



Union Sanitary District

Union City, California

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2016 with Comparative
Information for Fiscal Year Ended June 30, 2015

Union Sanitary District

Union City, California

Comprehensive Annual

Financial Report



Fiscal Year Ended June 30, 2016 with
Comparative Information for Fiscal Year Ended
June 30, 2015

Prepared by Business Services Department

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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 20, 2016

Board of Directors

Union Sanitary District
Union City, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

We are pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended June 30, 2016. 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 has no component units.

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 years ended June 30, 2016 and 2015 are 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 347,009. 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 election is non-partisan and at-large within ward #3. The Board appoints the General Manager to manage and oversee the day-to-day operations. The District, which employs 136.45 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 bio-tech, research and development, education, manufacturing and retail. Following are economic conditions in the Tri-City area and the District as a whole.

The City of Fremont*

Fremont is the 4th largest city in the Bay Area in population and 2nd largest in size with an area of 92 square miles. The majority of its 40 schools are considered high performing by the State. The City is a recognized leader in advanced manufacturing, clean technology, and biotechnology. During FY 2016, Fremont began and continued several development projects, in the areas of housing, commercial, industrial, and transportation. Tesla, the largest employer in Fremont, took orders for mass manufacture of their Model 3 electric automobile. New companies include Pivot Interiors, Apple, and Living Spaces. The Warm Springs district will soon have a Bay Area Rapid Transit station, as well as more housing and mixed-use developments. All of the City's major revenue streams are showing moderate growth.

The City of Newark*

Newark has an area of 13 square miles. There are several developments, comprising hundreds of single family homes, condos, and townhomes underway. The property taxes generated from 2,500 new living units will help Newark continue to provide the City with essential resources in addition to maintaining their balanced budget. The increased housing will improve school enrollment, which has dropped in recent years. Newpark Mall's \$40 million renovation continues, including an IMAX theater which is up and running.

The City of Union City*

Union City is 18 square miles in area. It has many parks, sports fields, community facilities, and recreation programs for citizens of all ages. The City of Union City's Measure AA, the 0.5% sales tax adjustment, which was set to expire in March 2015, has been extended for 10 more years. Both home values and sales taxes are increasing at modest rates. The City's retirement costs have decreased due to recent labor agreements where employees will pick up the full share of employee PERS costs.

Region-wide, the Tri-City area is experiencing significant residential and commercial development due to the healthy economy. Annual average unemployment rates for the cities of Fremont, Newark and Union City were 3.8%, 4.1%, and 4.4% respectively, compared with 3.7%, 5.0%, and 5.3% one year earlier.

*Source: Fremont and Newark State of the City addresses 2016; www.fremont.gov, www.newark.org, www.ci.union-city.ca.us, www.labormarketinfo.edd.ca.gov, www.247wallst.com.

Major Projects or Initiatives

During fiscal year 2016, the District completed or initiated a number of significant projects:

Alvarado Basin Sewer Master Plan Update – The goal of the master plan is to develop a long-term capital improvement program that will provide for adequate hydraulic capacity in the sewer system as well as address maintenance and structural problems in sewers in the basin. The condition assessment was completed in FY 2016, while the capacity assessment will be completed in FY 2017.

Mobile Data Technologies – The utilization of Mobile Data Technology (tablets) was implemented that allows field staff to access real-time data from the District’s Computerized Maintenance Management System.

Standard Specification Update – The District’s standard specifications govern the design and construction requirements of sanitary sewer main and lateral installations by private contractors (non-Capital Improvement Projects (CIP)). The specification was last updated in 2006. A number of revisions to building and plumbing codes, as well as other standards, have occurred since the last revision. To keep current, the District’s Standard Specifications and Information Bulletin were updated.

Aeration Membrane Cleaning – A cleaning method was selected and a trial will be performed this fiscal year. The trial results will be evaluated for both process and economic benefit.

Co-Digestion – The Fabrication, Maintenance & Construction (FMC) work group assisted Total Productive Operations (TPO) with a co-digestion pilot project. This involved considerable effort of staff and resources.

Reduction of Overtime – FMC staff reduced the amount of overtime worked. Over the years overtime has been used frequently to support multiple plant and pump station projects while also maintaining the District’s facilities.

Phase 5 LED Lighting Conversion – District facilities were upgraded with LED lighting.

Plant Solids Capacity Assessment – The liquid component of wastewater has historically been the critical element when it comes to the plant capacity evaluation, however for more than ten years, plant flows have been steadily decreasing while the solids components have been increasing. For this, as well as other reasons, a solids capacity evaluation was initiated.

