



Union Sanitary District

Union City, California

# Comprehensive Annual Financial Report



Image: Primary Digester No. 7 Project  
USD's Union City Treatment Plant

Fiscal Year Ended June 30, 2020 with Comparative  
Information for Fiscal Year Ended June 30, 2019



Union Sanitary District

Union City, California

# Comprehensive Annual Financial Report



Image: Excavation

Fiscal Year Ended June 30, 2020 with Comparative  
Information for Fiscal Year Ended June 30, 2019

Prepared by Business Services Work Group

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# Table of Contents

## Page Number

### INTRODUCTORY SECTION

Letter of Transmittal .....	i
Vision/Mission Statement.....	ix
District Board of Directors and Principal Officials .....	xi
Organizational Chart .....	xiii
Service Area Location Map .....	xiv
Certificate of Achievement for Excellence in Financial Reporting .....	xv

### FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT .....	1
------------------------------------	---

MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5
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#### BASIC FINANCIAL STATEMENTS

Statement of Net Position .....	13
Statement of Revenues, Expenses, and Changes in Net Position.....	14
Statement of Cash Flows .....	15
Notes to Financial Statements .....	17

#### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability and Related Ratios .....	47
Schedule of Plan Contributions.....	48
Schedule of Changes in the Net OPEB Liability and Related Ratios .....	49
Schedule of OPEB Contributions .....	50

#### SUPPLEMENTARY INFORMATION

Schedule of Operating Expenses before Depreciation.....	52
Schedule of Insurance Coverage.....	53

### STATISTICAL SECTION

Financial Trends.....	58
Revenue Capacity.....	62
Debt Capacity.....	66
Demographic and Economic Information.....	68
Operating and General Information .....	71

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# Introductory Section



Image: Formwork Installation for  
Foundation Grade Beams

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**Directors**

Manny Fernandez  
Tom Handley  
Pat Kite  
Anjali Lathi  
Jennifer Toy

**Officers**

Paul R. Eldredge  
*General Manager/  
District Engineer*

Karen W. Murphy  
*Attorney*

October 30, 2020

Board of Directors  
Union Sanitary District  
Union City, California

Subject: Comprehensive Annual Financial Report for the Year Ended June 30, 2020

We are pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended June 30, 2020. Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

The CAFR is presented in accordance with Generally Accepted Accounting Principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB).

**District Profile****The Reporting Entity**

The Union Sanitary District (District) is an independent Special District and is accounted for as an enterprise fund type (proprietary fund category). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. As an enterprise fund, the District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred,



regardless of when cash is paid or received. The District considers the newly created Union Sanitary District Financing Authority as a blended component unit of the District and is described further below.

The District applies all applicable GASB pronouncements in accounting and reporting for proprietary operations. District policy requires that its financial statements be audited on an annual basis by an independent certified public accounting firm approved by the Board of Directors. The independent auditor's report for the fiscal year ended June 30, 2020, is presented in the Financial Section of this report. Please refer to the Management's Discussion and Analysis immediately following the independent auditor's report in the Financial Section for additional information about the financial statements.

### **District Formation and Organization**

The Union Sanitary District was formed in 1918 and subsequently reorganized in 1923 to serve Newark and the Centerville area of what is now Fremont. Between 1949 and 1962, Niles, Decoto, Irvington, and Alvarado Sanitary Districts joined the Union Sanitary District. The District is empowered to own and operate wastewater facilities and the Board of Directors may prescribe, revise, and collect fees or charges for services and facilities. The District provides wastewater collection, treatment and disposal services to the residents and businesses of the cities of Fremont, Newark, and Union City, commonly referred to as the Tri-City Area, with a combined population of 356,823. The Cities are located along Interstates 680 and 880, between Oakland and San Jose in southern Alameda County.

The District is governed by a five-member Board of Directors, which is independently and directly elected by voters to staggered four-year terms. The Board appoints the General Manager to manage and oversee the day-to-day operations. The District, which currently employs 139.45 Full Time Equivalent (FTE) staff, operates in a team-based environment, and uses the Balanced Scorecard as a model for its strategic plan and performance measurement tool.

### **Local Economic Condition and Outlook**

Located at the northern end of Silicon Valley, the Tri-City area of Fremont, Newark and Union City has a diverse population, as well as a varied mix of employers including biotech, research and development, education, manufacturing, and retail. Summary notes of the prevailing economic conditions in the Tri-City area and the District are below, delineated by City.

#### **The City of Fremont\***

Located on the southeast side of the San Francisco Bay, Fremont is a city of over 234,000 people and 76,000 households, with an area of 92-square miles. Fremont remains the fourth most populous city in the Bay Area and California's 15<sup>th</sup> largest city. With its moderate climate and its proximity to major universities, shopping areas, recreation and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

Fremont is conveniently served by Interstates 680 and 880, as well as rail transport lines including Altamont Commuter Express (ACE), Amtrak Capitol Corridor, and the Bay Area Rapid Transit (BART) system. Fremont also has easy access to the San Jose Airport, Oakland Airport,

San Francisco Airport, and the Port of Oakland. Fremont is home to a broad variety of innovative firms including over 1,200 high tech, life science, and clean technology firms. The city has a broad range of quality, affordable business locations; a superior workforce; and a wide variety of tax benefits and incentive programs for businesses.

Fremont is one of the most ethnically and culturally diverse cities in the Bay Area. Residents are attracted to Fremont for its nationally recognized high-ranking public schools, its numerous well-kept parks, and a variety of recreational amenities, including beautiful Lake Elizabeth, Central Park, and Mission San José (California's 14<sup>th</sup> mission). Fremont is described as a wonderful community to live, work, and play.

#### The City of Newark\*

Newark has an area of 13 square miles, a population of over 48,000. Newark was incorporated in 1955 and is located 35 miles south of San Francisco and next to many high-tech hubs, including easy access to highways 880, 580, 680, and the Dumbarton Corridor. This makes Newark in an ideal location to live or do business. Newark has evolved throughout the years from its days enriched in agriculture, manufacturing, and railroad to today's expansion of high-tech, biotech, and the health sciences.

Although Newark has grown significantly, it still manages to keep a small, hometown community charm which is what citizens say they love about the city. The City of Newark has a wide variety of programs and services to meet the community's needs.

#### The City of Union City\*

Union City is 18 square miles in area, boasting a diverse and unified people, excellent educational institutions, unsurpassed quality of life, strong economy, and world-renowned location in The San Francisco Bay Area. Incorporated in 1959, the city proudly maintains a small-town feel despite being in the center of the Bay Area, with San Francisco and Silicon Valley just minutes away. Union City has grown into an ethnically diverse community of over 73,000 residents, and the highly regarded New Haven Unified School District serves about 13,000 K-12 students. The community offers a variety of housing, with affordable and upscale homes available in many charming neighborhoods throughout the city. The transit-oriented Station District, located around the Union City BART station, boasts housing and business development opportunities with easy, convenient access to major public transit running throughout the Bay Area. Union City also offers 33 wonderful parks, sports fields, community centers, and a variety of recreation programs and social services for residents of all ages.

Region-wide, the Tri-City area is experiencing significant impacts as a result of COVID-19. Unemployment rates for the cities of Fremont, Newark and Union City on June 30, 2020 were 10.5%, 12.8%, and 13.4% respectively, compared with 2.6%, 2.7%, and 3.0% one year earlier.

\*Information obtained from the respective city's website

## **Major Projects or Initiatives**

During fiscal year 2020, the District continued, completed, or initiated several significant projects:

**Enhanced Treatment & Site Upgrade (ETSU) Program** – The District developed the Enhanced Treatment and Site Upgrade (ETSU) Program to upgrade and bring infrastructure up to current standards and to address impending regulatory requirements and capacity needed to meet the General Plans of the Cities served. The Program is a roadmap for the treatment plant's infrastructure over the next 40 years. Design of the first group of projects is underway. These include improvements to the aeration basins and relocation of operations, maintenance, and administrative facilities. Construction of Phase 1 projects is expected to begin in late 2021 and last through 2027.

**Digester 7** - An additional anaerobic digester will be built and placed into service with this project. Construction has begun and is scheduled to be completed by mid-2022.

**Force Main Relocation Project, Phase III** - This project continued work done previously to relocate sections of the force main to allow for development and construction of new residential housing, in conjunction with local area developers. Construction should be completed by the end of calendar year 2021.

**Standby Power Generation System Upgrade** - The District's current emergency power facilities are beyond their useful life and have questionable reliability when the District loses commercial power. Final design is anticipated by the end of FY 2021.

**Rebranding Initiative** - This project was initiated in late FY 2017 to explore options for rebranding and updating the District's logo to increase customer awareness of the services the District provides to our constituent communities and increase brand recognition for the District. The effort is based on feedback from staff and customers received over time. The multi-disciplinary project team assembled is expected to provide actionable suggestions to management and the Board of Directors in FY 2021, with an implementation plan to follow in late FY 2021 or early FY 2022 should a proposal be adopted.

**COVID-19 Response** – The impacts of COVID-19 have been felt throughout the region impacting every agency in a variety of ways. The District responded early in the pandemic to mitigate the impacts of the virus while maintaining operations at customary levels. Precautions have been taken to not only separate operational groups to reduce the risk of cross-contamination from the virus, but to also follow strict health and safety protocols for all employees. Efforts thus far have been highly successful with minimal disruption to services. No significant fiscal impacts have occurred to the District due to the virus.

## **Future Projects or Initiatives**

The primary focus for the next 5-10 years will be additional projects associated with the ETSU program.

## **Financial Information**

### Accounting System

District financial records are maintained on the accrual basis of accounting as required by GASB Section 1600.125. Accrual basis accounting recognizes transactions, events, and circumstances when they occur, rather than when cash is received or paid.

### Internal Controls

While developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to give reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The District's internal controls include but are not limited to positive pay, fraud protection checks, timely bank reconciliations, segregation of duties wherever possible, dual approvals on wires and investment purchases, an anonymous fraud hotline, and financial system security.

### Budgetary Controls

Budgetary controls are maintained by the District to ensure compliance with the annual budget adopted by the Board of Directors. All financial activities for the fiscal year are included in the annual budget, along with a twenty-year capital improvement projects plan. Budgetary control is maintained at the Work Group (department) level for administrative and operating budgets, and at the project level for capital improvements. Monthly budget reports are provided to the Executive Team and Board of Directors, and the Executive Team conducts a detailed quarterly review, as well.

### Rate Structure

The District receives its revenue from four primary sources: sewer service charges; capacity fees; other minor operating revenues such as permits, inspections and outside work that is performed in cooperation with other municipalities; and interest earnings on reserve funds.

### Sewer Service Charge

The sewer service charge has historically been collected on the annual property tax bill. Sewer service charges to be collected are provided to the County of Alameda in August of each fiscal year. The District receives its primary payments of funds in December (50%) and April (45%), and the remainder in September, and receives all amounts billed as part of the County's "Teeter" plan.

The sewer service charge is divided into four primary categories of customers: residential, commercial, institutional, and industrial. The calculation of the sewer service charge for the commercial, institutional, and industrial customers is based upon their average flow, as well as contribution of their projected suspended solids (SS) and chemical oxygen demand (COD). The District has a sampling program to periodically test the effluent from its industrial customers.

Flow for industrial users is based on water use records from the Alameda County Water District. The annual residential fee for FY 2020 was \$421.37 for a single-family dwelling and \$365.32 for a multi-family dwelling.

#### Connection Fees

In 2020 the District charged a sewer connection fee of \$8,897.71 for a residential equivalent dwelling unit (EDU). The charges for commercial, industrial, and office use are based on factors such as square footage, flow, COD, and suspended solids. Revenues from capacity fees are used to fund capital projects and upgrades that preserve or increase the system's capacity. Collected capacity fee revenues may not fund ongoing operating costs.

#### Interest Income

The District earns interest on its portfolio of investments, including the Local Agency Investment Fund (LAIF), and the California Asset Management Program (CAMP), which is allocated to the major funds (Capacity and Sewer Service) monthly by percentage of fund balance.

#### **Other Information**

**Independent Financial Audit** – California state statutes require an annual independent audit of the books of accounts and financial records of the District. The firm of Lance, Soll & Lunghard, LLP was contracted to conduct this year's audit. The Board Audit Committee receives and reviews the audited financial statements. The audit opinion is included in the Financial Section of this report.

**Financial Policies** – The District maintains a rotation schedule for updating and reviewing policies. In fiscal year 2020, the District reviewed and/or updated the following important financial policies:

Investments, Reserves Allocations & Fund Balance, Debt Management, Exceptions to Ordinance Fees, Social Media Communications, Public Input at Board and Committee Meetings, Boardmember Requests for Information, Representation by Boardmembers on Specific Issues, Equal Employment Opportunity.

**East Bay Dischargers Authority (EBDA)** – USD is a member of EBDA. Founded in 1974, EBDA is a five-member Joint Powers Authority (JPA) formed to plan, design, construct, and operate regional facilities to collect, transport and discharge treated effluent to deep waters of San Francisco Bay. Treated effluent from the District's Alvarado Wastewater Treatment Plant is pumped to the EBDA System and discharged into the Bay southwest of Oakland International Airport. Frequent testing of the treated wastewater confirms compliance with regional permit requirements. The other member agencies are Castro Valley Sanitary District, Oro Loma Sanitary District, City of Hayward, and City of San Leandro.

**District Financing Authority** – The District is a member of the Alameda County Water District (ACWD) Financing Authority. The Authority was organized to aid ACWD in the financing of capital projects via a bond sale or other mechanisms requiring an issuing agency authority. The District has one Board member on the governing body of the Authority.

**Union Sanitary District Financing Authority (USDFA)** - During the year, the District formed the USDFA. The creation of this JPA to issue revenue bonds provides savings benefits to the District's ratepayers. The Authority was utilized in the issuance of the Series 2020A Revenue Bonds.


### **Awards Received**

**During the past year, the District received the following awards:**


- ❖ National Association of Clean Water Agencies (NACWA) - Peak Performance Awards 1993 – 2019: USD's Alvarado Treatment Plant in Union City has been recognized for 27 consecutive years by NACWA (and its predecessor, AMSA) for outstanding performance.
- ❖ National Association of Clean Water Agencies - Excellence in Management Silver Recognition
- ❖ National Institute for Government Purchasing (NIGP) - Achievement of Excellence in Procurement
- ❖ Government Finance Officers Association (GFOA) – Certificate of Achievement for Excellence in Financial Reporting

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



Paul R. Eldredge, P.E.  
General Manager/District Engineer



Mark Carlson, CPA  
CFO/Business Services Manager



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## VISION/MISSION STATEMENT

Revised April 10, 2017

To safely and responsibly collect and treat wastewater, and to recover resources from process waste streams, while protecting human health and improving the environment in a way that benefits the Tri-Cities and all USD stakeholders.

How we continue to accomplish our Vision:

### Commitment to safety:

- Continually reviewing our safety program for opportunities to improve
- Focusing on protecting employees and the community in all our activities
- Allocating resources to ensure safe operations (equipment, training, staff)
- Collaboratively promoting a safe work environment

### Responsibility:

- Being accountable for our actions and decisions
- Being fiscally prudent
- Maintaining and upgrading infrastructure
- Anticipating and meeting future District and stakeholder needs
- Compliance with laws and regulations (local, state, federal)
- Effective asset management
- Effective use of technology
- Looking for innovative ways to reduce or reuse our waste streams

### Collect, treat, and recover/reuse wastewater:

- Providing capacity in the collection system and plant
- Regulating connections
- Increasing efforts for resource recovery (biogas, biosolids, etc.)
- Exploring ways to maximize water reclamation and reuse potential

### Human health and environmental stewardship

- Preventing sewer spills and back-ups
- Limiting health risks through treatment of wastewater
- Responding to emergencies
- Enhancing water quality in the San Francisco Bay estuary
- Meeting or exceeding all water and air quality standards
- Promoting pollution prevention and pretreatment through outreach and educational programs
- Maximizing use of green energy sources when feasible
- Working towards energy neutrality



## VISION/MISSION STATEMENT

Revised April 10, 2017

We benefit our stakeholders by:



## Board of Directors



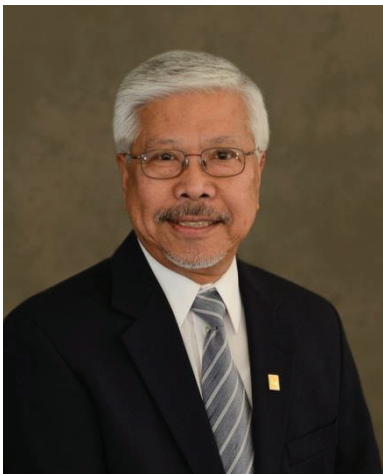
Tom Handley



Pat Kite



Anjali Lathi



Manny Fernandez



Jennifer Toy

# Principal Officials

As of June 30, 2020

		<b>City Represented</b>	<b>Year Elected</b>	<b>Term Expires</b>
Tom Handley	President	Fremont (Ward 3)	2007	2022
Pat Kite	Vice President	Newark (Ward 2)	1991	2024
Anjali Lathi	Secretary	Fremont (Ward 3)	2002	2024
Manny Fernandez	Board Member	Union City (Ward 1)	2011 (Appointed)	2024
Jennifer Toy	Board Member	Fremont (Ward 3)	1998	2022

Karen W. Murphy

General Counsel

## Staff

Paul Eldredge

General Manager/District Engineer

Armando Lopez

Treatment & Disposal Services Manager

Robert Simonich

Maintenance & Technology Services Manager

Mark Carlson

Business Services Manager/Chief Financial  
Officer

Sami Ghossain

Technical Services Manager

James Schofield

Collection Services Manager



June 30, 2020





## Union Sanitary District Service Area Location Map



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Union Sanitary District  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

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# Financial Section



Image: Rebar Installation for  
Cone-Shaped Base Slabs

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Union Sanitary District  
Union City, California

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

We have audited the accompanying financial statements of the Union Sanitary District, (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 District. 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 entity'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 entity'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.





