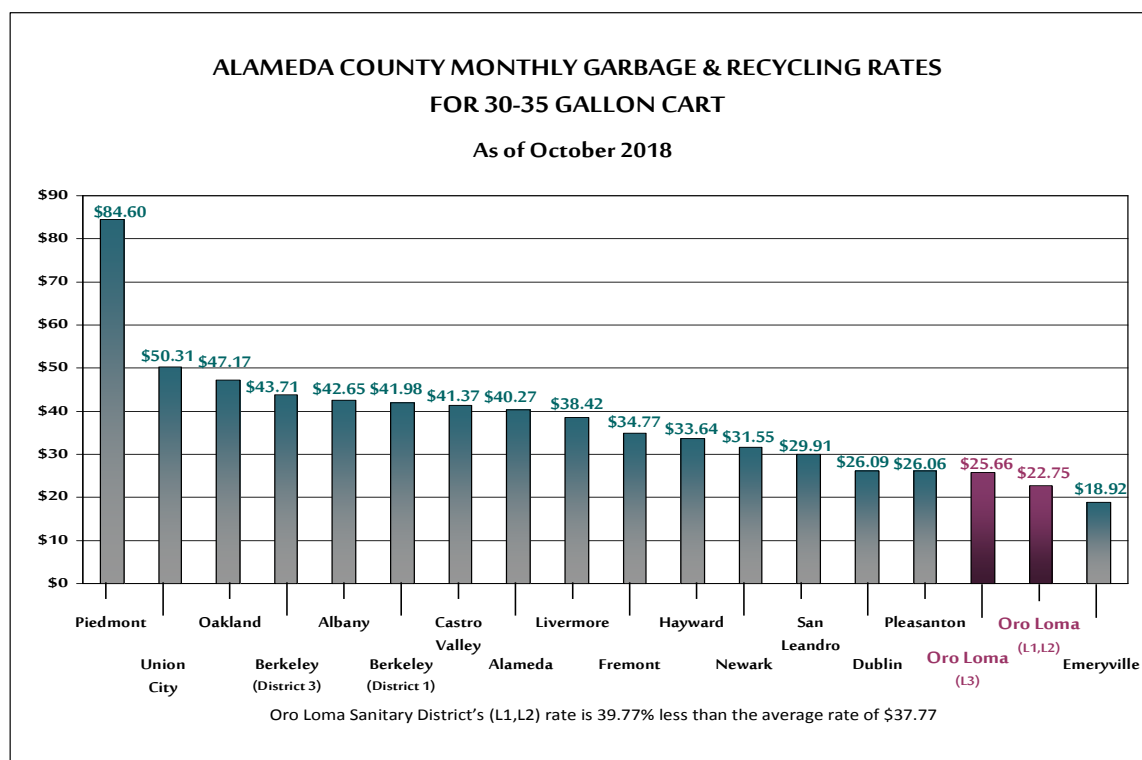
L3 is the area in the City of San Leandro within the District's boundaries, and receives both garbage and recycling services from the District.

\* All rate changes are effective September 1 of each year, except where noted otherwise.

\*\* Commercial garbage rates shown are based on a 1-cubic yard bin with 1 weekly pickup. Charges for other volume levels and pickup frequencies are listed in full in Ordinance 34, Exhibits A and B, which may be viewed on the District's website on [www.oroloma.org](http://www.oroloma.org).

\*\*\* Commercial recycling rates shown are based on a 1-cubic yard bin with 1 weekly pickup. Charges for other volume levels and pickup frequencies are listed in full in Ordinance 34, Exhibit D, which may be viewed on the District's website on [www.oroloma.org](http://www.oroloma.org).