Thickener Project – The District successfully managed the largest CIP project currently under construction and met the State Revolving Fund (SRF) loan and Single Audit requirements.

Phone System Replacement – A Voice Over Internet Protocol (VOIP) phone system was installed to replace a 20-year-old analog phone system.

Future Projects or Initiatives

Dumbarton Transit Oriented Development Project – This development requires the relocation of the District forcemains. Management will ensure District's interests are met and concerns are mitigated.

Increased In-house Cured-in-Place Pipe Capabilities – Currently the District is limited to six foot long cured-in-place pipe repairs. Implementing this new process will increase our capabilities up to one hundred feet.

Plant Solids Capacity Assessment, Phase 2 – The solids capacity evaluation does not affect the solids stream only, it is also a central element in the hydraulic capacity of the plant. This second phase will evaluate the plant liquid stream capacity.

Preventative Maintenance Project – Operations & Maintenance (O&M) for all plant equipment will be reviewed to ensure proper maintenance is taking place per the manufacturers' recommendations. This will include developing specific maintenance tasks/Standard Operating Procedures (SOPs), and updating our computerized maintenance management system as needed.

Emergency Response – Over the next several years FMC will develop specific emergency response procedures for each remote pump station. This will include writing SOPs, procuring equipment, creating inventory sheets, identifying staging areas, and communicating new information with staff.

Permit Renewal for the Easy Bay Dischargers Authority (EBDA) Discharge – An application will be submitted in September 2016 to the State Water Resource Control Board (SWRCB).

Digester #3 and Secondary Digester Cleaning – The digester cleaning program will be resumed.

Project Implementation Master Plan – The Master Plan will review and assess the District's critical projects and recommend the sequence of design and construction implementation based on priorities and schedules; existing and future space needs; process adjacencies; economic feasibility; and other planned capital improvement projects.

Alternative Grit Cleaning in Plant – A new Pilot Program to remove accumulated grit from control box #1 and Alvarado pump station without having to shut down the treatment plant will be completed.

New Enterprise Resource Planning (ERP) System – The District will research and select a new ERP system to replace a system that is no longer being updated.

Phase 6 LED Lighting Conversion – Phase 6 of the LED lighting upgrade for facilities will be completed.

Local Limits Study – The Plant National Pollutant Discharge Elimination System (NPDES) permit should be reissued in early 2017. As required under 40 Code of Federal Regulation (CFR) 403.5(c)(1), a Local Limits study will evaluate the need to revise dischargers' limits.

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 ten-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 we perform 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 does experience substantial variability in the type of effluent produced by industrial users, and the SS and COD can vary significantly. 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 2016 was \$377.00 for a single family dwelling and \$326.00 for a multi-family dwelling.

Connection Fees

In 2016 the District charged a sewer connection fee of \$5,595.66 for an 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. Thus, the collected revenues may be used to fund certain renewal and replacement CIP projects, but not 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 Vavrinek, Trine, Day Inc. 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 – In fiscal year 2016, the District reviewed and/or updated the following finance-related policies: Investments, and Standardized Equipment.

East Bay Dischargers Authority – USD is a member of EBDA. Founded in 1974, EBDA is a five-member Joint Powers Agency 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 Financing Authority. The Authority was organized to provide assistance to the water district in anticipation of financing capital projects over the next several years. the District has one Board member on the governing body of the Authority.

Awards Received

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

- ❖ California State Risk Management Association (CSRMA) – Workers Compensation Excellence Award
- ❖ California Association of Sanitation Agencies (CASA) – Public Outreach and Education Award – Small Agency
- ❖ California Association of Public Information Officials – Excellence in Communications Award, Award of Excellence for Special Events, One Time Events Category (2015 Open House) – “Party at the Treatment Plant”
- ❖ National Institute for Government Purchasing (NIGP) – Achievement of Excellence in Procurement
- ❖ Government Finance Officers Association (GFOA) – Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Union Sanitary District for its comprehensive financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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,

Business Services Department



MISSION STATEMENT

To safely and responsibly collect and treat wastewater for the Tri-cities while protecting human health and improving the environment in a way that benefits our customers, employees and the community.