To the Board of Directors  
Union Sanitary District  
Union City, California

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2020, 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 the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of Plan contributions, the schedule of changes in net OPEB liability and related ratios, and schedule of OPEB contributions 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.

#### ***Prior Year Comparative Information***

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which such partial information was derived.



To the Board of Directors  
Union Sanitary District  
Union City, California

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary schedule of operating expenses before depreciation, schedule of insurance coverage and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of operating expenses before depreciation and schedule of insurance coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, 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 solely 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 the effectiveness of the District's 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.

*Lance, Solt & Luyhard, LLP*

Sacramento, California  
October 30, 2020

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## UNION SANITARY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2020. This information is presented in conjunction with the audited financial statements, which follow this section.

The District, which was established in 1918 and subsequently reorganized in 1923, is empowered to own and operate wastewater facilities and the Board of Directors may prescribe, revise, and collect fees or charges for services and facilities of the District in connection with its wastewater system.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2020, by \$405.2 million (net position). Net position consists of \$283.6 million invested in capital assets, \$66.6 million restricted net position, and \$55.0 million in unrestricted net position.
- The District's total net position increased by \$19.9 million during the fiscal year ended June 30, 2020. Contributing factors include \$14.2 million in connection fees, \$5.6 million in contributed capital, marginal rate increases, inspections and other area development.
- Long-term liabilities increased on the Statement of Net Position by \$37.8 million during the current fiscal year, as a result of the issuance of the Series 2020A Revenue Bonds.
- The District placed \$6.9 million in capital assets into service compared to \$26.8 in the previous year.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The District's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These provide information about the activities of the District as a whole and present a long-term view of the District's property, debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure.

- **Statement of Net Position** – Includes all District assets, liabilities, deferred outflows of resources, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return; evaluating the capital structure of the District; and assessing the liquidity and financial flexibility of the District.
- **Statement of Revenues, Expenses and Changes in Net Position** – All of the current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of District operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.
- **Statement of Cash Flows** – The primary purpose of this statement is to provide information about District cash receipts, cash disbursements and net changes in cash resulting from operations, investments, and capital and non-capital financing activities. It illustrates the source of revenue, purposes for which it was used, and change in cash balance during the reporting period.

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

### Reporting the District as a Whole

#### *The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position*

#### DISTRICT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's activities.

The largest portion of the District's Net Position (70%) reflects its investment in capital assets (net of accumulated depreciation) less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table 1 – Condensed Statement of Net Position

	Fiscal Year	Fiscal Year	Fiscal Year	Dollar Change	Percent Change
	2020	2019	2018	FY20 to FY19	FY20 to FY19
Current and other assets	\$ 212,422,497	\$ 153,635,984	\$ 125,839,386	\$ 58,786,513	38.3%
Capital Assets	325,577,880	323,687,525	338,368,202	1,890,355	0.6%
Total Assets	538,000,377	477,323,509	464,207,588	60,676,868	12.7%
Deferred outflows of resources	10,049,080	9,982,982	11,884,867	66,098	0.7%
Current liabilities	13,419,790	11,054,282	11,074,799	2,365,508	21.4%
Long-term liabilities	126,855,110	89,017,951	92,046,419	37,837,159	42.5%
Total liabilities	140,274,900	100,072,233	103,121,218	40,202,667	40.2%
Deferred inflows of resources	2,584,183	1,903,197	1,463,120	680,986	35.8%
Net Position:					
Net investment in capital assets	283,568,402	284,632,017	296,442,688	(1,063,615)	-0.4%
Restricted	66,590,701	69,264,549	55,373,688	(2,673,848)	-3.9%
Unrestricted	55,031,271	31,434,495	19,691,741	23,596,776	75.1%
Total net position	\$ 405,190,374	\$ 385,331,061	\$ 371,508,117	\$ 19,859,313	5.2%

Net position of the District's business-type activities increased 5.2% to \$405.2 million, of which \$283.6 million is invested in capital assets such as equipment, buildings, and infrastructure. Of the remaining total, \$66.6 million is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties. The remaining \$55.0 million is subject to designation for specific purposes as approved by the District Board of Directors and may be used to meet the District's ongoing obligations.

# UNION SANITARY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Table 2 – Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year	Fiscal Year	Fiscal Year	Dollar Change	Percent Change
	2020	2019	2018	FY20 to FY19	FY20 to FY19
Operating Revenues:					
Sewer service charges (SSC)	\$ 60,216,149	\$ 57,330,651	\$ 54,260,096	\$ 2,885,498	5.0%
Other revenues	1,460,111	2,188,027	1,631,870	(727,916)	-33.3%
Total operating revenues	61,676,260	59,518,678	55,891,966	2,157,582	3.6%
Operating Expenses:					
Depreciation	16,819,345	17,857,275	17,003,398	(1,037,930)	-5.8%
Sewage treatment	21,815,870	19,339,187	18,657,355	2,476,683	12.8%
Sewage collection and engineering	16,596,589	14,519,186	14,173,382	2,077,403	14.3%
General and administration	8,858,612	8,044,226	7,611,460	814,386	10.1%
Total operating expenses	64,090,416	59,759,874	57,445,595	4,330,542	7.2%
Non-operating Revenues (Expenses):					
Investment income and net gains	5,069,307	4,097,258	700,856	972,049	23.7%
Loss on retirement of capital assets	(45,982)	(6,606,751)	-	6,560,769	-99.3%
East Bay Dischargers Authority loss	(62,484)	(170,591)	(90,325)	108,107	-63.4%
Interest	(1,841,089)	(992,721)	(1,479,413)	(848,368)	85.5%
Total Net non-operating revenues (expenses)	3,119,752	(3,672,805)	(868,882)	6,792,557	-184.9%
Income/(Loss) Before Contributed Capital	705,596	(3,914,001)	(2,422,511)	4,619,597	-118.0%
Capital Contributions					
Connection fees	14,179,465	16,158,027	23,623,947	(1,978,562)	-12.2%
Contributed capital	5,582,142	1,738,388	7,714,351	3,843,754	221.1%
Total Net Capital Contributions	19,761,607	17,896,415	31,338,298	1,865,192	10.4%
Change in Net Position	20,467,203	13,982,414	28,915,787	6,484,789	46.4%
Beginning Net Position	385,331,061	371,508,117	351,734,929	13,822,944	3.7%
Prior period adjustment	(607,890)	(159,470)	(9,142,599)	(448,420)	281.2%
Restated Net Position, Beginning of Year	384,723,171	371,348,647	342,592,330	13,374,524	3.6%
Ending Net Position	\$ 405,190,374	\$ 385,331,061	\$ 371,508,117	\$ 19,859,313	5.2%

The District's increase in net position of \$19.9 million is primarily due to the following:

- A marginal rate increase in sewer service charge and the increase in other revenues, such as permit fees.
- The District received \$14.2 million in connection fees and \$5.6 million in contributed capital due to the ongoing residential development activity within the service area.



## UNION SANITARY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

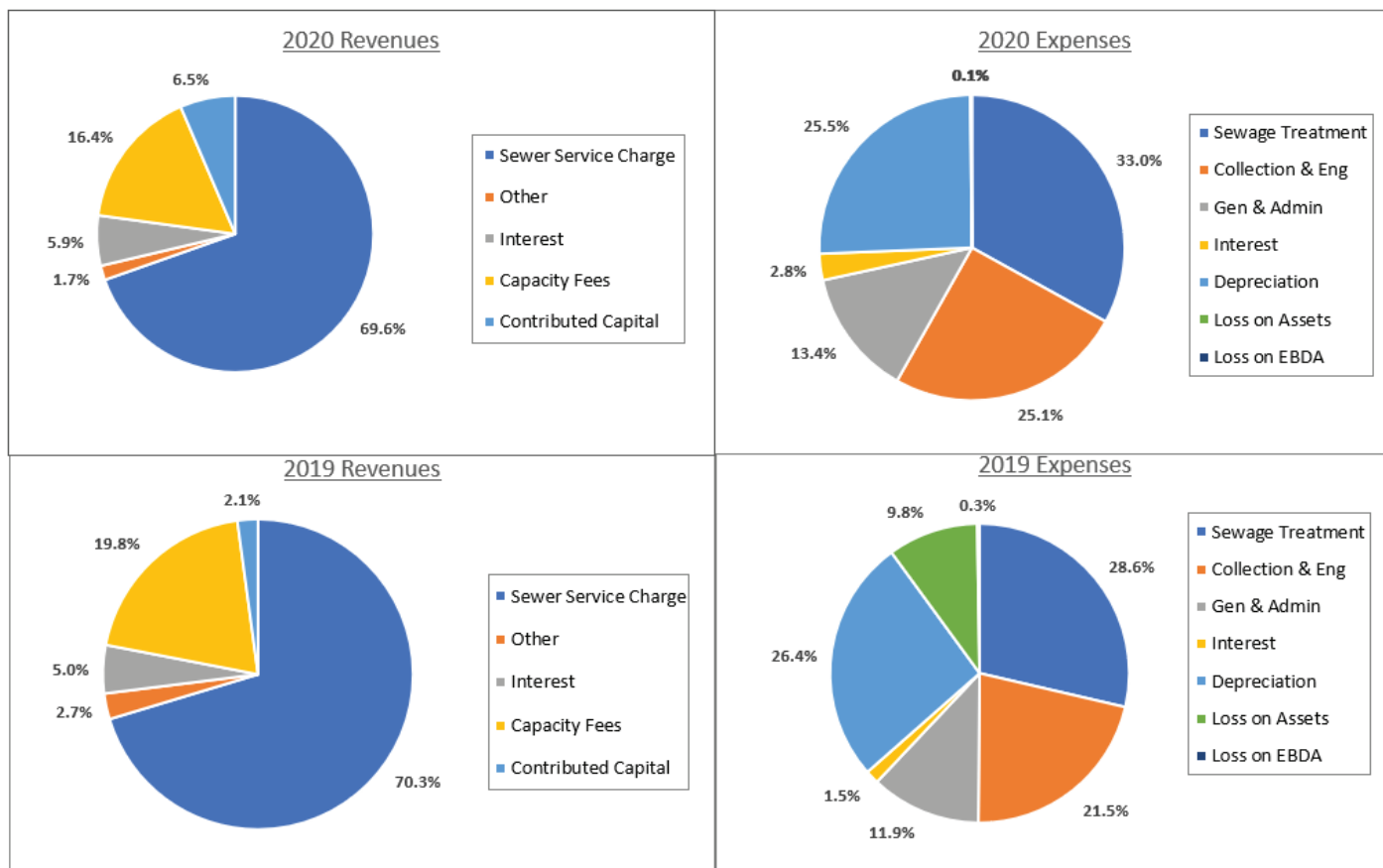
JUNE 30, 2020

Overall, the District's operating revenues increased 3.6% or \$2.2 million from FY 2019. The District's sewer service charge rate increased 3.5%. Sewer service revenues for the year increased by 5.0% or \$2.9 million overall. Other operating revenues decreased by 33.3% or \$0.7 million from prior year as the result of a decrease in permits and compliance fees received from the service area. However, both commercial and residential development slowed, and connection fee revenues decreased 12.2 %, or \$2.0 million from prior year as a result. Contributed capital increased 221.1% or \$3.8 million.

Investment income increased by \$1.0 million to \$5.1 million in FY 2020 over FY 2019. The loss on equity investment in East Bay Dischargers Authority (EBDA) was \$0.1 million. Investment income remained strong in FY 2020. Lower returns from LAIF, CAMP, and managed portfolio investments resulted in a lower weighted investment yield at June 30, 2020, of 1.19%, with a weighted average portfolio life of 322 days compared to a weighted investment yield at June 30, 2019, of 2.36%, with a weighted average portfolio life of 353 days.

The District's operating expenses increased from prior year \$4.3 million or 7.2%. The increase is primarily due to increases in the contribution percentage for employee retirement plans; cost of living salary adjustments; and an increase in expenses for treatment plant chemicals and other services.

In FY 2019, the District's total operating revenues increased by \$3.6 million, or 6.5%. Contributed capital was \$1.7 million, a decrease of \$6.0 million over FY 2018. Most major cost categories increased from FY 2018 resulting in an increase of 4.0% in the total cost of all programs and services, including depreciation.



## UNION SANITARY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of FY 2020, the District had \$325.6 million invested in a broad range of capital assets, including facilities and equipment for the plant, collections, and administrative facilities. This amount represents a net increase of \$1.9 million compared to the prior year. The net change consisted of total additions of \$19.0 million, net deletions and adjustments of \$0.3 million and depreciation of \$16.8 million.

The District has outstanding construction contract commitments on capital projects approximating \$48.4 million at June 30, 2020. During the year ended June 30, 2020, major projects and related activity included:

Table 3 – Additions to CIP

Primary Digester No. 7	\$ 5,665,901
Primary Digester No. 2 Rehabilitation	1,789,544
MP - Aeration Basin Modifications	1,056,944
Headworks 3rd Bar Screen	976,551
Standby Power System Upgrade	803,251
Centrifuge Building Improvements	547,196
Calcium Thiosulfate Chemical Tank	395,562
Control Box No. 1 Improvements	392,039
Alvarado Influent PS Pumps and VFDs	332,302
Digester No. 3 Insp & Rehab	208,486
3rd Sludge Degritter System	141,653
Aeration Blower 11 (High Speed)	137,631
WAS Thickeners	135,980
Gravity Sewer Rehab/Replacement	120,791
Campus Building (Admin, FMC, Ops)	111,449
Others	64,780
Total	<u>\$ 12,880,060</u>

This year's additions (placed into service) included:

Table 4 – Total CIP Placed into Service

SCADA Upgrade	\$ 196,517
Cast Iron Lining Phase VI	246,431
Cast Iron Lining Phase VII	299,245
Total	<u>\$ 742,193</u>

More detailed information about the District's capital assets is presented in Note 2 to the financial statements.

## UNION SANITARY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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#### Debt Administration

In February 2020, the District issued \$73.6 million in new revenue bonds (bonds payable \$64.1 million, bond premium \$9.5 million). The issuance, Series 2020A Revenue Bonds, refunded \$37.3 million in SRF loans issued between 2003 and 2014 and set aside \$36 million for future construction projects. The refunding is projected to save the District an estimated \$1.8 million dollars in net present value savings.

At year-end, the District had \$73.5 million in long-term debt outstanding versus \$39.1 million last year.

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

#### New Significant Accounting Standards Implemented

In fiscal year 2020, the following Governmental Accounting Standards Board (GASB) pronouncements impacted the District:

**GASB Statement No. 95** – *Postponement of Effective Dates of Certain Authoritative Guidance* – The following pronouncements have been postponed as a temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic and the new effective date are reflected in the following fiscal years:

GASB 83 – Certain Assets Retirement Obligations – The requirements of this statement are effective for reporting periods beginning on or after June 15, 2020.

GASB 84 – Fiduciary Activities – The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB 87 – Leases – The requirements of this statement are effective for reporting periods beginning on or after June 15, 2021.

## **UNION SANITARY DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2020**

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#### **NEXT YEAR'S BUDGET AND RATES**

The Board of Directors adopted the FY 2021 Budget with total appropriations of \$97.9 million which is an increase over the prior year budget of \$25 million. Of that amount, \$42.7 million, a \$23 million increase over the prior year, has been appropriated for capital projects (both for design and construction) such as the Enhanced Treatment & Site Upgrade (ETSU) program (a series of prior Master Plan (MP) projects), Digester No. 7, Stand by Power Generation System Upgrade, and Headworks Screens Replacement. The budget also includes \$2.7 million in special projects (including some new and some continuing efforts) such as property acquisitions, Odor Control Pilot Study, Irvington Basin MP Update, and various other project studies. To stay competitive with the market, the appropriations include a cost of living increase of 3.25% for employees.

This budget also includes certain rate increase as part of an approved five-year rate plan that became effective on July 1, 2021. Total estimated revenues for FY 2021 are \$68.7 million, an \$8.1 million decrease over the prior year budget. The decrease is largely attributable to a projected decline in Capacity Fees. Major revenue items are sewer service charges of \$60.5 million, capacity fee revenues of \$5.7 million and other revenues of \$2.5 million.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at (510) 477-7500.