### GRAPH H



# ORO LOMA SANITARY DISTRICT

## EXPENSES

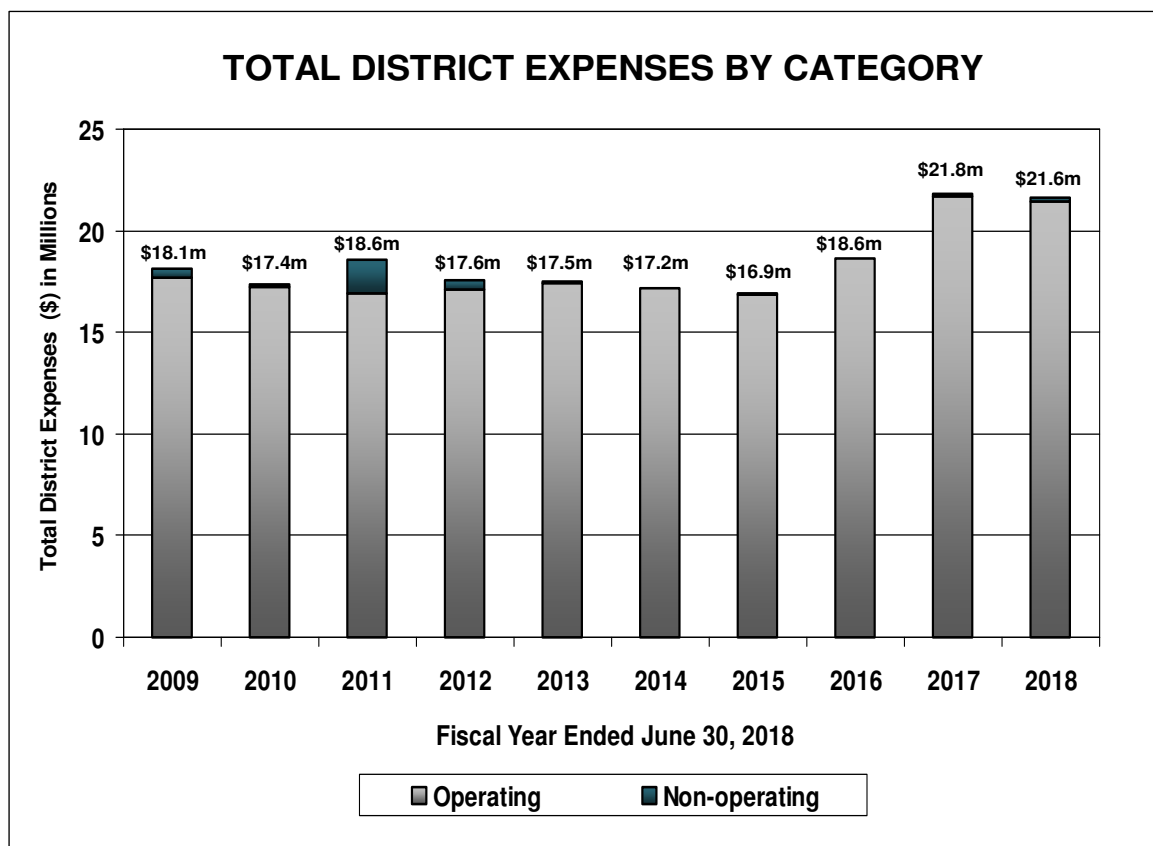
**TABLE 11**

### Total Expenses by Category

Fiscal Year Ended June 30	Operating Expenses	Non-operating Expenses	Total Expenses
2018	\$21,409,726	\$224,836	\$21,634,562
2017	21,696,159	138,731	21,834,890
2016	18,615,241	1,515	18,616,756
2015	16,862,146	59,189	16,921,335
2014	17,182,922	12,305	17,195,227
2013	17,458,788	9,201	17,467,989
2012	17,112,863	454,273	17,567,136
2011	16,908,706	* 1,671,885	18,580,591
2010	17,208,194	171,801	17,379,995
2009	17,683,159	451,568	18,134,727