How we accomplish our Mission:

We demonstrate our commitment to safety by:

- Having an effective safety program
- Protecting employees and the community
- Committing resources (equipment, training, staff)
- Planning to work safely
- Looking out for each other while we work

We demonstrate responsibility by:

- Being fiscally responsible
- Being accountable for our actions and decisions
- Anticipating and meeting future needs and demonstrating stewardship
- Maintaining compliance with laws and regulations
- Effectively managing our assets
- Continuously improving our processes

We collect and treat wastewater, including:

- Maintaining our infrastructure
- Providing capacity in the collection system and plant
- Regulating connections
- Disposing of treated wastewater and biosolids
- Effectively using technology
- Having effective pretreatment and pollution prevention programs
- Testing for compliance

We protect human health by:

- Preventing sewer spills and back-ups
- Reducing health risks through treatment of wastewater
- Responding to emergencies

We improve the environment by:

- Enhancing the San Francisco Bay and Hayward Marsh ecosystems
- Maintaining compliance with effluent and air quality regulations
- Promoting pollution prevention
- Recycling biosolids
- Co-generating electric power

(Continued on next page)



MISSION STATEMENT, cont'd.

We benefit our customers by:

- Providing reliable service
- Being fiscally responsible and cost effective, and providing value
- Promptly responding to customers' needs
- Being professional and courteous
- Proactively and creatively meeting customer needs
- Supporting businesses through permitting, education and by providing capacity

We benefit our employees by:

- Providing competitive wages and benefits in a stable work environment
- Providing a safe work environment
- Demonstrating equality and fairness
- Valuing employee input, and offering opportunities for involvement and creativity
- Recognizing employee contributions
- Providing training and resources
- Communicating and sharing information openly and honestly
- Encouraging cooperation and collaboration

We benefit the community by:

- Protecting the environment and controlling odors
- Communicating with the public and educating them on wastewater issues
- Responding to emergencies and providing mutual aid
- Participating in community outreach activities and charity events
- Contributing to the wastewater treatment profession by participating in professional associations, partnering with other agencies and organizations, and sharing best practices
- Working cooperatively with cities and other government agencies

Board of Directors



Tom Handley



Pat Kite



Jennifer Toy



Anjali Lathi



Manny Fernandez

Principal Officials

As of June 30, 2016

| | | <u>City Represented</u> | <u>Year Elected</u> | <u>Term Expires</u> |
|-----------------|----------------|-----------------------------|-------------------------|-------------------------|
| Jennifer Toy | President | Fremont (Ward 3) | 1998 | 2018 |
| Tom Handley | Vice President | Fremont (Ward 3) | 2007 | 2018 |
| Pat Kite | Secretary | Newark (Ward 2) | 1991 | 2020 |
| Anjali Lathi | Board Member | Fremont (Ward 3) | 2002 | 2020 |
| Manny Fernandez | Board Member | Union City (Ward 1) | 2011 (Appointed) | 2020 |