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UNION SANITARY DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020 (with comparative information for June 30, 2019)

	2020	2019
<b>Assets:</b>		
Current Assets:		
Cash, cash equivalents	\$ 4,907,684	\$ 2,166,219
Investments	160,359,553	136,142,175
Receivables:		
Accounts, net	4,802,401	3,869,461
Accrued interest	607,871	582,158
Inventories	772,503	1,117,980
Prepaid expenses	46,096	31,210
<b>Total Current Assets</b>	<b>171,496,108</b>	<b>143,909,203</b>
Noncurrent Assets:		
Capital assets		
Non-depreciable capital assets		
Land and improvements	5,395,903	5,395,903
Construction in progress	36,598,866	24,702,553
Capacity permits and easements	6,415,898	6,415,898
Depreciable capital assets		
Utility plant in service	672,726,404	666,198,623
Less: Accumulated depreciation	(395,559,191)	(379,025,452)
Net capital assets	325,577,880	323,687,525
Other Assets		
Restricted cash, cash equivalents	278,200	-
Restricted investments	34,890,971	3,907,080
Investment in East Bay Dischargers Authority	5,757,218	5,819,701
Total other assets	40,926,389	9,726,781
<b>Total Noncurrent Assets</b>	<b>366,504,269</b>	<b>333,414,306</b>
<b>Total Assets</b>	<b>\$ 538,000,377</b>	<b>\$ 477,323,509</b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows related to pensions	8,425,826	8,645,659
Deferred outflows related to OPEB	1,623,254	1,337,323
<b>Total Deferred Outflows of Resources</b>	<b>\$ 10,049,080</b>	<b>\$ 9,982,982</b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable and accrued expenses	4,429,104	2,404,460
Accrued payroll and related expenses	895,034	621,055
Interest payable	844,459	465,312
Customer deposits	3,662,957	3,572,790
Accrued compensated absences	1,298,236	1,049,492
State revolving fund loans	-	2,941,173
Bonds payable	2,290,000	-
<b>Total Current Liabilities</b>	<b>13,419,790</b>	<b>11,054,282</b>
Long-term liabilities:		
State revolving fund loans	-	36,114,335
Bonds payable	71,218,249	-
Net pension liability	51,055,879	46,738,719
Net OPEB liability	4,580,982	6,164,897
<b>Total Long-Term Liabilities</b>	<b>126,855,110</b>	<b>89,017,951</b>
<b>Total Liabilities</b>	<b>\$ 140,274,900</b>	<b>\$ 100,072,233</b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows related to pensions	1,098,252	885,105
Deferred inflows related to OPEB	1,485,931	1,018,092
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,584,183</b>	<b>\$ 1,903,197</b>
<b>Net Position:</b>		
Net investment in capital assets	283,568,402	284,632,017
Restricted for:		
Capacity purposes	62,920,301	65,362,469
Debt service	3,399,270	3,902,080
Funds held for faithful performance	271,130	-
Unrestricted	55,031,271	31,434,495
<b>Total Net Position</b>	<b>\$ 405,190,374</b>	<b>\$ 385,331,061</b>

See Notes to Financial Statements

UNION SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020 (with comparative information for the year ended June 30, 2019)

	2020	2019
<b>Operating Revenues:</b>		
Sewer service charges (SSC)	\$ 60,216,149	\$ 57,330,651
Other operating revenues	1,460,111	2,188,027
<b>Total Operating Revenues</b>	<b>61,676,260</b>	<b>59,518,678</b>
<b>Operating Expenses:</b>		
Sewage treatment	21,815,870	19,339,187
Sewage collection and engineering	16,596,589	14,519,186
General and administration	8,858,612	8,044,226
<b>Total Operating Expenses Before Depreciation</b>	<b>47,271,071</b>	<b>41,902,599</b>
Depreciation	16,819,345	17,857,275
<b>Total Operating Expenses</b>	<b>64,090,416</b>	<b>59,759,874</b>
Operating (Loss)	(2,414,156)	(241,196)
<b>Nonoperating Revenues (Expenses):</b>		
Net investment income and net realized gains and losses	5,069,307	4,097,258
Interest expense	(1,841,089)	(992,721)
Loss on equity investment in East Bay Dischargers Authority	(62,484)	(170,591)
Loss on disposal of capital assets	(45,982)	(6,606,751)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>3,119,752</b>	<b>(3,672,805)</b>
Income (Loss) Before Contributed Capital	705,596	(3,914,001)
Connection fees and other contributed capital	19,761,607	17,896,415
Changes in Net Position	20,467,203	13,982,414
<b>Net Position:</b>		
Beginning of Fiscal Year	385,331,061	371,508,117
Restatements	(607,890)	(159,470)
Beginning of Fiscal Year, as restated	384,723,171	371,348,647
<b>End of Fiscal Year</b>	<b>\$ 405,190,374</b>	<b>\$ 385,331,061</b>



UNION SANITARY DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020 (with comparative information for the year ended June 30, 2019)

	2020	2019
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers and users	\$ 60,743,320	\$ 58,828,767
Payments to suppliers for goods and services	(13,277,479)	(13,694,977)
Payments to employees for services	(28,133,837)	(26,510,893)
Receipts from customer deposits	90,167	143,839
<b>Net Cash Provided by Operating Activities</b>	<b>19,422,171</b>	<b>18,766,736</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from capital debt	73,609,860	-
Capital contributions	14,179,465	16,158,027
Acquisition and construction of capital assets	(13,430,301)	(8,294,413)
Principal paid on capital debt	(39,055,508)	(2,870,006)
Interest paid on capital debt	(1,563,553)	(1,032,098)
Proceeds from sales of capital assets	15,207	89,982
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>33,755,170</b>	<b>4,051,492</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(53,501,345)	(31,796,374)
Interest received	3,343,669	3,920,966
<b>Net Cash (Used) in Investing Activities</b>	<b>(50,157,676)</b>	<b>(27,875,408)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,019,665</b>	<b>(5,057,180)</b>
Cash and Cash Equivalents at Beginning of Year	2,166,219	7,223,399
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,185,884</b>	<b>\$ 2,166,219</b>
<b>Reconciliation of cash and cash equivalents to amounts reported on the statement of Net Position</b>		
Cash, cash equivalents	\$ 4,907,684	\$ 2,166,219
Restricted cash, cash equivalents	278,200	-
	<b>\$ 5,185,884</b>	<b>\$ 2,166,219</b>
<b>Reconciliation of Operating Income to Net Cash (Used) by Operating Activities:</b>		
Operating (loss)	\$ (2,414,156)	\$ (241,196)
<b>Adjustments to reconcile operating (loss) net cash provided by operating activities:</b>		
Depreciation	16,819,345	17,857,275
Increase (decrease) in pension related items	4,750,140	3,218,122
Increase (decrease) in OPEB related items	(1,402,007)	(963,455)
(Increase) decrease in accounts receivable	(932,940)	(689,911)
(Increase) decrease in inventories and other	(35,745)	(361,792)
Increase (decrease) in accounts payable and accrued expenses	2,024,644	(162,708)
Increase (decrease) in accrued liabilities	273,979	(76,752)
Increase (decrease) in customer deposits	90,167	143,839
Increase (decrease) in compensated absences	248,744	43,314
<b>Total Adjustments</b>	<b>21,836,327</b>	<b>19,007,932</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 19,422,171</b>	<b>\$ 18,766,736</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Contributions of capital assets	\$ 5,582,142	\$ 1,738,388
Loss on disposal of capital assets	(45,982)	(6,606,751)
Decrease in equity in East Bay Dischargers Authority	(62,484)	(170,591)
Unrealized gain on investments	1,699,925	1,439,902
Amortization of premiums on long-term debt	(101,611)	-
Restatement due to inventory adjustment	(366,336)	-

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## UNION SANITARY DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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#### **Note 1: Organization and Summary of Significant Accounting Policies**

##### **The Organization**

Union Sanitary District (the "District") operates pursuant to Division 6 of the Health and Safety Code of the State of California (Sanitary District Act of 1923, as amended). The District, which was established in 1918 and subsequently reorganized in 1923, is empowered to own and operate wastewater facilities, and the Board of Directors may prescribe, revise and collect fees or charges for services and facilities of the District in connection with its wastewater system.

The District is governed by a five-member Board of Directors elected by wards for four-year staggered terms. The election is at-large and non-partisan. The Board appoints the General Manager to manage and oversee the day-to-day operations.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to enterprise governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB establishes standards for external financial reporting for all state and local governmental entities, which require a management and 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: invested in capital assets, restricted, and unrestricted.

##### **The 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 considered all potential component units in determining what organizations should be included in the financial statements. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District.

On January 13, 2020, the District entered into a joint powers' agreement with the California Municipal Finance Authority to create the Union Sanitary District Financing Authority, a blended component unit of the District. The authority is authorized to buy, sell, lease, and use property and to incur indebtedness for public purposes pursuant to the California Health and Safety Code, the California Government Code and other laws of the State of California. This agreement was made for the purpose of assisting in the financing and refinancing of capital improvement projects of the District and to finance working capital for the District and financing other authorized costs. The activities of the authority are blended in the District's financial statements.

In addition, the District's share of a Joint Powers Authority (East Bay Dischargers Authority) is reflected based upon the District's proportionate share of its investment in the discharge facilities in the Authority (see Note 5).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**a. Basis of Accounting and Measurement Focus**

The financial statements of the District are presented as those of an enterprise fund under the broad category of funds called proprietary funds, which also include internal service funds. All proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred, or economic asset utilized.

Enterprise funds account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The acquisition and capital improvement of the physical plant facilities requires that these goods and services be financed from existing cash resources, cash flow from operations, the issuance of debt, and contributed capital.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**b. Cash and Cash Equivalents**

The District considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of June 30, 2020, cash equivalents consist of U.S. Treasury funds in a sweep account and money market funds.

Certain cash and cash equivalents have been placed into escrow according to the requirements of ongoing construction contracts. Accordingly, such cash and cash equivalents have been classified as restricted in the accompanying financial statements.

**c. Investments**

Investments, which consist of short-term, fixed-income securities at June 30, 2020, are recorded at fair value using quoted market prices. The related net realized and unrealized gains (losses) on investments are recognized in the accompanying statement of revenues expenses, and changes in net position.

**d. Inventory**

Inventory is held for consumption and is recorded at cost using the first-in-first-out (FIFO) basis.

**e. Capital Assets**

Capital assets, including costs of addition to utility plant and major replacements of property, are capitalized and stated at cost. The District's capitalization threshold is \$10,000. Such capital costs include materials, direct labor, transportation, and such indirect costs as interest and contracted engineering. Contributed property is recorded at acquisition value as of the date of donation. Repairs, maintenance, and minor replacements of property are charges to expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**f. Depreciation**

The purpose of depreciation is to spread the cost of capital assets equitably among all customers over the life of those assets. The amount charged to depreciation expense each year represents that year's pro rata share of capital asset costs.

Depreciation of all capital assets in service is charged as an expense against operations each year. Accumulated depreciation, the total amount of depreciation taken over the years, is reported on the statement of net position as a reduction in the gross value of the capital assets.

Depreciation of capital assets in service is calculated using the straight-line method, dividing the cost of the asset by its expected useful life in years. The result is charged to expense each year until the asset is fully depreciated. It is the District's policy to utilize the half-year convention when calculating depreciation. The District has assigned the following useful lives to capital assets:

Useful Lives

Wastewater collection facilities	50 – 115 years
Wastewater treatment facilities	10 – 50 years
District facilities	10 – 35 years
General equipment	3 – 35 years

The aggregate provision for depreciation was 3.20 percent of average depreciable plant during the year ended June 30, 2020.

**g. Compensated Absences**

Compensated absences, including accumulated unpaid vacation, sick pay, and other employee benefits, are accounted for as expenses in the year earned. The liability for compensated absences includes the vested portions of vacation, sick leave, and compensated time off. The liability for compensated absences is determined annually.

**h. New Accounting Pronouncements**

**GASB Statement No. 95 – *Postponement of Effective Dates of Certain Authoritative Guidance*** – The following pronouncements have been postponed as a temporary relieve to governments and other stakeholders in light of the COVID-19 pandemic and the new effective date are reflected in the following fiscal years:

GASB 83 – *Certain Assets Retirement Obligations* – The requirements of this statement are effective for reporting periods beginning on or after June 15, 2020.

GASB 84 – *Fiduciary Activities* – The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB 87 – *Leases* – The requirements of this statement are effective for reporting periods beginning on or after June 15, 2021.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**i. Net Position**

Net position is measured on the full accrual basis and is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows. Net position is classified into the following components: net investment in capital assets, restricted and unrestricted. Restricted net position describes the portion of net position which is restricted as to use by the terms and conditions of agreement with outside parties, governmental regulations, laws, enabling legislation or other restrictions which the District cannot unilaterally alter. It is the District's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

The following categories of restricted net position are described as follows:

- Net Position Restricted for Capacity Purposes – restricted for activities related to increases in the capacity of the collection and/or treatment systems.
- Net Position Restricted for Debt Service – the bond trustee requires a contingency reserve for outstanding bond balances.
- Net Position Restricted for Funds Held for Faithful Performance – Certain cash and cash equivalents have been placed into escrow according to the requirements of ongoing construction contracts. Accordingly, net position relating to such cash and cash equivalents have been classified as restricted in the accompanying financial statements.

**j. Classification of Revenues and Expenses**

Operating revenues consist primarily of sewer service charges to customers, which are billed and collected on behalf of the District by Alameda County (the County) as a separate component of semiannual property tax billings. Property taxes are levied on March 1 and are due in equal installments on November 1 and February 1. The County remits to the District those charges which are placed on the property tax roll and handles all delinquencies, retaining interest and penalties.

Non-operating revenues consist of investment income and special charges that can be used for either operating or capital purposes.

Capital contributions consist of contributed capital assets, connection, and capacity fees that are legally restricted for capital expenditures by State law or by Board actions that established those charges. Connection and capacity fees represent a one-time contribution of resources to the District, imposed on contractors and developers for the purpose of financing capital improvements.

Operating expenses are those expenses that are essential to the primary operations of the District. Operating expenses include costs related to wastewater collection and treatment, as well as engineering and general and administrative expenses. Other expenses such as investment losses, interest expense, and loss on retirement of capital assets are reported as non-operating expenses.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**k. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**l. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities. The District has certain items relating to the net pension and net OPEB liabilities, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

**m. Pensions**

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

**n. Other Post-Employment Benefit (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"), the assets of which are held by CalPERS, and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. 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, 2019
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019



UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**o. Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earning on OPEB plan investments	5 years
All other Amounts	Expected average remaining service lifetime (EARSL) (6.63 years at June 30, 2019)

**p. Comparative Data**

Selected information regarding the prior year has been included in the accompanying financial statements. The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which this selected financial data was derived.

# UNION SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

### Note 2: Capital Assets

Capital asset activity for the year ended June 30, 2020, is summarized as follows:

	Balance June 30, 2019	Adjustments*	Adjusted Balance	Additions	Deletions	Transfers	Balance June 30, 2020
Capital assets, not being depreciated:							
Land and improvements	\$ 5,395,903	\$ -	\$ 5,395,903	\$ -	\$ -	\$ -	\$ 5,395,903
Construction in progress	24,702,553	(241,554)	24,460,999	12,880,060	-	(742,193)	36,598,866
Capacity permits and easements	6,415,898	-	6,415,898	-	-	-	6,415,898
Total capital assets, not being depreciated	36,514,354	(241,554)	36,272,800	12,880,060	-	(742,193)	48,410,667
Capital assets, being depreciated:							
Sewage collection facilities	443,582,382	-	443,582,382	5,802,117	-	545,676	449,930,175
Sewage treatment facilities	128,553,721	-	128,553,721	-	(124,260)	-	128,429,461
District facilities	78,877,182	-	78,877,182	-	-	-	78,877,182
General equipment	7,987,625	-	7,987,625	142,647	(129,709)	196,517	8,197,080
Fleet	7,197,713	-	7,197,713	187,619	(92,826)	-	7,292,506
Total capital assets, being depreciated	666,198,623	-	666,198,623	6,132,383	(346,795)	742,193	672,726,404
Less accumulated depreciation for:							
Sewage collection facilities	(260,520,640)	-	(260,520,640)	(9,070,519)	-	-	(269,591,159)
Sewage treatment facilities	(74,100,189)	-	(74,100,189)	(4,338,882)	71,450	-	(78,367,621)
District facilities	(33,696,265)	-	(33,696,265)	(2,338,418)	-	-	(36,034,683)
General equipment	(6,390,765)	-	(6,390,765)	(520,907)	121,331	-	(6,790,341)
Fleet	(4,317,593)	-	(4,317,593)	(550,619)	92,825	-	(4,775,387)
Total accumulated depreciation	(379,025,452)	-	(379,025,452)	(16,819,345)	285,606	-	(395,559,191)
Total capital assets being depreciated, net	287,173,171	-	287,173,171	(10,686,962)	(61,189)	742,193	277,167,213
Total Capital Assets, net	\$ 323,687,525	\$ (241,554)	\$ 323,445,971	\$ 2,193,098	\$ (61,189)	\$ -	\$ 325,577,880

Construction work in progress consists primarily of the direct construction costs associated with numerous District projects plus related construction overhead. The District has outstanding construction contract commitments on capital projects approximating \$48.4 million at June 30, 2020.

\* Adjustments to remove prior year additions to construction-in-progress (CIP). These costs have been determined not capitalizable and an adjustment was necessary to properly state capital assets.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

Note 3: Cash and Investments

a. Summary of Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments at June 30, 2020, are detailed as follows:

Cash and cash equivalents	\$ 4,907,684
Restricted cash and cash equivalents	278,200
Investments	160,359,553
Restricted investments	<u>34,890,971</u>
Total cash and cash equivalents and investments	<u>\$ 200,436,408</u>

b. Authorized Investments by the District

The District's investment policy and the California Government Code allow the District to invest in the following investments, with certain limiting provisions that address interest rate, risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Remaining Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Obligations (a)	5 years	N/A	None	None
Banker's Acceptances (b)	180 days	A1/P1 (ST) A (LT)	40%	10%
Certificates of Deposit	5 years	N/A	20%	10%
Negotiable Certificates of Deposit	5 years	A1 (ST) A (LT)	30%	10%
Repurchase Agreements (c)	90 days	A1/A	10%	10%
Commercial Paper	270 days	"Prime" quality	25%	10%
Local Agency Investment Fund (LAIF)- Unrestricted	N/A	N/A	70%	None
Corporate Notes (d)	5 years	A	30%	None
Mortgage Pass-through and Asset Backed Securities	5 years	A/AA	20%	10%
Money Market Funds	N/A	AAAm	20%	10%

- a) 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). There is an exception with federal agency mortgage-backed securities, which are limited to 20% of the portfolio.
- b) Bankers Acceptances issued by institutions the short term obligations of which are rated at a minimum of "P1" by Moody's Investor Services (Moody's) and A1 by Standard & Poor's, Inc. (S&P); or if the short term obligations are unrated, the long-term obligations of which are rated a minimum of "A" by S&P.
- c) Repurchase agreements must be collateralized with U.S. Treasury Obligation or U.S. Agency Securities, which must maintain a market value of at least 102% of the principal of the repurchase agreement.
- d) Securities shall be issued by corporations rated a minimum of "A" by S&P.