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

**GRAPH I**



# ORO LOMA SANITARY DISTRICT

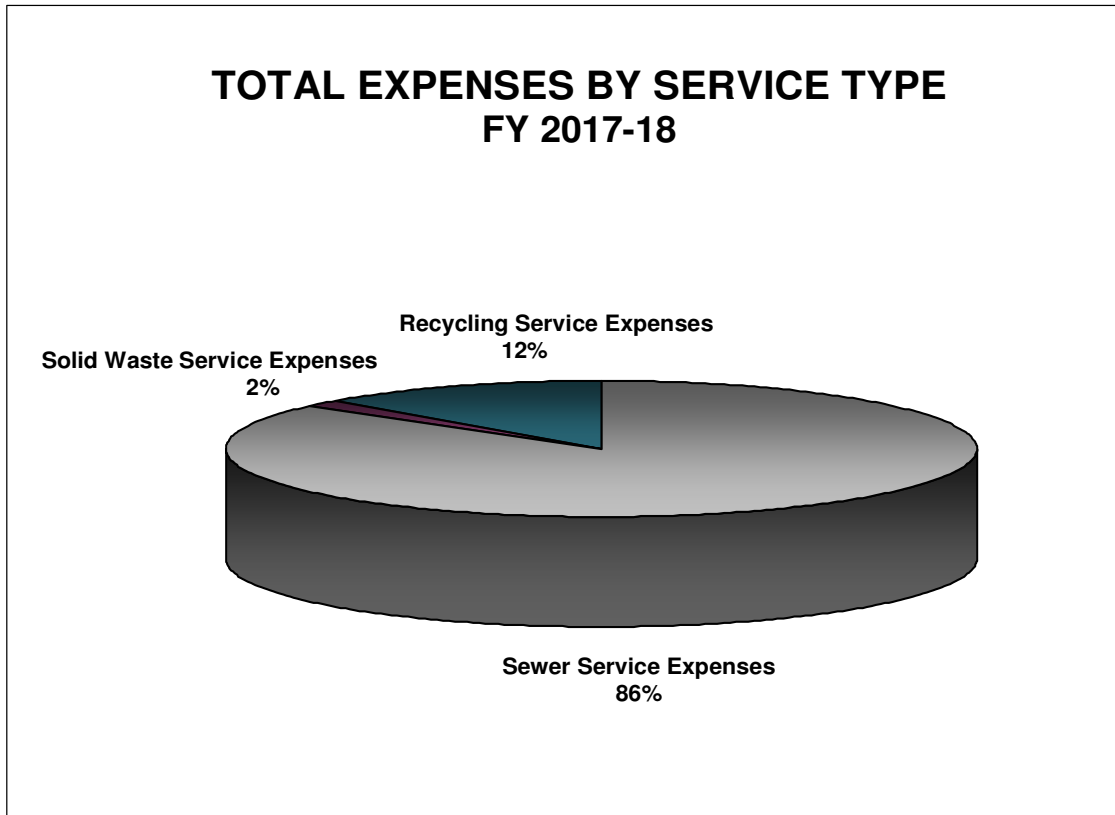
## EXPENSES

**TABLE 12**

### Total Expenses by Service Type

<b>Fiscal Year Ended June 30</b>	<b>Sewer Service Expenses</b>	<b>Solid Waste Service Expenses</b>	<b>Recycling Service Expenses</b>	<b>Total Expenses</b>
2018	\$18,588,800	\$354,830	\$2,690,932	<b>\$21,634,562</b>
2017	18,937,776	305,281	2,591,833	<b>21,834,890</b>
2016	15,734,106	307,728	2,574,922	<b>18,616,756</b>
2015	14,023,541	306,052	2,591,742	<b>16,921,335</b>
2014	14,284,243	298,037	2,612,947	<b>17,195,227</b>
2013	14,450,627	331,429	2,685,933	<b>17,467,989</b>
2012	14,454,358	398,206	2,714,572	<b>17,567,136</b>
2011	15,461,512	397,825	2,721,254	<b>18,580,591</b>
2010	14,255,575	444,877	2,679,543	<b>17,379,995</b>
2009	14,682,373	548,018	2,904,336	<b>18,134,727</b>

**GRAPH J**



# ORO LOMA SANITARY DISTRICT

## DEBT CAPACITY

Sewer Revenue Bonds for \$12 million were issued in 1991, and subsequently refinanced by the Sewer Revenue Refunding Bonds in 2003 for \$7.665 million. These Bonds were redeemed by the District in September 2009. In October 2018, the District issued new bonds in the amount of \$14.2 million for the Nutrient Optimization Project. The bonds have a 25-year term and true interest cost of 3.482%.

The California Health and Safety Code, Section 6651 Bonded Indebtedness Limit, limits the District's maximum bonding capacity to 15% of the assessed value of the real and personal property of the District, which has been established by the County of Alameda as follows.

**TABLE 13**

### Debt Limitations

Fiscal Year Ended June 30	Total Asset Valuation at Full Value	Assessed Valuation at 25% of Full Value	Debt Limitations (15% thereof)	Less: General Obligation Bonds Authorized and		Remaining Bonding Capacity	Tax Rate for General Oblig. Bonds
				Outstanding	Unissued		
2018	\$ 13,367,683,794	\$ 3,341,920,949	\$ 501,288,142	none	(\$600,000)	\$ 500,688,142	N/A
2017	12,681,845,778	3,170,461,445	475,569,217	none	(600,000)	474,969,217	N/A
2016	12,128,474,619	3,032,118,655	454,817,798	none	(600,000)	454,217,798	N/A
2015	11,076,435,677	2,769,108,919	415,366,338	none	(600,000)	414,766,338	N/A
2014	10,370,178,948	2,592,544,737	388,881,711	none	(600,000)	388,281,711	N/A
2013	9,916,171,677	2,479,042,919	371,856,438	none	(600,000)	371,256,438	N/A
2012	9,816,257,873	2,454,064,468	368,109,670	none	(600,000)	367,509,670	N/A
2011	9,911,332,229	2,477,833,057	371,674,959	none	(600,000)	371,074,959	N/A
2010	10,103,791,583	2,525,947,896	378,892,184	none	(600,000)	378,292,184	N/A
2009	10,950,055,952	2,737,513,988	410,627,098	none	(600,000)	410,027,098	N/A
2008	10,619,419,639	2,654,854,910	398,228,237	none	(600,000)	397,628,237	N/A

### Sewer Revenue Refunding Bonds 2003

From Issue Year 2003 to Redemption in September 2009

**TABLE 14**

### Ratio of Outstanding Debt to Number of Sewer Service Customers

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

**TABLE 15**

### Debt Coverage Ratio

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

## ORO LOMA SANITARY DISTRICT

### DEMOGRAPHIC & ECONOMIC INFORMATION

#### ~ DEMOGRAPHIC & ECONOMIC INDICATORS ~

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

The District encompasses 13 square miles, serving the communities of unincorporated Alameda County such as San Lorenzo, Ashland, Cherryland, Fairview, and designated areas in the Cities of Hayward and San Leandro.

It is located about 13 miles south of Oakland, and 30 miles north of San Jose, on the east shore of the San Francisco Bay.