# UNION SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

### Note 3: Cash and Investments (Continued)

#### c. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020:

	Maturities of			Total
	12 Months Or Less	12 to 24 Months	25 to 60 Months	
U.S. Treasury Obligation	\$ 560,210	\$ -	\$ 23,572,656	\$ 24,132,866
U.S Agency Obligations:				
FFCB	-	1,633,708	1,621,685	3,255,393
FHLB	-	1,023,120	1,358,719	2,381,839
FHLMC	-	1,275,070	2,095,451	3,370,521
FNMA	-	998,625	4,204,415	5,203,040
Corporate Notes	4,067,510.00	3,723,201	5,994,947	13,785,658
Certificate of Deposit	3,088,204	2,562,587	-	5,650,791
LAIF- Unrestricted	66,957,571	-	-	66,957,571
LAIF- Restricted	31,498,771	-	-	31,498,771
California Asset Management Program Pool (CAMP)	39,014,074	-	-	39,014,074
Total Investments	145,186,340	11,216,311	38,847,873	195,250,524
Cash in bank	4,907,684	-	-	4,907,684
Restricted cash	278,200	-	-	278,200
Total Cash and Investments	\$ 150,372,224	\$ 11,216,311	\$ 38,847,873	\$ 200,436,408

#### d. LAIF Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The unrestricted portion of LAIF's balance is available for withdrawal on demand and is based in the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The restricted portion of LAIF's balance may only be withdrawn once a month. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills and corporations. The carrying value of LAIF approximates fair value. At June 30, 2020, the District had two accounts with LAIF, consisting of \$66,957,571 in unrestricted investments, and \$31,498,771 in restricted investments specific to the proceeds from the issuance of the Series 2020A Revenue Bonds, further discussed in footnote 6. At June 30, 2020, these investments mature in an average of 191 days.

# UNION SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

### Note 3: Cash and Investments (Continued)

#### e. California Asset Management Program (CAMP) Pool

The District is a voluntary participant in the California Asset Management Program (CAMP) Pool. CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 72 requirements. At June 30, 2020, the fair value was approximate to the District's cost. As of June 30, 2020, the District investment in CAMP is \$39,014,074.

#### f. Credit Risk

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.

Presented below is the actual rating as of June 30, 2020, for each investment type:

Investment Type	Aaa	Aa3	Aa2	Aa1	A1	A2	A3	Total
U.S. Agency Obligations								
FFCB	\$ 3,255,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,255,393
FHLB	2,381,839	-	-	-	-	-	-	2,381,839
FHLMC	3,370,521	-	-	-	-	-	-	3,370,521
FNMA	5,203,040	-	-	-	-	-	-	5,203,040
Corporate Notes	927,714	504,275	3,565,580	1,364,675	3,600,498	2,846,999	975,917	13,785,658
Totals	<u>\$ 15,138,507</u>	<u>\$ 504,275</u>	<u>\$ 3,565,580</u>	<u>\$ 1,364,675</u>	<u>\$ 3,600,498</u>	<u>\$ 2,846,999</u>	<u>\$ 975,917</u>	<u>27,996,451</u>
Exempt from credit rate disclosure								
U.S. Treasury Obligations								24,132,866
Not Rated								
Certificates of deposit								5,650,791
California Local Agency Investment Fund (LAIF) - Unrestricted								66,957,571
California Local Agency Investment Fund (LAIF) - Restricted								31,498,771
California Asset Management Program (CAMP)								39,014,074
Cash and cash equivalents								5,185,884
Total Cash, Cash Equivalents and Investments								<u>\$200,436,408</u>

#### g. 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.

As of fiscal year ended June 30, 2020, none of the District's investments had concentrations in any single issuer greater than 5 percent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 3: Cash and Investments (Continued)**

**h. Custodial Credit Risk**

***Deposits***

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's total bank balance of \$6,827,699 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC). Certificates of Deposit were also collateralized.

***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 for investments. However, the District's policy states that all security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery, or by third party custodial agreement as required by CGC Section 53601. The collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under CGC Section 53601(i) (2).

**Note 4: Fair Value Measurements**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

# UNION SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

### Note 4: Fair Value Measurements (Continued)

Uncategorized - Investments in the Local Agency Investment Funds/State Investment Pools (LAIF) and California Asset Management Program (CAMP) pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The District reports its investment in CAMP on an amortized cost basis. The balance of LAIF's unrestricted portion and CAMP are available for withdrawal on demand. The balance of LAIF's restricted portion may only be withdrawn once a month.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
U.S. Agency Obligations					
FFCB	\$ 3,255,393	\$ -	\$ 3,255,393	\$ -	\$ -
FHLB	2,381,839	-	2,381,839	-	-
FHLMC	3,370,521	-	3,370,521	-	-
FNMA	5,203,040	-	5,203,040	-	-
Corporate Notes	13,785,658	-	13,785,658	-	-
California Asset Management Program (CAMP)	39,014,074	-	-	-	39,014,074
U.S. Treasury Obligations	24,132,866	24,132,866	-	-	-
Certificates of Deposits	5,650,791	-	5,650,791	-	-
California Local Agency Investment Fund (LAIF)- Unrestricted	66,957,571	-	-	-	66,957,571
California Local Agency Investment Fund (LAIF)- Restricted	31,498,771	-	-	-	31,498,771
Totals	<u>\$ 195,250,524</u>	<u>\$ 24,132,866</u>	<u>\$ 33,647,242</u>	<u>\$ -</u>	<u>\$ 137,470,416</u>

### Note 5: Joint Ventures

#### ***Alameda County Water District Financing Authority***

The Alameda County Water District Financing Authority, a Joint Powers Authority, was established through Joint Exercise of Powers Agreement between the Alameda County Water District (ACWD) and Union Sanitary District (USD) on November 14, 2011 for the purpose of assisting in the financing and refinancing of capital improvement projects of the ACWD and to finance working capital for the ACWD. The assets, debts, liabilities, and obligations of the Authority do not constitute assets, debts, liabilities, and obligations of Union Sanitary District. The Authority is administered by the Board, which consists of one member from Union Sanitary District and five members from the Alameda County Water District.

#### ***Investment in East Bay Dischargers Authority***

The District has an 18.7 percent interest in East Bay Discharges Authority (EBDA), a Joint Powers Authority established under the Joint Exercise of Powers Act of the State of California. As a separate legal entity, EBDA exercises full power and authority within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of EBDA are not those of the District and the other participating entities.

EBDA constructed and operates an export pumping facility through which all treated wastewater in the area is discharged. The other participants (and their ownership percentages) are the City of Hayward (33 percent), the City of San Leandro (18.6 percent), and the Oro Loma and Castro Valley Sanitary Districts (collectively, 29.7 percent). The District has rights to 18.7 percent of EBDA's capacity.



# UNION SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

### Note 5: Joint Ventures (Continued)

EBDA is governed by a board of directors consisting of representatives from each member agency. The board controls the operations of EBDA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

Because the District has the ability to exercise influence over operating and financial policies of EBDA, the District's proportionate share of EBDA's net position, excluding sole use of facilities, and the District's share of its undivided ownership (18.7 percent) in EBDA's total net equity, has been recorded as an investment in EBDA accounted for under the equity method.

Summary financial information for EBDA, as of June 30, 2019, and for the years then ended, the most recent audited information available, is as follows:

	2019
Total assets and deferred outflows	\$ 33,609,935
Total liabilities and deferred inflows	(2,822,674)
Net position value of EBDA	<u>\$ 30,787,261</u>
District's share at 18.7%	<u>\$ 5,757,218</u>
Net loss on equity investment in EBDA	<u>\$ (62,484)</u>

EBDA has no outstanding debt.

During fiscal year ended June 30, 2020, the District was charged \$1,604,047 by EBDA primarily for operating costs. Such costs are included in the wastewater treatment expenses by the District for financial reporting purposes.

The financial statement for EBDA may be obtained from the EBDA, 2651 Grant Avenue, San Lorenzo, California 94580-1841.

### Note 6: Long-Term Obligations

Long-term obligations at June 30, 2020, are summarized as below:

	Maturity Date	Interest Rate	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
Direct Borrowings:							
2003 State Revolving Fund Loan - Irvington	08/30/23	2.4%	\$ 4,231,347	\$ -	\$ 4,231,347	\$ -	\$ -
2008 State Revolving Fund Loan - Willow	11/16/27	2.4%	868,011	-	868,011	-	-
2008 State Revolving Fund Loan - Newark	01/26/30	2.7%	6,448,475	-	6,448,475	-	-
2008 State Revolving Fund Loan - Hetch Hetchy	11/17/28	2.7%	1,209,550	-	1,209,550	-	-
2009 State Revolving Fund Loan - Cedar Blvd.	02/26/30	2.5%	1,211,626	-	1,211,626	-	-
2011 State Revolving Fund Loan - Primary Cl.	01/15/33	2.7%	6,800,541	-	6,800,541	-	-
2011 State Revolving Fund Loan - Substation 1	02/28/32	2.6%	1,716,788	-	1,716,788	-	-
2011 State Revolving Fund Loan - Boyce Rd. Lift Station	07/31/33	2.6%	5,052,292	-	5,052,292	-	-
2014 State Revolving Fund Loan - Thickner Improvement	03/31/37	2.1%	11,516,875	-	11,516,875	-	-
Public Offerings:							
Series 2020A Revenue Bonds	9/1/2050	4.0%	-	64,160,000	-	64,160,000	2,290,000
Premium- Series 2020A Revenue Bonds			-	9,449,860	101,611	9,348,249	-
			<u>\$ 39,055,505</u>	<u>\$ 73,609,860</u>	<u>\$ 39,157,116</u>	<u>\$ 73,508,249</u>	<u>\$ 2,290,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 6: Long-Term Obligations (Continued)**

***2003 State Revolving Fund Loan – Irvington***

During 2003, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. As of March 26, 2004, \$14,301,057, the maximum loan amount, had been drawn. The interest rate on the loan is 2.4 percent and is payable in twenty annual installments, beginning on year after initial loan disbursement. The purpose of this loan was to finance the Irvington Equalization Storage Facilities project. As of June 30, 2020, all SRF agreements have been paid in full.

***2008 State Revolving Fund Loan – Willow***

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.4 percent and is payable in twenty annual installments, beginning one year after initial loan disbursement. The purpose of this loan was to finance the Willow/Central Avenue Sanitary Sewer Rehabilitation project. The maximum amount of this agreement is \$1,749,329 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

***2008 State Revolving Fund Loan – Newark Pump Station***

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and is payable in twenty annual installments, beginning in 2011. The purpose of this loan was to finance the Newark Pump Station project. The maximum amount of this agreement is \$10,283,322 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

***2008 State Revolving Fund Loan – Hetch Hetchy***

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and will be payable in twenty annual installments beginning one year after initial loan disbursements. The purpose of this loan is to finance the lower Hetch Hetchy Sewer Rehabilitation project. The maximum amount of this agreement is \$2,212,432 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

***2009 State Revolving Fund Loan – Cedar Boulevard***

During 2009, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.5 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the Cedar Boulevard Sanitary Sewer Rehabilitation project. The maximum amount of this agreement is \$2,052,841 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

**Note 6: Long-Term Obligations (Continued)**

***2011 State Revolving Fund Loan – Primary Clarifier***

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the rehabilitation of primary clarifiers (Nos. 1 through 4) at the Alvarado Wastewater Treatment Plant. The maximum amount of this agreement is \$8,821,860 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

***2011 State Revolving Fund Loan – Substation 1***

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Substation 1 to ensure its continual operation. The maximum amount of this agreement is \$2,676,485 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

***2011 State Revolving Fund Loan – Boyce Rd. Lift Station***

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.6 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the replacement of Boyce Road Lift Station to ensure its continual operation. The maximum amount of this agreement is \$6,196,671 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

***2014 State Revolving Fund Loan –Thickener Control Building***

During December 2013, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.1 percent and will be payable in twenty annual installments beginning March 2018. The purpose of this loan is to finance the Thickener Control Building Improvements Project to ensure its continual operation. The maximum amount of this agreement is \$12,200,000 based upon projected costs to be incurred. As of June 30, 2020, all SRF agreements have been paid in full.

***Series 2020A Revenue Bonds***

During February 2020, the Union Sanitary District Financing Authority (USDFA) issued \$64,160,000 in revenue bonds. The interest rate on the loan is 4.0 percent and will be payable in thirty annual installments beginning September 1, 2020. The purpose of the bonds is to finance improvements to the wastewater system, refund the District's obligations under various prior agreements with the California State Water Resources Control Board, proceeds of which were originally used to finance improvements to the wastewater system. The outstanding balance from this public offering contains a provision that in the occurrence or continuation of any event of default the trustee, at the written direction of the bond owners, must declare the principal of the bonds, together with the accrued

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

**Note 6: Long-Term Obligations (Continued)**

interest, to be due and payable immediately and may exercise any other remedies available to the trustee and bond owners in law or at equity to enforce the rights of the bond owners. In addition, upon the occurrence and during the continuation of an event of default, interest on the bonds shall accrue at the default rate.

***Debt Service Requirements***

Future annual repayment requirements as of June 30, 2020, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 2,290,000	\$ 2,394,772	\$ 4,684,772
2022	2,575,000	2,236,900	4,811,900
2023	2,670,000	2,132,000	4,802,000
2024	2,780,000	2,023,000	4,803,000
2025	2,010,000	1,927,200	3,937,200
2026-2030	11,200,000	8,343,200	19,543,200
2031-2035	13,475,000	5,890,500	19,365,500
2036-2040	6,955,000	3,826,900	10,781,900
2041-2045	8,355,000	2,427,700	10,782,700
2046-2050	9,725,000	1,065,675	10,790,675
2051	2,125,000	31,875	2,156,875
Totals	\$ 64,160,000	\$ 32,299,722	\$ 96,459,722

**Note 7: Compensated Absences**

A summary of the changes in compensated absences for the year ended June 30, 2020, is as follows:

Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due in One Year
\$ 1,049,492	\$ 1,235,143	\$ 986,399	\$ 1,298,236	\$ 1,298,236

## UNION SANITARY DISTRICT

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

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#### Note 8: Pension Plan

##### General Information about the Pension Plans

###### *Plan Descriptions*

All qualified permanent employees are eligible to participate in the District's separate Miscellaneous Plan, agent multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at <https://www.calpers.ca.gov/page/employers/actuarial-services/employer-contributions/public-agency-actuarial-valuation-reports>.

###### *Benefits Provided*

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

The Plan's provisions and benefits in effect at the measurement date, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50+	52+
Monthly benefits, as a % of annual salary	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer normal contribution rates	9.368%	12.500%
Required employer payment of the Unfunded Liability	\$2,648,073	-

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 8: Pension Plan (Continued)**

***Employees Covered***

As of the June 30, 2020, the following employees were covered by the benefit terms of the Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	178
Inactive employees entitled to but not yet receiving benefits	68
Active employees	140
Totals	<u>386</u>

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

As of the measurement date for classic members, the average employee contribution rate was 8.0 percent of annual payroll, and the District's average rate was 9.368 percent of annual payroll. As of the measurement date for PEPRAs members, the average employee contribution rate was 6.25 percent of annual payroll, and the District's average rate was 12.500 percent of annual payroll. The total contribution to the plan was \$4,970,366 for the year ended June 30, 2020.

***Net Pension Liability***

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019.

A summary of principal assumptions used to determine the net pension liability is shown on the following page.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 8: Pension Plan (Continued)**

***Actuarial Assumptions***

The total pension liabilities in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions.

	<b>Miscellaneous</b>
Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Projected Salary increases	Varies by Entry Age and Service
Mortality rate table*	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

The mortality table used in the June 30, 2018 valuation was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period of 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website at: <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2017.pdf>

***Change in Assumptions***

There were no changes in assumptions in 2019.



UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

Note 8: Pension Plan (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability at June 30, 2019, was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Long-term Expected Rate of Return**

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

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

The target allocation for the June 30, 2019, measurement date was as follows:

Asset Class	Target Allocation		
	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+ **
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%

\* An expected inflation of 2.00% used for this period.

\*\*An expected inflation of 2.92% used for this period.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

Note 8: Pension Plan (Continued)

*Changes in the Net Pension Liability*

The changes in the Net Pension Liability for the District are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2018	\$ 146,223,869	\$ 99,485,150	\$ 46,738,719
Change in the year:			
Service Cost	2,910,836	-	2,910,836
Interest on total pension liability	10,488,921	-	10,488,921
Differences between expected and actual experience	2,872,889	-	2,872,889
Changes in assumptions	-	-	-
Plan to plan resource movement	-	-	-
Contribution-employer	-	4,156,261	(4,156,261)
Contribution-employee	-	1,343,915	(1,343,915)
Net investment income	-	6,526,074	(6,526,074)
Administrative Expenses	-	(70,995)	70,995
Benefit payments, including refunds of employee contributions	(7,707,967)	(7,707,967)	-
Other Miscellaneous Income/(Expense)	-	231	(231)
Net changes	8,564,679	4,247,519	4,317,160
Balance at June 30, 2019	\$ 154,788,548	\$ 103,732,669	\$ 51,055,879

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

The following presents the net pension liability of the District for the Plan, calculated using the discount rate, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 70,638,192
Current Discount Rate	7.15%
Net Pension Liability	51,055,879
1% Increase	8.15%
Net Pension Liability	34,725,242

*Pension Plan Fiduciary Net Position*

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

Note 8: Pension Plan (Continued)

***Pension Expense and Deferred Outflows/(Inflows) of Resources Related to Pensions***

For the year ended June 30, 2020, the District recognized pension expense of \$9,655,748. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,970,366	\$ -
Differences between actual and expected experience	2,562,580	-
Changes in assumptions	892,880	(544,680)
Net differences between projected and actual earnings on plan investments	-	(553,572)
<b>Totals</b>	<b>\$ 8,425,826</b>	<b>\$ (1,098,252)</b>

The amount of \$4,970,366 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Deferred Outflows/Inflows of Resources</b>
2021	\$ 2,033,598
2022	(156,208)
2023	383,067
2024	96,751
Thereafter	-
<b>Total</b>	<b>\$ 2,357,208</b>

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**Note 9: Other Retirement Benefits**

**a. Post-Employment Healthcare Benefit (OPEB)**

***Plan Description***

The District's defined benefit postemployment healthcare plan provides medical benefits to employees who satisfy the requirements for retirement under CalPERS (attained age 50 with five years of service or satisfaction of the requirements for a disability retirement.) The amount of the retiree's medical benefit is dependent upon both years of service with the District and the year the employee retires.