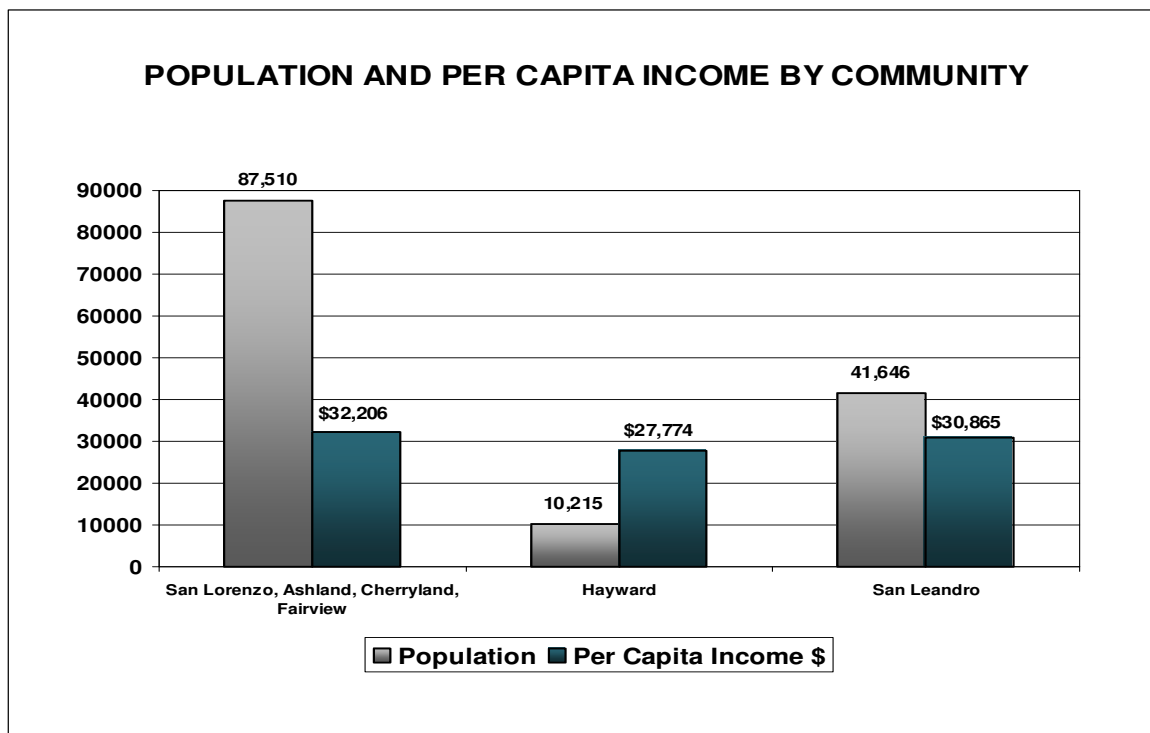
**TABLE 16**

#### Population, Per Capita Income & Unemployment Statistics

Source: U.S. Census Bureau 2012-2016; EDD Labor Market Information Division FY 2017-18

Indicator	Communities within the District's Boundaries Located in			All Areas
	San Lorenzo, Ashland, Cherryland, Fairview	Hayward	San Leandro	
Population	87,510	10,215	41,646	139,371
Per Capita Income	\$32,206	\$27,774	\$30,865	\$31,480
Unemployment rate	4.3%	3.5%	3.3%	3.9%

**GRAPH K**



Source: U.S. Census Bureau 2012-2016; EDD Labor Market Information Division FY 2017-18

# ORO LOMA SANITARY DISTRICT

## DEMOGRAPHIC & ECONOMIC INFORMATION

~ PRINCIPAL EMPLOYERS ~

**TABLE 17**

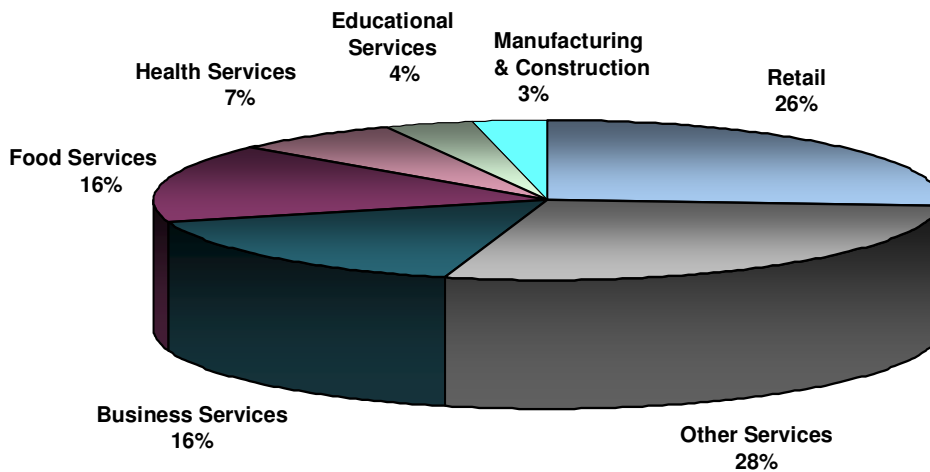
### Major Employers Within the District

Source: City of San Leandro Budget 17-18 and CAFR 2017, and Buzzfile company information database.

Employer	Type of Business	Number of Employees
Alameda Health System	Hospital	1468
San Lorenzo Unified School District	School district	1157
County of Alameda	Government services	539
Ghirardelli Chocolate	Food manufacturing	406
The Hillshire Brands	Food manufacturing	400
Hayward Unified School District	School district	355
San Leandro Unified School District	School district	302
Save Mart	Grocery store	254
Target	Department store	200
Tharco	Packaging materials manufacturing	171
Kaiser Foundation Health Plan	Medical clinic	167
Safeway	Grocery store	140
Santini	Food manufacturing	133
Oakland Pallet	Pallet manufacturing	130

**GRAPH L**

### MAJOR INDUSTRIES WITHIN THE DISTRICT FY 2017-18



Source: 2017 East Bay Municipal Utility District water consumption and billing report.