The District contracts with CalPERS to administer its retiree health benefit plan (an agent multiple-employer plan) and to provide an investment vehicle, the California Employers' Retiree Benefit Trust Fund, to prefund future OPEB costs. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The District chooses among the menu of benefit provisions and adopts certain benefit provisions by Board resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California, 95814.

***Employees Covered***

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	141
Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	39
<b>Totals</b>	<u><u>286</u></u>

***Contributions***

The Plan and its contribution requirements are established by Memorandum of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2019, the District's contributions were \$1,546,756 in total payments, which were recognized as a reduction to the OPEB liability.

***Net OPEB Liability***

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019, that was used to determine the June 30, 2019, total OPEB liability, based on the following actuarial methods and assumptions:

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

Note 9: Other Retirement Benefits (Continued)

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Actuarial funding method	Entry age normal cost, level percent of pay
Asset Valuation Method	Market value of assets
Actuarial assumptions:	
Discount rate	6.30%
Inflation	2.50%
Salary increases	3.00% per year, used only to allocated to cost of benefits between service years
Investment rate of return	6.30%
Mortality Rate*	MacLeod Watts Scale 2018, applied generationally from 2015
Pre-Retirement Turnover*	MacLeod Watts Scale 2018, applied generationally from 2015
Healthcare Trend Rate	Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the assumed medical inflation of 6.50% and ultimate trend of 4.00% per year

Notes:

\* MacLeod Watts Scale 2018 was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2017 Report, published in October 2017 and (2) the demographic assumptions used in the 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published in July 2017. Scale MP-2017 can be found at the SOA website and the projection scales used in the 2017 Social Security Administrations Trustees Report at the Social Security Administration website.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Return Years 1-10*	Expected Real Return Years 11+*
Global Equity	40.00%	4.80%	5.98%
Fixed Income	43.00%	1.10%	2.62%
Treasury Inflation Protected Securities	5.00%	0.25%	1.46%
REITs	8.00%	3.20%	5.00%
Commodities	4.00%	1.50%	2.87%
<b>Total</b>	<b>100.00%</b>		

\* A general inflation rate of 2.00% were used for these periods.

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

Note 9: Other Retirement Benefits (Continued)

**Change in Assumptions**

The discount rate used to measure the total OPEB liability changed from 6.73% to 6.30%. Mortality improvements were utilized for future rates, healthcare trend increase changed from 5.0% per year to 4.0% per year. Spouse Coverage assumption is 60% for future retirees who will cover their spouse.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.30 percent. The projection of cash flows used to determine the discount rate assumed that District 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 be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018 (Measurement Date)	\$ 11,949,899	\$ 5,785,002	\$ 6,164,897
Change in the year:			
Service Cost	401,584	-	401,584
Interest on total OPEB liability	808,836	-	808,836
Plan experience	(401,695)	-	(401,695)
Changes in assumptions	(390,123)	-	(390,123)
Contribution-employer	-	1,546,756	(1,546,756)
Net investment income	-	457,085	(457,085)
Administrative Expenses	-	(1,324)	1,324
Benefit payments, including refunds of employee contributions	(666,223)	(666,223)	-
Net changes	(247,621)	1,336,294	(1,583,915)
Balance at June 30, 2019 (Measurement Date)	\$ 11,702,278	\$ 7,121,296	\$ 4,580,982

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

The following presents the net OPEB liability of the District 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, 2019:

	1% Decrease (5.30%)	Current Discount Rate (6.30%)	1% Increase (7.30%)
Net OPEB Liability	\$ 5,944,991	\$ 4,580,982	\$ 3,428,845

UNION SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

Note 9: Other Retirement Benefits (Continued)

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

The following presents the net OPEB liability of the District 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, 2019:

	<b>1% Decrease</b> (6.00%HMO/6.50%PPO decreasing to 3.50%HMO/3.50%PPO)	<b>Current Healthcare Cost Trend Rates</b> (7.00%HMO/7.50%PPO decreasing to 4.50%HMO/4.50%PPO)	<b>1% Increase</b> (8.00%HMO/8.50%PPO decreasing to 5.50%/5.50%PPO)
Net OPEB Liability	\$ 3,895,262	\$ 4,580,982	\$ 5,428,726

***OPEB Plan Fiduciary Net Position***

CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California, 95814.

***OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB***

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$434,587. As of fiscal year ended June 30, 2020, 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>
OPEB contributions subsequent to measurement date	\$ 1,623,254	\$ -
Changes of assumptions	-	737,130
Differences between expected and actual experience	-	723,013
Net difference between projected and actual earnings on OPEB plan investments	-	25,788
<b>Total</b>	<b>\$ 1,623,254</b>	<b>\$ 1,485,931</b>

The \$1,623,254 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. 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>
2021	\$ (358,241)
2022	(358,241)
2023	(350,974)
2024	(223,802)
2025	(119,429)
Thereafter	(75,244)
<b>Total</b>	<b>\$ (1,485,931)</b>



**UNION SANITARY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 9: Other Retirement Benefits (Continued)**

**b. 401(a) Plans**

The District sponsors two internal Revenue Code Section 401(a) money purchase retirement plans for unclassified employees through the ICMA Retirement Corporation. The plans were established and can be amended by Board resolution and, for certain terms, by participant agreement. Eligibility for participation in a particular plan is dependent on job classification. Within each plan, participating employees contribute the same dollar amount of \$3,000 per year for employees under the management plan, and \$1,850 for employees under the professional plan, and the District makes matching contributions on their behalf. The District and the participants each contributed a total of \$18,866 and \$18,866 to the plans for the year ended June 30, 2020.

**c. Deferred Compensation Plan**

District employees may defer a portion of their compensation under a District sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distribution. Distributions may be made only at termination, retirement, death, or, in an emergency, as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District assets and are not subject to District control, they have been excluded from these general-purpose financial statements.

**Note 10: Risk Management**

The District is a member of the California Sanitation Risk Management Authority (CSRMA). CSRMA covers general liability and workers' compensation claims. In addition, commercial insurance is purchased for excess liability, property, and employee dishonesty coverage. The District has a \$500,000 deductible for general liability coverage, and no deductible for workers' compensation coverage.

Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the District has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims. The District's liability for uninsured claims is limited to general liability claims, as discussed above. Settled claims have not exceeded coverage in any of the past three years.

# UNION SANITARY DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2020

### Note 11: Commitments and Contingent Liabilities

The District is contingently liable in connection with claims and contracts arising in the normal course of its activities. District management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the District.

**Construction Contracts** – The following material construction commitments existed at June 30, 2020:

Project Name	Total Committed Amount	Expenses to Date as of June 30, 2020	Remaning Commitment
Primary Digester No.7	\$ 28,179,275	\$ 8,063,376	\$ 20,115,899
Alvarado Influent PS Pumps and VFDS	11,122,641	883,066	10,239,575
MP - Aeration Basin Modifications	6,851,195	1,056,944	5,794,251
Campus Buildings (Admin, FMC, Ops)	3,737,412	111,449	3,625,963
Cogeneration Project	15,080,010	12,019,034	3,060,976

**COVID-19 National Health Emergency** – On March 15, 2020, the District's operations were impacted by the COVID-19 national health emergency which resulted in shelter in place orders by national, state and county health departments. The District implemented customer and staff safety procedures based on recommendations from the health departments and industry specialists. However, the District's operations were not impacted or halted, due to the District's operations being considered essential. In addition, the majority of the District's operating revenues consist primarily of sewer service charges to customers, which are billed and collected on behalf of the District by Alameda County (the County) through the County's teeter program. Due to the teeter program, the District is entitled to complete collection of these charges from the County, and as such, the District's revenue has not been significantly impacted by the health emergency. The District continues to evaluate the impact of this health emergency on the District's operations.

### Note 12: Restatement of Prior Year Balances

The various restatements of beginning net position and the reasons for each are as follows:

Beginning Net Position, as Previously Reported	\$ 385,331,061
Restatement (1)	<u>(607,890)</u>
Beginning Net Position, as Restated	<u>\$ 384,723,171</u>

- (1) Beginning net position of the District was restated by \$241,554 due to the removal of prior year additions to construction-in-progress (CIP). These costs have been determined not capitalizable and an adjustment was necessary to properly state capital assets. Beginning net position of the District was also restated by \$366,336 due to an inventory adjustment identified by the District.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020

Miscellaneous Plan Agent Multiple-Employer Defined Benefit Pension Plan Last 10 Years** Schedule of Changes in the Net Pension Liability and Related Ratios During the Measurement Period						
Measurement Period	2020 June 30, 2019	2019 June 30, 2018	2018 June 30, 2017	2017 June 30, 2016	2016 June 30, 2015	2015 June 30, 2014
<b>Total Pension Liability</b>						
Service Cost	\$ 2,910,836	\$ 2,751,248	\$ 2,818,370	\$ 2,413,856	\$ 2,285,511	\$ 2,338,837
Interest on total pension liability	10,488,921	9,904,222	9,548,343	9,157,444	8,707,550	8,205,194
Differences between expected and actual experience	2,872,889	810,456	900,525	621,331	1,118,325	-
Changes in assumptions	-	(1,225,530)	7,589,483	-	(2,041,756)	-
Benefit payments, including refunds of employee contributions	(7,707,967)	(7,153,133)	(6,728,358)	(6,122,564)	(5,472,643)	(4,871,998)
<b>Net change in total pension liability</b>	<b>8,564,679</b>	<b>5,087,263</b>	<b>14,128,363</b>	<b>6,070,067</b>	<b>4,596,987</b>	<b>5,672,033</b>
<b>Total Pension Liability-beginning</b>	<b>146,223,869</b>	<b>141,136,606</b>	<b>127,008,243</b>	<b>120,938,176</b>	<b>116,341,189</b>	<b>110,669,156</b>
<b>Total Pension Liability-ending (a)</b>	<b>\$ 154,788,548</b>	<b>\$ 146,223,869</b>	<b>\$ 141,136,606</b>	<b>\$ 127,008,243</b>	<b>\$ 120,938,176</b>	<b>\$ 116,341,189</b>
<b>Plan Fiduciary Net Position</b>						
Contributions-employer	\$ 4,156,261	\$ 3,473,052	\$ 3,203,124	\$ 2,770,226	\$ 2,536,676	\$ 2,428,874
Contributions-employee	1,343,915	1,296,037	1,256,350	1,206,505	1,187,621	1,356,767
Net investment income	6,526,074	7,910,460	9,631,126	490,693	2,002,533	13,223,974
Benefit payments	(7,707,967)	(7,153,133)	(6,728,358)	(6,122,564)	(5,472,643)	(4,871,998)
Plan to plan resource movement	231	(231)	-	-	(8,501)	-
Administrative expense	(70,995)	(426,382)	(128,674)	(54,156)	(100,081)	-
<b>Net change in plan fiduciary net position</b>	<b>4,247,519</b>	<b>5,099,803</b>	<b>7,233,568</b>	<b>(1,709,296)</b>	<b>145,605</b>	<b>12,137,617</b>
<b>Plan Fiduciary Net Position-beginning</b>	<b>99,485,150</b>	<b>94,385,347</b>	<b>87,151,779</b>	<b>88,861,075</b>	<b>88,715,470</b>	<b>76,577,853</b>
<b>Plan Fiduciary Net Position-ending (b)</b>	<b>\$ 103,732,669</b>	<b>\$ 99,485,150</b>	<b>\$ 94,385,347</b>	<b>\$ 87,151,779</b>	<b>\$ 88,861,075</b>	<b>\$ 88,715,470</b>
<b>Net pension liability-ending (a) - (b)</b>	<b>\$ 51,055,879</b>	<b>\$ 46,738,719</b>	<b>\$ 46,751,259</b>	<b>\$ 39,856,464</b>	<b>\$ 32,077,101</b>	<b>\$ 27,625,719</b>
Plan fiduciary net position as a percentage of the total pension liability	67.02%	68.04%	66.88%	68.62%	73.48%	76.25%
Covered payroll	\$ 17,036,713	\$ 15,174,379	\$ 15,017,486	\$ 14,229,298	\$ 13,896,353	\$ 13,453,476
Net pension liability as a percentage of covered payroll	299.68%	308.01%	311.31%	280.10%	230.83%	205.34%

**Notes to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** In 2019, there were no changes. In 2018, demographic assumptions and inflation rates were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

\*\*Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020

Miscellaneous Plan  
Agent Multiple-Employer Defined Benefit Pension Plan  
Last 10 Years\*\*  
Schedule of Plan Contributions

	2020	2019	2018	2017	2016	2015
<b>Actuarial Determined Contribution</b>	\$ 4,970,366	\$ 4,221,019	\$ 3,572,132	\$ 3,333,889	\$ 3,034,082	\$ 2,973,280
Contribution in relation to the Actuarially Determined Contribution	(4,970,366)	(4,221,019)	(3,572,132)	(3,333,889)	(3,034,082)	(2,973,280)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,388,754	\$ 17,036,713	\$ 15,174,379	\$ 15,017,486	\$ 14,229,298	\$ 13,896,353
Contributions as a percentage of covered payroll	27.03%	24.78%	23.54%	22.20%	21.32%	21.40%

**Notes to Schedule:**

Valuation date June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method  
Amortization method

Entry age normal cost method  
Level percentage of pay, a summary of the current policy is provided in the table below:

Driver	(Gain)/Loss		Source		
	Investment	Non-investment	Assumption/ Method Change	Benefit Change	Golden Handshake
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
Escalation Rate					
- Active Plans	2.875%	2.875%	2.875%	2.875%	2.875%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Asset valuation method  
Inflation  
Salary increases  
Payroll growth  
Investment rate of return  
Retirement age

Market Value  
2.63%  
Varies by Entry Age and Service  
2.88%  
7.00%, net of pension plan investment expenses, including inflation.  
All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

Mortality

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

\*\*Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS			
	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 401,584	\$ 388,943	\$ 420,836
Interest on the total OPEB liability	808,836	773,775	832,649
Differences between expected and actual experiences	(401,695)	-	(716,909)
Changes in assumptions	(390,123)	-	(761,859)
Changes in benefit terms	-	-	-
Benefit payments	(666,223)	(642,551)	(592,698)
<b>Net change in total OPEB liability</b>	<b>(247,621)</b>	<b>520,167</b>	<b>(817,981)</b>
<b>Total OPEB liability - beginning</b>	<b>11,949,899</b>	<b>11,429,732</b>	<b>12,247,713</b>
<b>Total OPEB liability - ending (a)</b>	<b>11,702,278</b>	<b>11,949,899</b>	<b>11,429,732</b>
<b>Plan Fiduciary Net Position</b>			
Contribution - employer	1,546,756	920,935	767,866
Net investment income	457,085	326,192	355,878
Benefit payments	(666,223)	(642,551)	(592,698)
Administrative expense	(1,324)	(9,654)	(2,557)
<b>Net change in plan fiduciary net position</b>	<b>1,336,294</b>	<b>594,922</b>	<b>528,489</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,785,002</b>	<b>5,190,080</b>	<b>4,661,591</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 7,121,296</b>	<b>\$ 5,785,002</b>	<b>\$ 5,190,080</b>
<b>Net OPEB Liability/(Assets) - ending (a) - (b)</b>	<b>\$ 4,580,982</b>	<b>\$ 6,164,897</b>	<b>\$ 6,239,652</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	60.85%	48.41%	45.41%
<b>Covered-employee payroll</b>	\$ 17,245,563	\$ 16,384,101	\$ 15,715,654
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	26.56%	37.63%	39.70%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.



UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

SCHEDULE OF OPEB CONTRIBUTIONS

	2020	2019	2018
Actuarially Determined Contribution	\$ 908,022	\$ 880,553	\$ 708,037
Contribution in Relation to the Actuarially Determined Contributions	(1,623,254)	(1,333,416)	(324,982)
Contribution Deficiency (Excess)	<u>\$ (715,232)</u>	<u>\$ (452,863)</u>	<u>\$ 383,055</u>
Covered-employee payroll	\$ 18,419,720	\$ 17,245,563	\$ 16,384,101
Contributions as a percentage of covered-employee payroll	-8.81%	-7.73%	4.32%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: N/A

\*Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2020 were from the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal, level percent of pay
Asset Valuation Method	Market value of assets
Discount rate	6.30%
Inflation	2.50%
Salary increases	3.00% per year, used only to allocated to cost of benefits between service years
Investment rate of return	6.30%
Mortality Rate*	Derived using MacLeod Watts Scale 2018
Pre-Retirement Turnover**	Derived using MacLeod Watts Scale 2018
Healthcare Trend Rate	Medical plan premiums are assumed to increase at somewhat higher rates than assumed in the prior valuation, with the ultimate trend of 4.0% per year.

## **SUPPLEMENTARY INFORMATION**

# UNION SANITARY DISTRICT

## SCHEDULE OF OPERATING EXPENSES BEFORE DEPRECIATION FOR THE YEAR ENDED JUNE 30, 2020

	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	\$ 6,867,293	\$ 8,454,397	\$ 3,646,628	\$ 18,968,318
Employee benefits	4,947,254	5,993,400	2,476,674	13,417,328
Recruitment and development	70,069	90,043	216,816	376,928
Temporary help	22,209	29,019	-	51,228
Repairs and maintenance	1,691,997	812,027	16,295	2,520,319
Operating supplies	2,521,816	185,144	-	2,706,960
Office and safety supplies	151,329	242,816	363,101	757,246
Insurance	-	-	452,650	452,650
Contractual services	1,134,056	75,110	-	1,209,166
Professional services	208,898	35,637	1,009,999	1,254,534
Utilities	2,068,389	70,452	141,680	2,280,521
Authority	1,604,047	-	-	1,604,047
Non-capital projects	464,825	464,825	498,106	1,427,756
Sewer Service charge administrative fee	36,663	36,663	36,663	109,989
Rents/Leases	27,025	107,056	-	134,081
<b>Total</b>	<b>\$ 21,815,870</b>	<b>\$ 16,596,589</b>	<b>\$ 8,858,612</b>	<b>\$ 47,271,071</b>

## UNION SANITARY DISTRICT

### SCHEDULE OF INSURANCE COVERAGE FOR THE YEAR ENDED JUNE 30, 2020

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The District's insurance policies and coverages in effect at June 30, 2020, are as follows:

General liability (pooled liability program)		
Bodily injury, property damage, and personal injury	\$	25,500,000
Public entity errors and omissions and other related practices		25,500,000
Employment related practices		25,500,000
		<b>Insured Value</b>
Auto physical damage (primary insurance program)	\$	2,929,650
Workers' Compensation		1,750,000
Group Health and Life		Contract
Employee Disability and Salary Continuance		Contract
Property insurance, all property	\$	273,769,424
Accounts receivable		No sublimit
Employee Dishonesty Bond Coverages:		
Public Employee Dishonesty Bond	\$	2,000,000
Forgery and alteration		2,000,000
Computer Fraud		2,000,000

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# Statistical Section



Image: Rebar Installation for Walls

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# Table of Contents

The Statistical Section of Union Sanitary District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<b><u>Table of Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Changes in Net Position and Statement of Net Position by Component.....	58
District-Wide Revenues and Other Financing Sources.....	59
Operating Expenses by Major Function.....	60
Capital Expenditures.....	61
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the District's most significant revenue sources.	
Current and Historical Fees, last ten years.....	62
Ten Principal Industrial Rate Payers by Levy.....	63
Fiscal Year Assessed Valuation (of Service Area).....	65
<b>Debt Capacity</b>	
These schedules contain information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Ratios of Outstanding Debt by Type.....	66
Pledged Revenue Coverage.....	67
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the local environment within which the District's financial activities take place.	
Population of Service Area Served.....	68
Per Capita Income and Unemployment Rate.....	69
Major Employers in District Service Area.....	70
<b>Operating and General Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	
Full-time Equivalent Employees by Function/Program.....	71
Operating Indicators by Function/Program.....	72
Operating Indicators - Biosolids.....	73
Miscellaneous Statistics.....	74

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**UNION SANITARY DISTRICT**

Changes in Net Position and Statement of Net Position by Component  
Last Ten Years

	2011	2012	2013	Fiscal Year		2015	2016	2017	2018	2019	2020
<b>Changes in Net Position</b>											
Operating Revenues											
Sewer Service Charges	\$38,486,824	\$40,630,578	\$42,339,311	\$45,139,420	\$48,379,254	\$50,112,564	\$52,384,709	\$54,260,096	\$57,330,651	\$60,216,149	
Other Operating Revenues	987,948	1,027,357	1,163,802	1,370,017	1,581,031	1,791,782	2,154,364	1,631,870	2,188,027	1,460,111	
Total Operating Revenues	<u>39,474,772</u>	<u>41,657,935</u>	<u>43,503,113</u>	<u>46,509,437</u>	<u>49,960,285</u>	<u>51,904,346</u>	<u>54,539,073</u>	<u>55,891,966</u>	<u>59,518,678</u>	<u>61,676,260</u>	
Operating Expenses											
Treatment	14,342,352	14,255,266	16,088,929	15,410,523	14,956,369	15,464,775	16,964,901	18,657,355	19,339,187	21,815,870	
Collection and Engineering	10,532,692	9,712,645	11,954,345	10,869,755	10,763,530	11,296,680	12,101,081	14,173,382	14,519,186	16,596,589	
General and Administration	5,574,251	5,951,818	6,111,468	6,634,688	6,910,857	6,848,244	6,844,559	7,611,460	8,044,226	8,858,612	
Total Operating Expenses Before Depreciation	<u>30,449,295</u>	<u>29,919,729</u>	<u>34,154,742</u>	<u>32,914,966</u>	<u>32,630,756</u>	<u>33,609,699</u>	<u>35,910,541</u>	<u>40,442,197</u>	<u>41,902,599</u>	<u>47,271,071</u>	
Depreciation	16,323,858	16,790,277	16,776,307	17,219,109	17,899,765	17,379,112	17,036,880	17,003,398	17,857,275	16,819,345	
Total Operating Expenses	<u>46,773,153</u>	<u>46,710,006</u>	<u>50,931,049</u>	<u>50,134,075</u>	<u>50,530,521</u>	<u>50,988,811</u>	<u>52,947,421</u>	<u>57,445,595</u>	<u>59,759,874</u>	<u>64,090,416</u>	
Operating Loss	<u>(7,298,381)</u>	<u>(5,052,071)</u>	<u>(7,427,936)</u>	<u>(3,624,638)</u>	<u>(570,236)</u>	<u>915,535</u>	<u>1,591,652</u>	<u>(1,553,629)</u>	<u>(241,196)</u>	<u>(2,414,156)</u>	
Non-Operating Revenues (Expenses)											
Investment Income	274,328	248,337	178,690	180,041	160,790	496,439	482,342	700,856	4,097,258	5,069,307	
Interest Expense	(1,114,313)	(858,162)	(1,138,677)	(1,106,609)	(971,695)	(916,968)	(860,316)	(1,479,413)	(992,721)	(1,841,089)	
Loss on Retirement of Utility in Capital Assets	(751,601)	(127,430)	(1,479,254)	(796,735)	(1,165,160)	(30,472)	(432,674)	0	(6,606,751)	(45,982)	
Gain (Loss) on Equity Investment in EBDA	(95,011)	(100,827)	(89,170)	(92,180)	(86,652)	(160,540)	(52,458)	(90,325)	(170,591)	(62,484)	
Net Non-Operating Revenues (Expenses)	<u>(1,686,597)</u>	<u>(838,082)</u>	<u>(2,528,411)</u>	<u>(1,815,483)</u>	<u>(2,062,717)</u>	<u>(611,541)</u>	<u>(863,106)</u>	<u>(868,882)</u>	<u>(3,672,805)</u>	<u>3,119,752</u>	
Income (Loss) Before Contributions	<u>(8,984,978)</u>	<u>(5,890,153)</u>	<u>(9,956,347)</u>	<u>(5,440,121)</u>	<u>(2,632,953)</u>	<u>303,994</u>	<u>728,546</u>	<u>(2,422,511)</u>	<u>(3,914,001)</u>	<u>705,596</u>	
Connection Fees and Other Contributed Capital	7,850,769	4,386,772	7,072,821	4,201,932	9,595,219	9,096,373	16,560,652	31,338,298	17,896,415	19,761,607	
Change in Net Position	<u>(1,134,209)</u>	<u>(1,503,381)</u>	<u>(2,883,526)</u>	<u>(1,238,189)</u>	<u>6,962,266</u>	<u>9,400,367</u>	<u>17,289,198</u>	<u>28,915,787</u>	<u>13,982,414</u>	<u>20,467,203</u>	
Net Position, Beginning of Year	356,504,838	355,370,629	353,867,248	350,983,722	349,745,533	325,045,364	334,445,731	351,734,929	371,508,117	385,331,061	
Prior Period Adjustment*	0	0	0	0	(31,662,435)	0	0	(9,142,599)	(159,470)	(607,890)	
Net Position, End of Year	<u>\$355,370,629</u>	<u>\$353,867,248</u>	<u>\$350,983,722</u>	<u>\$349,745,533</u>	<u>\$325,045,364</u>	<u>\$334,445,731</u>	<u>\$351,734,929</u>	<u>\$371,508,117</u>	<u>\$385,331,061</u>	<u>\$405,190,374</u>	
<b>Statement of Net Position by Component</b>											
Net Investment in Capital Assets	\$300,489,831	\$296,939,157	\$294,393,392	\$299,269,526	\$297,462,404	\$295,355,262	\$294,906,308	\$296,442,688	\$284,632,017	\$283,568,402	
Restricted	16,877,836	19,346,378	20,297,820	17,622,778	19,808,500	25,075,327	34,360,257	55,373,688	69,264,549	66,590,701	
Unrestricted	38,002,962	37,581,713	36,292,510	32,853,229	7,774,460	14,015,142	22,468,364	19,691,741	31,434,495	55,031,271	
Total USD Net Position	<u>\$355,370,629</u>	<u>\$353,867,248</u>	<u>\$350,983,722</u>	<u>\$349,745,533</u>	<u>\$325,045,364</u>	<u>\$334,445,731</u>	<u>\$351,734,929</u>	<u>\$371,508,117</u>	<u>\$385,331,061</u>	<u>\$405,190,374</u>	

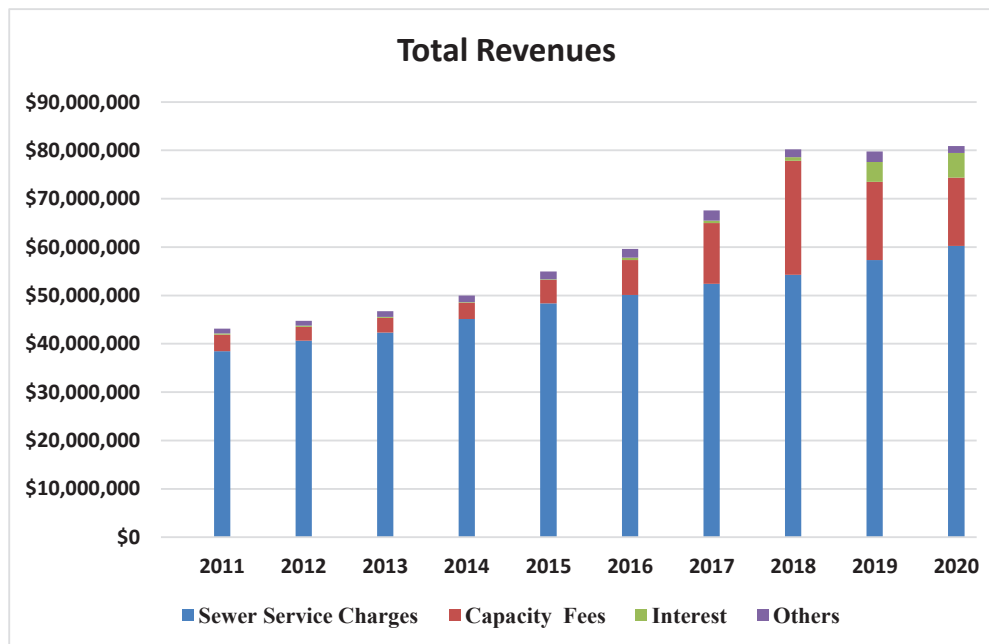
\*FY 2020: Non-CIP Project Cost Adjustments of \$241,554 and Inventory Adjustments of \$366,336

## UNION SANITARY DISTRICT

### District-Wide Revenues and Other Financing Sources

<u>Fiscal Year</u>	<u>Sewer Service Charges</u>	<u>Capacity Fees</u>	<u>Interest</u>	<u>Others*</u>	<u>Total Revenues</u>
2020	\$60,216,149	\$14,179,465	\$5,069,307	\$1,460,111	\$ 80,925,032
2019	57,330,651	16,158,027	4,097,258	2,188,027	79,773,963
2018	54,260,096	23,623,947	700,856	1,631,870	80,216,769
2017	52,384,709	12,595,637	482,342	2,154,364	67,617,052
2016	50,112,564	7,233,338	496,439	1,791,782	59,634,123
2015	48,379,254	4,820,637	160,790	1,581,031	54,941,712
2014	45,139,420	3,315,007	180,071	1,370,017	50,004,515
2013	42,339,311	3,062,836	178,690	1,163,802	46,744,639
2012	40,630,578	2,848,488	248,337	1,027,357	44,754,760
2011	38,486,824	3,381,963	274,328	987,948	43,131,063

\*Others includes inspection fees, permits, external work orders, discounts, and miscellaneous

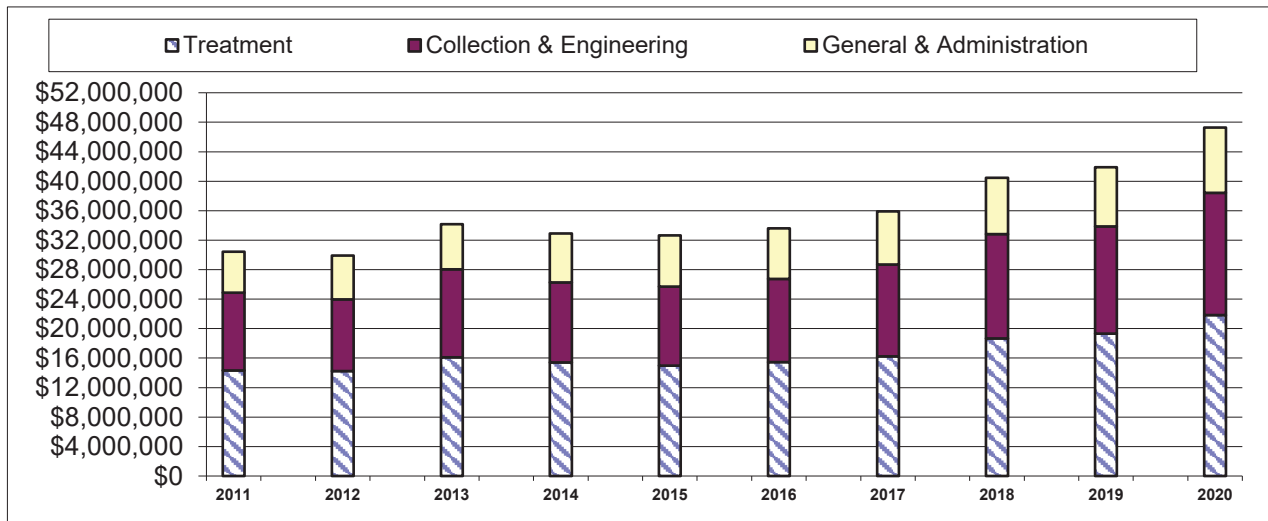


The District's main source of revenue is sewer service charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

## UNION SANITARY DISTRICT

### Operating Expenses By Major Function

<u>Fiscal Year</u>	<u>Treatment</u>	<u>Collection &amp; Engineering</u>	<u>General &amp; Administration</u>	<u>Total Operating Expenses</u>
2020	\$21,815,870	\$16,596,589	\$8,858,612	\$47,271,071
2019	19,339,187	14,519,186	8,044,226	41,902,599
2018	18,657,355	14,173,382	7,611,460	40,442,197
2017	16,252,881	12,462,391	7,195,269	35,910,541
2016	15,464,775	11,296,680	6,848,244	33,609,699
2015	14,956,369	10,763,530	6,910,857	32,630,756
2014	15,410,523	10,869,755	6,634,688	32,914,966
2013	16,088,929	11,954,345	6,111,468	34,154,742
2012	14,255,266	9,712,645	5,951,818	29,919,729
2011	14,342,352	10,532,692	5,574,251	30,449,295



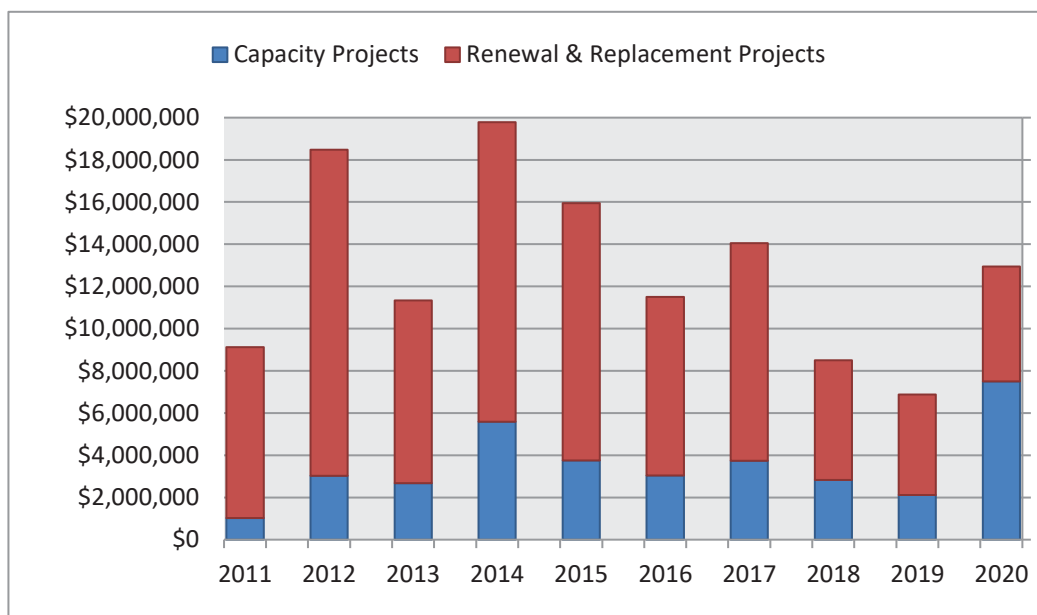
Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

General & Administration includes Business Services, Information System Renewal and Replacement, and retiree medical benefits.

## UNION SANITARY DISTRICT

### Capital Expenditures

<u>Fiscal Year</u>	<u>Capacity Projects</u>	<u>Renewal &amp; Replacement Projects</u>	<u>Total Capital Expenditures</u>
2020	\$7,501,176	\$5,439,604	\$12,940,781 *
2019	2,116,500	4,763,583	6,880,082
2018	2,828,376	5,666,366	8,494,742
2017	3,734,780	10,310,989	14,045,769
2016	3,037,012	8,466,899	11,503,911
2015	3,755,472	12,194,927	15,950,399
2014	5,592,023	14,195,068	19,787,091
2013	2,673,173	8,663,485	11,336,658
2012	3,032,556	15,453,790	18,486,346
2011	1,030,689	8,099,110	9,129,799



Capacity projects provide new or expanded facilities (equipment, processes, buildings, pipelines, etc.) to accommodate increased wastewater flows or to provide reliability in the collection, treatment and disposal systems.