# ORO LOMA SANITARY DISTRICT

## OPERATING INFORMATION

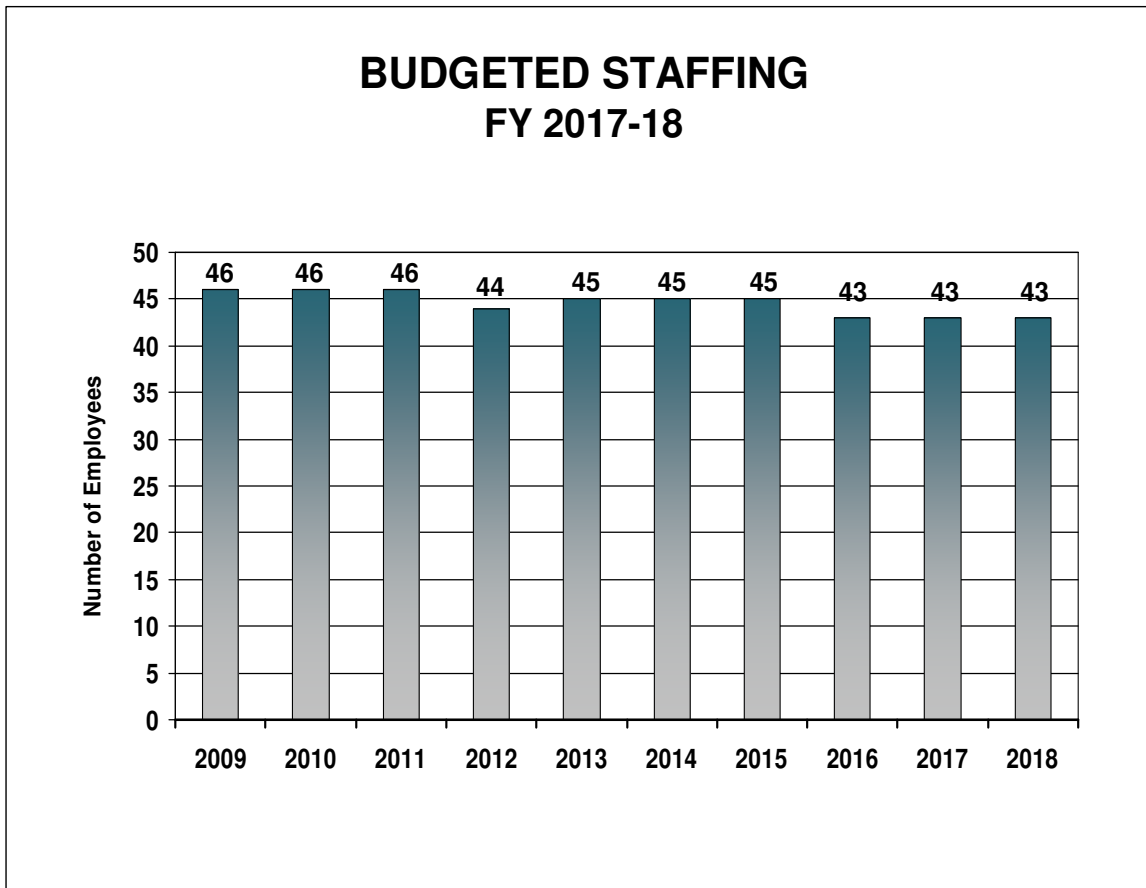
~ EMPLOYEE BASE ~

**TABLE 18**

### Budgeted Staffing by Department

Fiscal Year Ended June 30	Engineering	Collections	Operations	Maintenance	Administration	Solid Waste	Total
2018	6.0	7.0	13.5	10.0	5.5	1.0	43.0
2017	6.0	7.0	13.5	10.0	5.5	1.0	43.0
2016	6.0	7.0	13.5	10.0	5.5	1.0	43.0
2015	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2014	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2013	5.0	8.0	15.5	10.0	5.5	1.0	45.0
2012	4.0	8.0	15.5	10.0	5.5	1.0	44.0
2011	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2010	6.0	8.0	15.5	10.0	5.5	1.0	46.0
2009	6.0	8.0	15.5	10.0	5.5	1.0	46.0