Structural renewal & replacement projects provide rehabilitation, replacement, or upgrade of existing facilities to prolong the useful life of the assets and to maintain the current service level of the facilities.

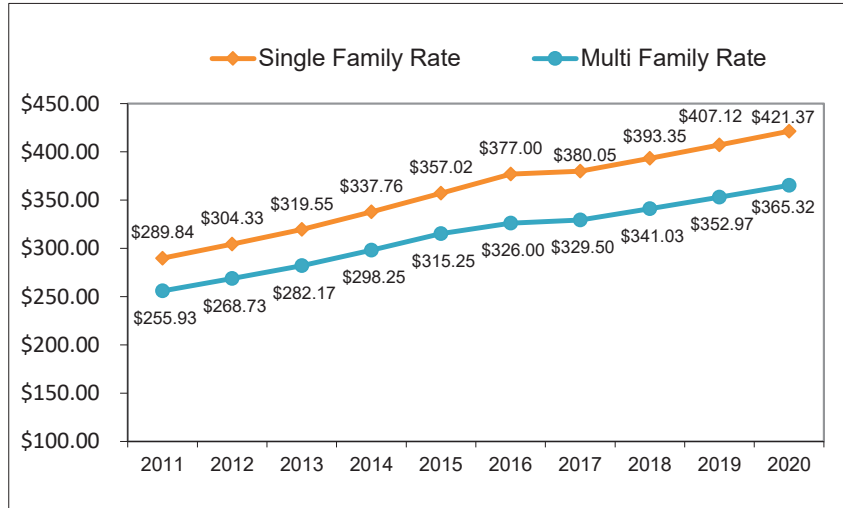
\*Does not include Self Generation Incentive Program (SGIP) credit of \$244,948 for the Co-generation project.

## UNION SANITARY DISTRICT

### Current and Historical Fees As of June 30, 2020 Last Ten Years

#### Sewer Service Charge Rates

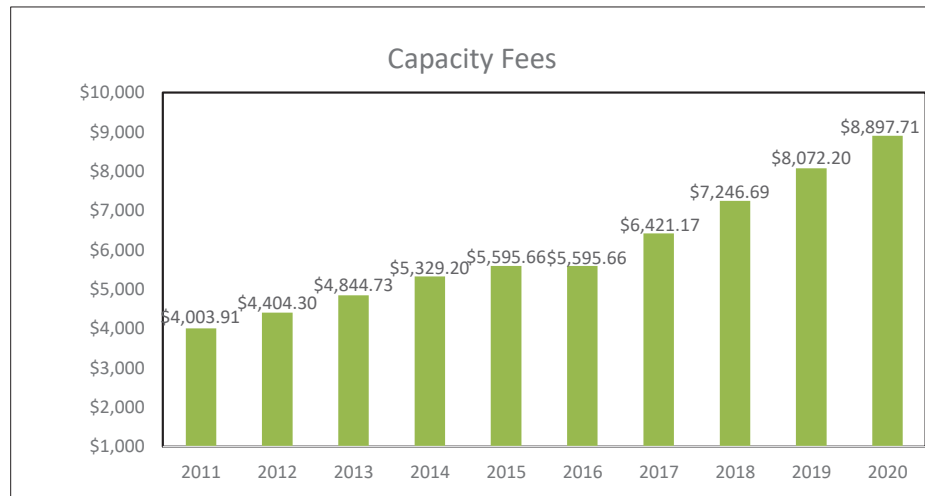
	Single Family Rate	Multi - Family Rate	Single Family Rate Percentage Change
2020	\$421.37	\$365.32	3.5%
2019	407.12	352.97	3.5%
2018	393.35	341.03	3.5%
2017	380.05	329.50	1.0%
2016	377.00	326.00	5.6%
2015	357.02	315.25	5.7%
2014	337.76	298.25	5.7%
2013	319.55	282.17	5.0%
2012	304.33	268.73	5.0%
2011	289.84	255.93	5.0%



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged \$365.32 for each dwelling unit on the property. Fees for commercial and industrial customers are based on the volume and strength of the wastewater being treated.

#### Capacity Fee Rates

		Percentage Change
2020	\$8,897.71	10.2%
2019	8,072.20	11.4%
2018	7,246.69	12.9%
2017	6,421.17	14.8%
2016	5,595.66	0.0%
2015	5,595.66	5.0%
2014	5,329.20	10.0%
2013	4,844.73	10.0%
2012	4,404.30	10.0%
2011	4,003.91	5.0%



The capacity fees shown are per dwelling unit. Other categories such as restaurants, warehouses, and mixed-use commercial facilities are based on square footage and other factors as per the Capacity Fee Ordinance.



**UNION SANITARY DISTRICT**  
Ten Principal Industrial Rate Payers by Levy  
June 30, 2020

2019-20			2018-19			2017-18		
Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings
Tesla	\$1,381,023	2.29%	Tesla	\$1,228,862	2.14%	Tesla	\$817,848	1.51%
Washington Hospital	314,394	0.52%	Washington Hospital	221,799	0.39%	Western Digital	141,806	0.26%
U S Pipe	244,663	0.41%	U S Pipe	216,296	0.38%	Solar City	172,276	0.32%
Western Digital	187,814	0.31%	Western Digital	174,219	0.30%	U S Pipe	135,774	0.25%
Ranch 99/Warm Springs Shopping Center	161,740	0.27%	Ranch 99/Warm Springs Shopping Center	157,421	0.27%	Seagate Magnetics	156,718	0.29%
Market Place						Lam Research	122,934	0.23%
Union Square Shopping Center	161,271	0.27%	Ranch 99/Newark	152,401	0.27%	Washington Hospital	173,057	0.32%
Lam Research	160,087	0.27%	Marriott Hotel	141,572	0.25%	Kaiser Hospital	106,337	0.20%
Ranch 99/Newark	148,835	0.25%	Union Square Shopping Center	138,482	0.24%	Boehringer Ingeheim	87,678	0.16%
Marriott Hotel	133,716	0.22%	Lam Research	125,330	0.22%	Seagate Technology #3	69,384	0.13%
Sterling Foods	127,508	0.21%	Gateway Plaza Shopping Center	125,202	0.22%			
Total annual billing largest ten:	\$3,021,051	5.02%	Total annual billing largest ten:	\$2,681,584	4.68%	Total annual billing largest ten:	\$1,983,813	3.66%
Total ALL annual billings	\$60,216,149		Total ALL annual billings	\$57,330,651		Total ALL annual billings	\$54,260,096	

2016-17			2015-16			2014-15		
Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings	Rate Payer	Total Annual Billing	% of Total Annual Billings
Tesla	\$1,141,868	2.18%	Tesla	\$469,466	0.94%	Tesla	\$324,934	0.67%
Washington Hospital	206,132	0.39%	Western Digital	218,616	0.44%	Western Digital	235,844	0.49%
Western Digital	176,435	0.34%	Seagate Technology #3	152,100	0.30%	Washington Hospital	153,645	0.32%
Ranch 99/Warm Springs Shopping Center	161,772	0.31%	Washington Hospital	147,910	0.30%	Seagate Technology	116,332	0.24%
Marriott Hotel	142,229	0.27%	U S Pipe	123,218	0.25%	Lido Faire Shopping Center	114,536	0.24%
Ranch 99/Newark	133,807	0.26%	Marriott Hotel	119,716	0.24%	Pacific Commons (Kohls/Old Navy Area)	113,472	0.23%
U S Pipe	130,685	0.25%	Kaiser Hospital	118,369	0.24%	Pacific Commons (Area 4-Asian Pearl, Kinders, etc)	108,292	0.22%
Kaiser Hospital	125,907	0.24%	Ranch 99/Warm Springs Shopping Center	115,458	0.23%	Ranch 99/Warm Springs Shopping Center	108,163	0.22%
Gateway Plaza	124,269	0.24%	Pacific Commons (Area 4-Asian Pearl, Kinders, etc.)	112,498	0.22%	Full Bloom	105,805	0.22%
Pacific Commons (Area 4-Asian Pearl, Kinders, etc)	119,920	0.23%	Pacific Commons (Kohls/Old Navy Area)	108,358	0.22%	Kaiser Hospital	102,771	0.21%
Total annual billing largest ten:	\$2,463,022	4.70%	Total annual billing largest ten:	\$1,685,708	3.36%	Total annual billing largest ten:	\$1,483,794	3.07%
Total ALL annual billings	\$52,384,709		Total ALL annual billings	\$50,112,564		Total ALL annual billings	\$48,379,254	

# UNION SANITARY DISTRICT

## Ten Principal Industrial Rate Payers by Levy (continued)

### June 30, 2020

	2013-14			2012-13			2011-12		
	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings	Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	\$260,023	1	0.58%	Western Digital	1	0.51%	Western Digital	1	0.66%
Washington Hospital	148,743	2	0.33%	Seagate Technology	2	0.27%	Solyndra	2	0.52%
Seagate Technology	140,016	3	0.31%	Washington Hospital	3	0.25%	NUMMI/Tesla	3	0.37%
Tesla	137,788	4	0.31%	Pacific Commons (Kohls/Old Navy Area)	4	0.22%	Evergreen Oil	4	0.33%
Ranch 99 Warm's Springs Shopping	112,329	5	0.25%	Ranch 99 Warm's Springs Shopping	5	0.21%	Washington Hospital	5	0.28%
Gateway Plaza	101,416	6	0.22%	The Benton in Fremont	6	0.21%	Caravan Trading Co. & Bakery	6	0.25%
Kaiser Hospital	99,174	7	0.22%	U S Pipe	7	0.21%	The Benton in Fremont	7	0.21%
Pacific Commons (Area 4)	99,159	8	0.22%	Solyndra	8	0.21%	Kaiser Hospital	8	0.21%
The Benton in Fremont	96,037	9	0.21%	Lam Research	9	0.21%	Gateway Plaza	9	0.20%
Pacific Commons (Kohls/Old Navy Area)	90,880	10	0.20%	Kaiser Hospital	10	0.20%	U S Pipe	10	0.19%
Total annual billing largest ten:	<u>\$1,285,565</u>		<u>2.85%</u>	Total annual billing largest ten:		<u>2.52%</u>	Total annual billing largest ten:		<u>3.22%</u>
Total ALL annual billings	<u>\$45,139,420</u>			Total ALL annual billings		<u>\$42,339,311</u>	Total ALL annual billings		<u>\$40,630,578</u>

64	2010-11		
	Total Annual Billing	Rank	% of Total Annual Billings
NUMMI	\$391,105	1	1.02%
Western Digital	215,190	2	0.56%
Washington Hospital	136,804	3	0.36%
Evergreen Oil	124,684	4	0.32%
Solyndra	120,712	5	0.31%
Full Bloom	109,681	6	0.28%
The Benton in Fremont	82,409	7	0.21%
Seagate Technology	82,333	8	0.21%
Kaiser Hospital	78,993	9	0.21%
Amgen	75,741	10	0.20%
Total annual billing largest ten:	<u>\$1,417,652</u>		<u>3.68%</u>
Total ALL annual billings	<u>\$38,486,824</u>		

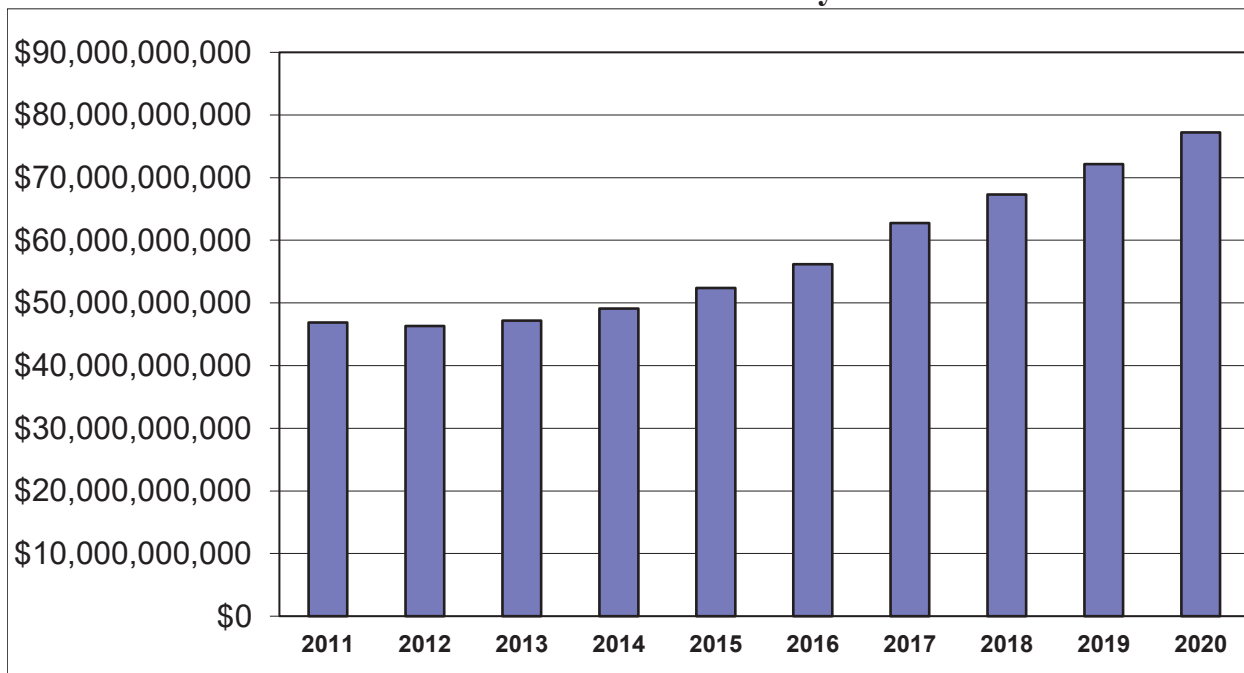
## UNION SANITARY DISTRICT

### Fiscal Year Assessed Valuation for All Properties in the Tri-City Area

Valuation of taxable property within Union Sanitary District

Fiscal Year	Assessed Values	% Change
2020	\$77,195,891,174	6.95%
2019	72,179,061,738	7.21%
2018	67,322,355,237	7.29%
2017	62,748,855,394	11.69%
2016	56,180,082,061	7.25%
2015	52,380,183,178	6.64%
2014	49,120,298,326	4.06%
2013	47,205,182,529	1.95%
2012	46,301,581,317	-1.22%
2011	46,871,083,762	-0.54%

### Assessed Valuation for Tri-City Area



Includes property in Fremont, Newark, and Union City.

# **UNION SANITARY DISTRICT**

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Use Permit (1)	State Revolving Fund Loans	Revenue Bonds	Principal Total	# of Parcels	Total Debt/ Parcel
2020	\$0	\$0	\$73,508,249	\$73,508,249	101,056	\$727
2019	0	39,055,508	0	39,055,508	97,870	399
2018	0	41,925,514	0	41,925,514	97,183	431
2017	0	44,272,413	0	44,272,413	95,997	461
2016	0	43,070,909	0	43,070,909	95,254	452
2015	0	41,861,476	0	41,861,476	94,768	442
2014	0	39,488,115	0	39,488,115	94,877	416
2013	0	40,648,328	0	40,648,328	94,640	430
2012	0	39,630,289	0	39,630,289	94,351	420
2011	471,698	31,985,449	0	32,457,147	94,231	344

(1) Union City Use Permit to increase capacity to maximum of 38 mg/d

## UNION SANITARY DISTRICT

### Pledged Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues <sup>(1)</sup>	Operating Expenses <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage % <sup>(3)</sup>
2020	\$80,925,032	\$47,271,071	\$33,653,961	\$3,399,270	990%
2019	79,773,963	41,902,599	37,871,364	3,902,080	971%
2018	80,216,769	40,442,197	39,774,572	3,902,080	1019%
2017	67,617,052	35,910,541	31,706,511	3,127,110	1014%
2016	59,634,122	33,609,699	26,024,423	3,127,110	832%
2015	54,941,712	32,630,756	22,310,956	3,127,110	713%
2014	50,004,485	32,914,966	17,089,519	4,086,647	418%
2013	46,744,639	34,154,742	12,589,897	4,429,320	284%
2012	44,754,760	29,919,730	14,835,030	4,429,320	335%
2011	43,131,063	30,449,295	12,681,768	3,584,000	354%

(1) Includes sewer service charges, connection fees, other operating revenues, and interest.

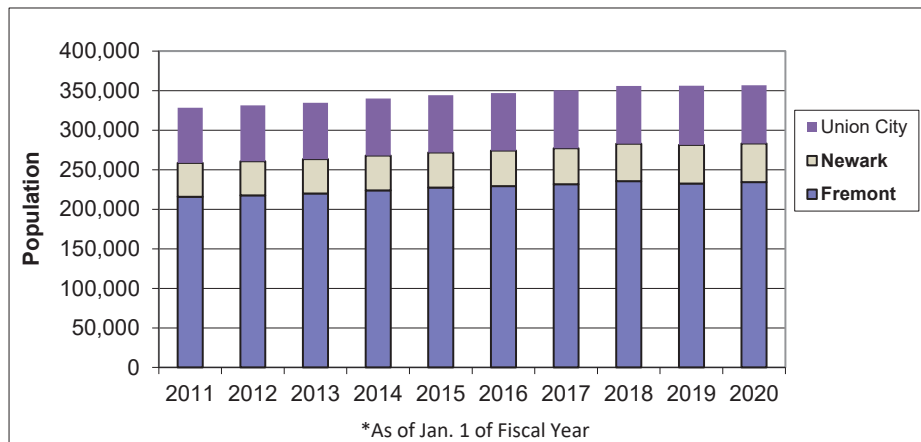
(2) Excludes depreciation; operating expenses do not include capital project expenditures.