**GRAPH M**



# ORO LOMA SANITARY DISTRICT

## OPERATING INFORMATION

~ SERVICE INDICATORS ~

**TABLE 19**

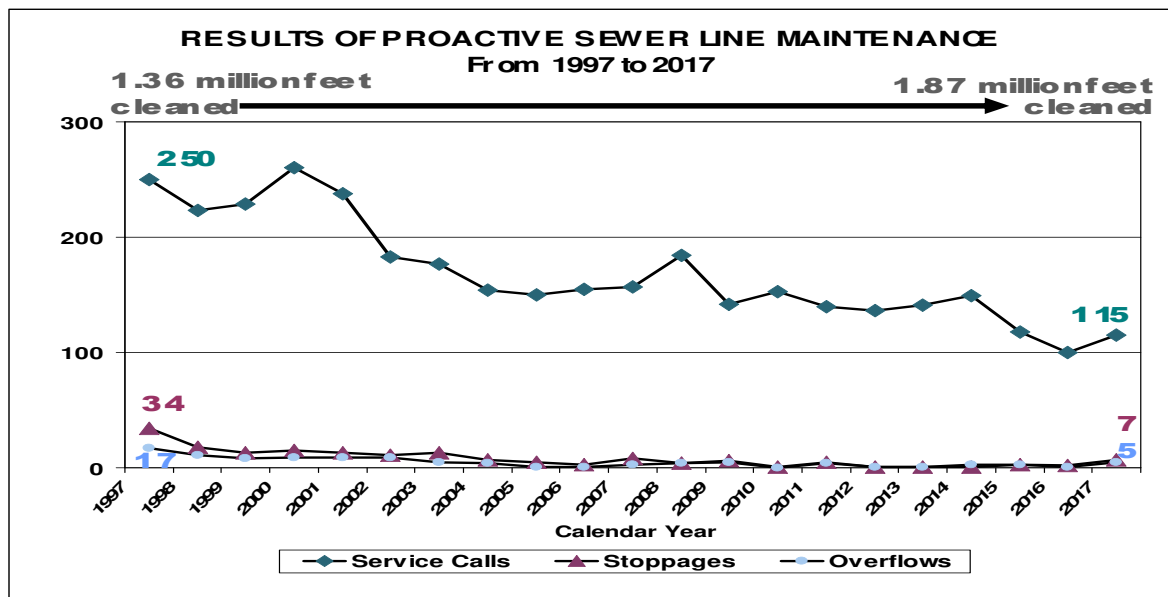
### Proactive Sewer Line Maintenance and Results 1997-2017

Calendar Year	Total Cleaned & CCTV'd (ft)	Monthly Average (ft)	Service Calls	Stoppages	Overflows
2017	1,873,595	156,133	115	7	5
2016	2,092,466	174,372	100	2	1
2015	2,006,671	167,223	118	3	3
2014	2,017,473	168,123	149	*1	3
2013	2,217,645	184,804	141	1	1
2012	2,103,762	175,314	136	1	1
2011	2,105,110	175,426	140	5	4
2010	2,200,451	183,371	153	1	-
2009	2,157,948	179,829	142	6	5
2008	2,170,078	180,840	*184	4	4
2007	2,092,457	174,371	157	8	3
2006	2,171,583	180,965	155	3	1
2005	2,189,737	182,478	150	5	1
2004	2,000,385	166,699	154	7	4
2003	2,092,140	174,345	177	13	5
2002	2,048,939	170,745	183	11	9
2001	2,084,782	173,732	238	13	9
2000	1,844,583	153,715	260	15	9
1999	2,126,747	177,229	229	13	8
1998	2,079,746	173,312	223	18	11
1997	1,362,872	113,573	250	34	17

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

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

**GRAPH N**



# ORO LOMA SANITARY DISTRICT

## OPERATING INFORMATION

~ SERVICE INDICATORS ~

**TABLE 20**

### Sewer Connections & Construction Inspection Permits

Ordinance 35

Fiscal Year Ended June 30	Ord.#	Number of Connections Made	Connection Base Fee	Connection Fee Revenues	Number of Construction Permits Issued*	Permit & Inspection Base Fee*	Permit & Inspection Revenues*
2018	35-16	39	\$6,919	\$399,277	408	\$280	\$220,686
2017	35-16	51	6,919	609,335	322	280	107,678
2016	35-16	43	6,919	298,612	289	280	105,735
2015	35-15	164**	6,555	1,076,699	286	280	120,624
2014	35-15	21	6,555	135,600	257	280	75,691
2013	35-14	11	6,555	69,759	220	280	57,798
2012	35-14	17	6,555	112,127	173	280	52,186
2011	35-14	15	6,555	99,905	194	280	56,261
2010	35-14	8	6,555	49,953	233	280	66,708
2009	35-14	56	6,555	367,611	201	280	67,125

\* The information presented in this table excludes industrial waste permits (FY 2017-18: \$59,855).

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

**TABLE 21**

### Treatment Plant Flow

Calendar Year	Annual Rainfall (inches)	Average Daily (MGD)*				Maximum Daily (MGD)*			
		Total Plant Flow	Plant Flow From OLSD	Plant Flow From CVSD**	% of Total Plant Flow From CVSD	Total Plant Flow	Plant Flow From OLSD	Plant Flow From CVSD	% of Total Plant Flow From CVSD
2017	17.99	14.8	10.6	4.2	28.0%	56.1	37.2	18.9	33.7%
2016	14.43	12.9	9.6	3.3	25.6%	43.6	28.8	14.8	33.9%
2015	7.76	11.2	8.5	2.8	24.5%	28.6	19.5	9.1	31.7%
2014	14.47	12.4	9.3	3.2	25.8%	50.1	35.8	14.3	28.5%
2013	2.71	12.3	9.1	3.2	26.0%	16.9	12.0	4.9	29.0%
2012	12.23	13.9	10.1	3.8	27.3%	42.2	27.4	14.8	35.1%
2011	13.08	14.2	10.4	3.8	26.8%	43.3	28.3	15.2	35.1%
2010	21.14	14.7	10.7	4.0	27.2%	41.0	27.8	13.2	32.2%
2009	19.62	12.6	9.3	3.4	27.0%	31.4	20.4	11.0	35.0%
2008	17.37	12.3	8.9	3.3	26.8%	36.4	22.0	14.4	39.6%

\* MGD stands for millions gallons per day

\*\* Oro Loma Sanitary District (OLSD) provides treatment services for Castro Valley Sanitary District (CVSD) based on agreement. These flows are measured separately. CVSD is billed for Agency Treatment Charges quarterly, based on the share of total plant flow it contributes.

# ORO LOMA SANITARY DISTRICT

## OPERATING INFORMATION

~ SERVICE INDICATORS ~

**TABLE 22**

### Sewage Treatment Plant Performance Reporting

Calendar Year	Effluent* Quality (Average Monthly)				Plant Electrical Demand (Average Monthly)		
	CBOD** (mg/l)	CBOD % of Removal	TSS** (mg/l)	TSS % of Removal	Generated*** (By OLSD)	Purchased (Other Sources)	% Produced
2017	5	98%	7	98%	487,085	60,391	88%
2016	4	99%	5	99%	516,044	38,565	93%
2015	5	98%	6	99%	497,971	53,102	87%
2014	4	98%	6	99%	496,260	35,634	94%
2013	5	98%	6	99%	541,967	36,158	94%
2012	4	98%	5	99%	520,182	Solar Powered	100%
2011	5	98%	5	99%	516,241	Solar Powered	100%
2010	12	94%	9	97%	489,411	52,832	90%
2009	9	96%	9	96%	497,001	42,437	92%
2008	8	97%	9	96%	469,268	113,648	81%

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

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

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

### Solid Waste, Recycling & Green Waste Services

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

**TABLE 23**

### Highlights of Solid Waste, Recycling & Green Waste Services

Routes for Garbage Pickups (per day, every week)	9
Routes for Residential Recycling (per day, every other week)	5
Routes for Residential Green Waste (per day, every week)	5
Free Annual Bulky Waste Pickups in 2017 (maximum 2 per single family or multiple with 4 units or less)	12,266
Other Services:	
<ul style="list-style-type: none"> <li>Residential batteries and cell phone collection programs</li> <li>Single stream recycling services provided to all public schools in the District at no additional cost</li> <li>Recycling bins for classrooms provided to all public schools at no additional cost</li> <li>Recycling coordinator at WMAC dedicated to commercial and industrial customers</li> <li>Garbage service provided to all public schools in San Leandro at no additional cost</li> <li>Public Education funds budgeted to promote recycling and environmental awareness</li> </ul>	

# ORO LOMA SANITARY DISTRICT

## OPERATING INFORMATION

~ CAPITAL ASSETS ~



**TABLE 24**

### Sewage Treatment Facilities

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

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

### Sewage Collection Facilities

- 272 miles of sewer lines
- 13 remote lift stations
- 6022 manholes
- Fleet of service vehicles, consisting of:
  - 3 Hydrojetter Trucks
  - 1 Rodder
  - 1 Vacuum Truck
  - 2 CCTV Vans
  - 4 Collection Service Trucks
  - 2 Lift Station Service Trucks