(3) According to the District's Debt Management Policy, the targeted minimum debt service coverage ratio is 150%, which is higher than the standard 120% typically used to secure revenue bonds.

# UNION SANITARY DISTRICT

## Demographics Population of Service Area Served\*

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fremont	215,711	217,700	219,926	223,972	227,582	229,324	231,664	235,439	232,532	234,220
Newark	42,764	43,041	43,342	43,856	44,284	44,733	45,422	47,467	48,712	48,966
Union City	69,850	70,646	71,329	72,155	72,412	72,952	73,452	72,991	74,916	73,637
<b>Total</b>	<b>328,325</b>	<b>331,387</b>	<b>334,597</b>	<b>339,983</b>	<b>344,278</b>	<b>347,009</b>	<b>350,538</b>	<b>355,897</b>	<b>356,160</b>	<b>356,823</b>
Total % Change	-2.74%	0.93%	0.97%	1.61%	1.26%	0.79%	1.02%	1.53%	0.07%	0.19%



## UNION SANITARY DISTRICT

### Demographics Per Capita Income and Unemployment Rate (Calendar Year)

		<b>Per Capita Income</b>	<b>Unemployment Rate</b>
2019	Fremont	\$55,521	2.6%
	Newark	N/A	2.7%
	Union City	N/A	3.0%
2018	Fremont	\$55,521	2.6%
	Newark	\$33,591	2.8%
	Union City	\$71,282	2.9%
2017	Fremont	\$49,740	2.7%
	Newark	\$32,301	2.9%
	Union City	\$68,519	3.4%
2016	Fremont	\$46,899	3.3%
	Newark	\$31,358	3.6%
	Union City	\$65,884	4.3%
2015	Fremont	\$43,563	3.7%
	Newark	\$31,043	4.1%
	Union City	\$62,926	4.4%
2014	Fremont	\$40,562	4.5%
	Newark	\$30,572	5.0%
	Union City	\$58,175	5.9%
2013	Fremont	\$43,504	5.7%
	Newark	\$29,390	5.3%
	Union City	\$56,365	7.4%
2012	Fremont	\$38,095	6.9%
	Newark	\$28,683	6.5%
	Union City	\$55,224	9.0%

<b>Number of Persons in Household:</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Alameda County Area Median Income: \$119,200	Extremely Low	27450	31350	35250	39150	42300	45450	48550	51700
	Very Low Income	45700	52200	58750	65250	70500	75700	80950	86150
	Low Income	73100	83550	94000	104400	112800	121150	129500	137850
	<b>Median Income</b>	83450	95350	107300	<b>119200</b>	128750	138250	147800	157350
	Moderate Income	100150	114450	128750	143050	154500	165950	177400	188850

Sources: CAFR Reports - Fremont, Newark, Union City; Employment Development Department State of California Department of Housing and Community Development ([www.hcd.ca.gov](http://www.hcd.ca.gov)).

# UNION SANITARY DISTRICT

## Demographics Major Employers in District Service Area

	Employer Name	Type of Business	Percent of Total Employees as of fiscal year ended June 30,*									
			2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Fremont</b>	Tesla	Auto Manufacturer	N/A	12.31%	3.17%	3.12%	3.12%	2.68%	2.75%	2.81%	1.45%	N/A
	Lam Research	Technology	N/A	2.46%	2.72%	2.68%	2.68%	2.68%	2.75%	1.41%	1.45%	1.00%
	Washington Hospital	Healthcare	N/A	2.46%	2.72%	2.68%	2.68%	2.68%	2.75%	1.70%	1.76%	1.98%
	Kaiser Permanente Medical Group	Healthcare	N/A	2.46%	0.68%	0.67%	0.67%	0.67%	0.69%	N/A	N/A	N/A
	Estenson Logistics	Logistics	N/A	2.46%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Newark</b>	Newark Unified School District	Education	N/A	3.46%	3.70%	4.00%	4.20%	3.10%	3.20%	3.30%	3.40%	3.40%
	Logitech	Computer Accessories	N/A	2.36%	2.40%	2.70%	3.00%	3.00%	3.10%	3.20%	3.00%	N/A
	Risk Management Solutions	Catastrophe Risk Management	N/A	1.20%	1.20%	1.20%	1.40%	1.20%	1.20%	1.30%	1.30%	1.30%
	WorldPac	Wholesale Distributor	N/A	1.18%	0.90%	0.90%	0.90%	N/A	N/A	N/A	N/A	1.40%
	VM Services Inc	Technology	N/A	0.92%	1.10%	1.10%	1.00%	N/A	N/A	N/A	N/A	N/A
<b>Union City</b>	New Haven Unified School District	Education	N/A	N/A	3.19%	3.30%	3.10%	3.01%	3.01%	3.07%	3.22%	3.69%
	Southern Glazer's Wine & Spirits	Beverages	N/A	N/A	2.00%	2.06%	3.67%	3.44%	3.44%	3.54%	3.71%	1.13%
	Wal Mart	Retailer	N/A	N/A	1.43%	1.10%	1.20%	2.34%	2.34%	2.40%	2.52%	1.62%
	Masonic Home for Adults	Continuing Care Retirement Community	N/A	N/A	1.33%	1.26%	N/A	N/A	N/A	N/A	N/A	N/A
	Abaxis, Inc.	Biotech	N/A	N/A	1.07%	1.10%	1.20%	1.11%	1.11%	1.14%	1.19%	N/A

\* Some employers report as of December 31.

N/A = More statistics will be added as the data becomes available.



# UNION SANITARY DISTRICT

Full-time Equivalent District Employees by Function/Program  
Last 10 Fiscal Years

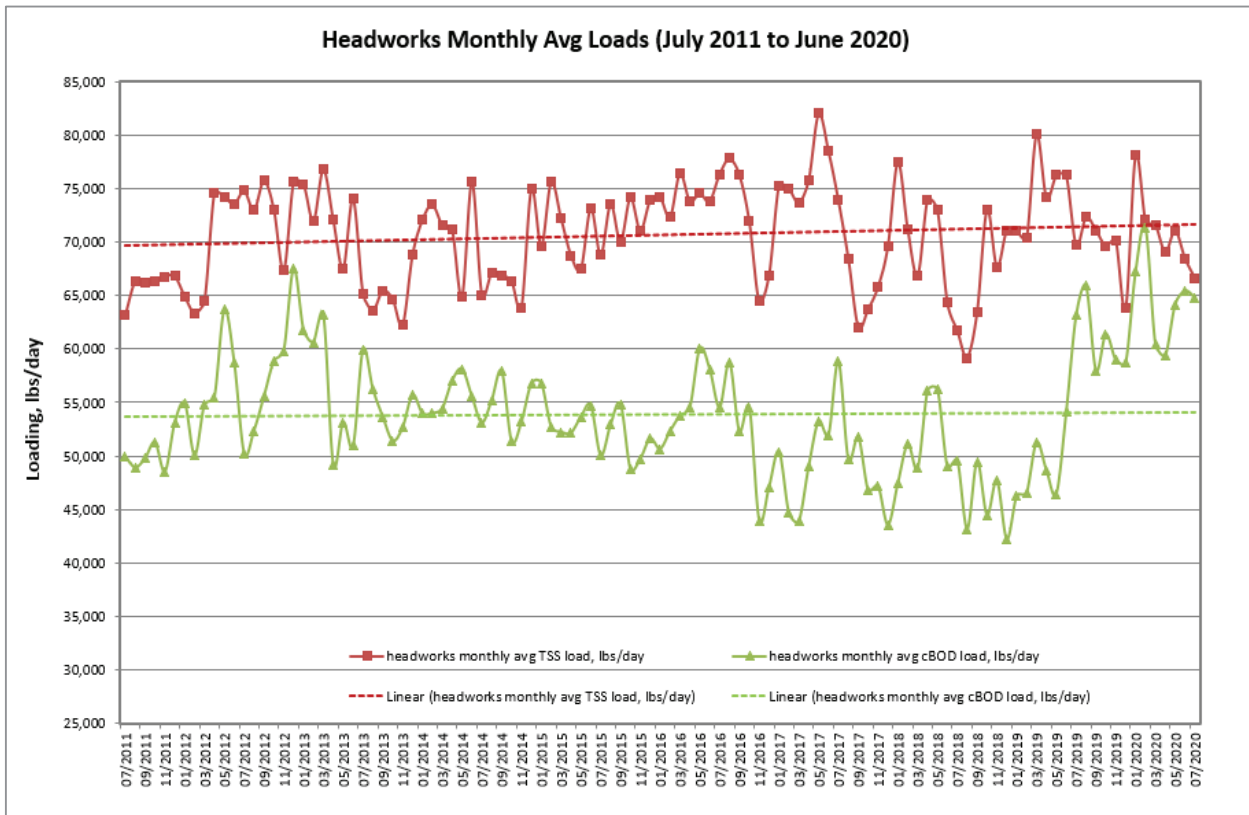
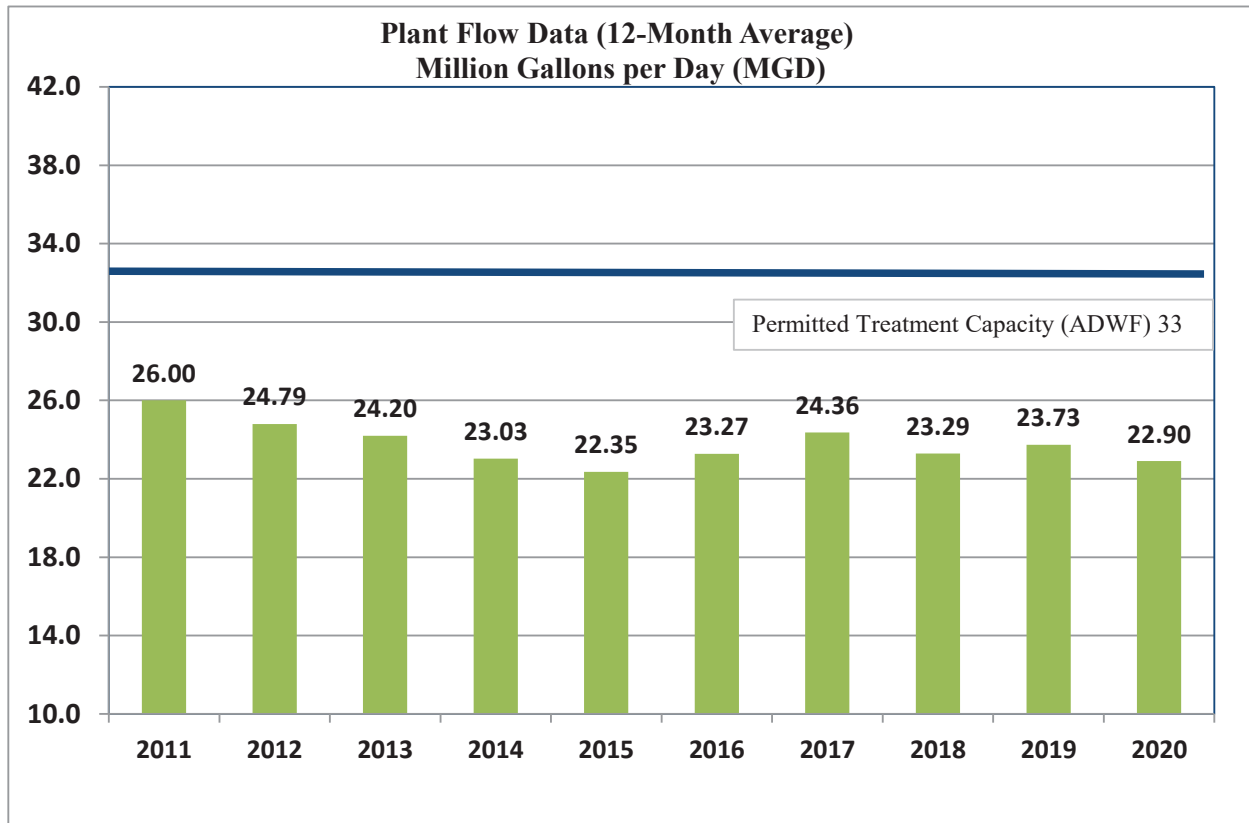
Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
System operations and maintenance (CS Support, FMC, TPO, RST, Warel Engineering and construction (CIP, ETSU)	53.45	54.45	55.45	52.45	53.45	53.45	50.45	51.45	13.45	11.45
Collections System Maintenance (CS)	11.00	9.00	8.00	9.00	10.00	8.00	8.00	7.00	8.00	8.00
Office of the General Manager (GM)	26.00	25.00	25.00	25.00	25.00	23.00	23.00	24.00	22.00	22.00
Finance (FIST)	2.00	2.00	2.00	2.00	2.00	3.00	1.00	2.00	3.00	2.00
Information systems (IT)	5.00	6.00	5.00	3.00	5.00	5.00	5.00	5.00	5.00	5.00
Administration department (Adm Specialist, MMT, non-HR OST)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00
Customer and community services (Rest of TS)	15.00	12.00	13.00	13.00	14.00	13.00	14.00	15.00	14.00	16.00
Human resources (HR)	20.00	21.00	21.00	20.00	20.00	18.00	19.00	19.00	19.00	19.00
	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Total # of Employees	139.45	136.45	136.45	131.45	136.45	131.45	128.45	131.45	92.45	90.45

71

Average years of service of employees as of June 30:

- CIP = Capital Improvements Projects Team
- ETSU = Enhanced Treatment & Site Upgrade
- FIST = Finance & Internal Support Team
- FMC = Fabrication, Maintenance and Construction
- MMT = Materials Management Team
- OST = Organizational Support Team
- RST = Research and Support Team
- TPO = Total Productive Operations Team
- TS = Technical Services Work Group

**UNION SANITARY DISTRICT**  
 Operating Indicators by Function/Program  
 Average Daily Flow



Source: USD Treatment and Disposal Work Group

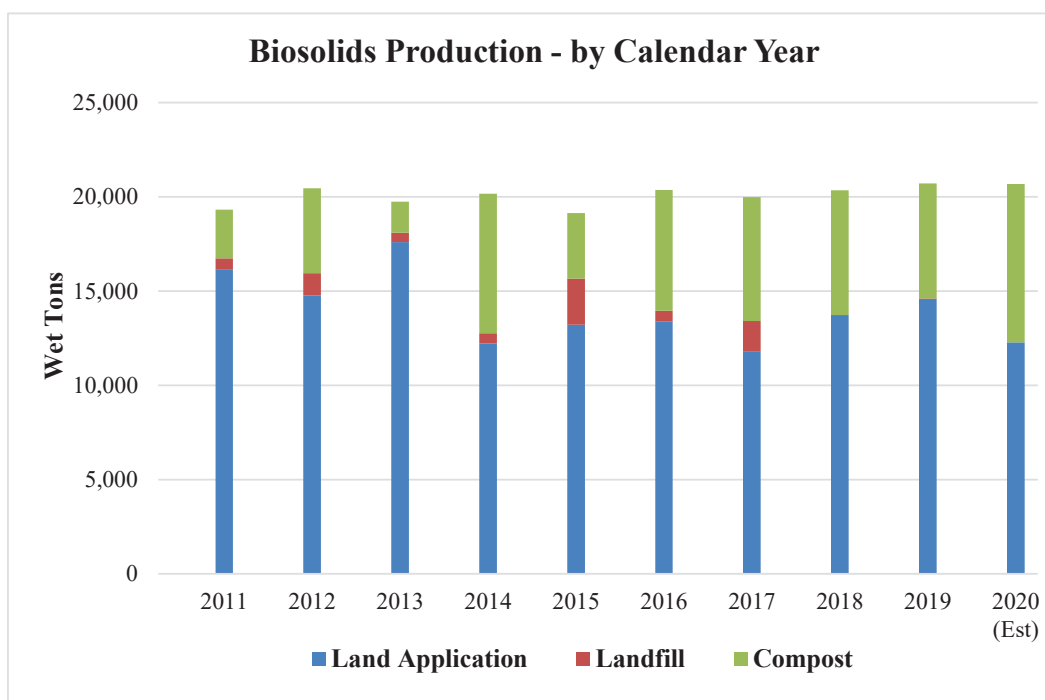
## UNION SANITARY DISTRICT

### Operating Indicators - Biosolids Last Ten Calendar Years

#### Function/Program

#### **Biosolids**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (Est)
Land Application	16,160	14,770	17,597	12,212	13,212	13,395	11,784	13,733	14,529	12,285
Landfill	571	1,187	501	545	2,450	563	1,624	0	72	0
Compost	2,585	4,501	1,642	7,414	3,470	6,399	6,584	6,615	6,103	8,390
Total (in Wet Tons)	19,315	20,458	19,741	20,171	19,132	20,357	19,992	20,347	20,704	20,674



## UNION SANITARY DISTRICT

### Miscellaneous Statistics

6/30/2020

Governing Body:	Elected 5-Member Board of Directors Fremont - 3 Members Newark - 1 Member Union City - 1 Member
Governmental Structure:	Established in 1918 and reorganized in 1923 under the Sanitary District Act
Staff:	139.45 full-time equivalent employees
CEO:	General Manager
CFO:	Business Services Manager
Authority:	California Health and Safety Code Section 4700 et. Seq.
Services:	Wastewater collection, treatment and disposal
Service Area:	60.2 square miles (Annexed areas - Fremont, Newark and Union City)
Total Population Served:	356,823
Number of Parcels	101,056 (90,132 Residential; 3,117 Non-Residential; 7,807 Other (vacant land))
Operations:	Total miles of pipeline - 834, including the force main and all gravity sewers (including trunk mains) Number of pumping stations - 7 Larger: Irvington, Newark, Alvarado Smaller: Fremont, Boyce, Paseo Padre, Cherry Street
Permitted Plant Treatment Capacity (ADWF)	33 million gallons per day (mgd)
Type of Treatment:	Secondary
Sewer Service Charge:	\$421.37 annually per single family residential dwelling unit