Karen W. Murphy

General Counsel

Staff

Paul Eldredge

General Manager/District Engineer

Armando Lopez

Treatment & Disposal Services Manager

Robert Simonich

Fabrication Maintenance & Construction
Manager

Pamela Arends-King

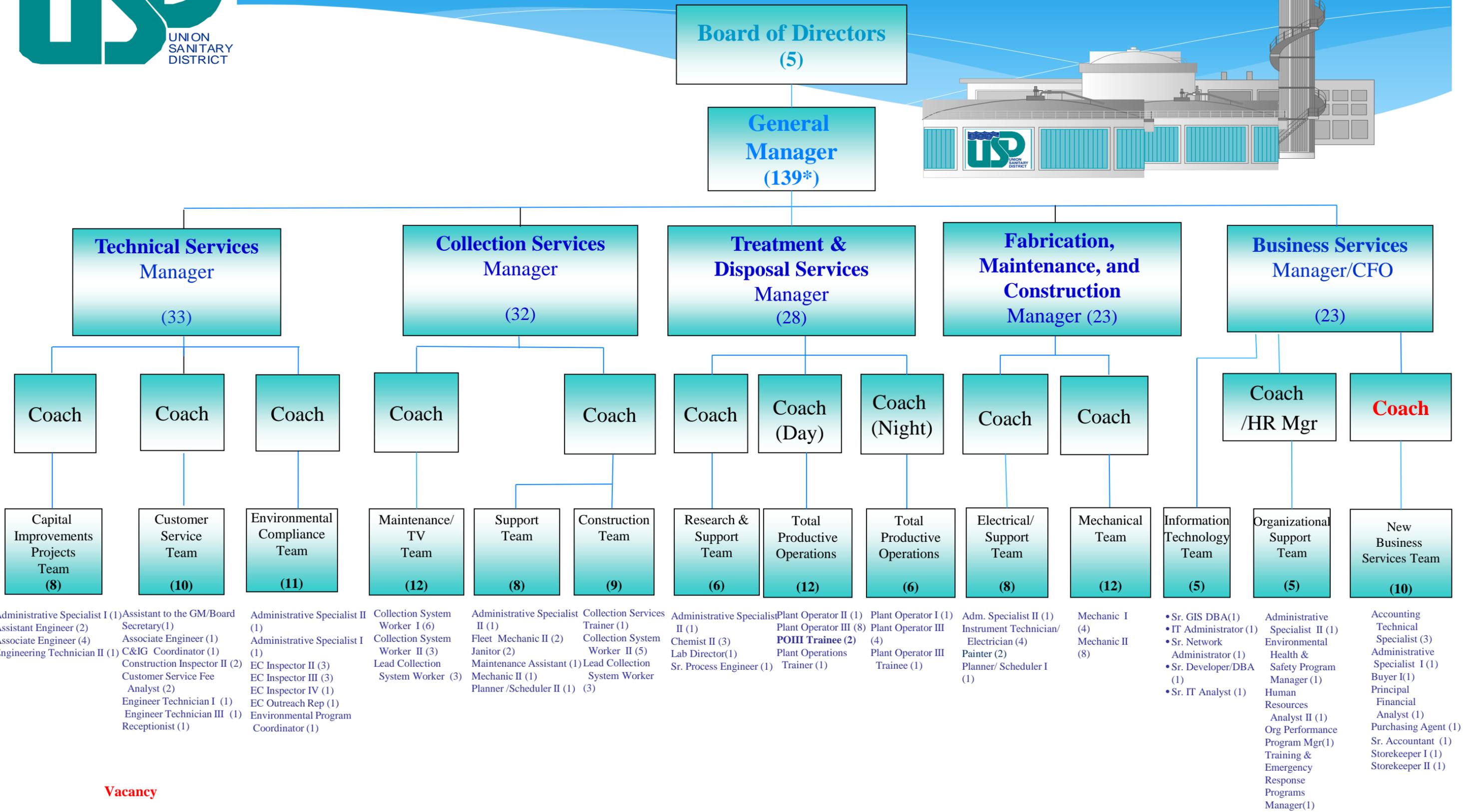
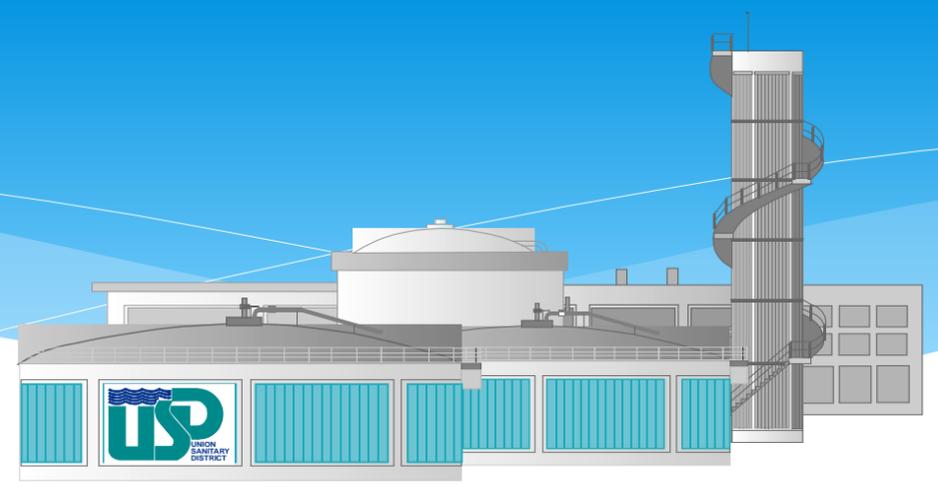
Business Services Manager/Chief Financial
Officer

Sami Ghossain

Technical Services Manager

James Schofield

Collection Services Manager



Administrative Specialist I (1)
 Assistant Engineer (2)
 Associate Engineer (4)
 Engineering Technician II (1)

Assistant to the GM/Board Secretary (1)
 Associate Engineer (1)
 C&IG Coordinator (1)
 Construction Inspector II (2)
 Customer Service Fee Analyst (2)
 Engineer Technician I (1)
 Engineer Technician III (1)
 Receptionist (1)

Administrative Specialist II (1)
 Administrative Specialist I (1)
 EC Inspector II (3)
 EC Inspector III (3)
 EC Inspector IV (1)
 EC Outreach Rep (1)
 Environmental Program Coordinator (1)

Collection System Worker I (6)
 Collection System Worker II (3)
 Lead Collection System Worker (3)

Administrative Specialist II (1)
 Fleet Mechanic II (2)
 Janitor (2)
 Maintenance Assistant (1)
 Mechanic II (1)
 Planner/Scheduler II (1)

Collection Services Trainer (1)
 Collection System Worker II (5)
 Lead Collection System Worker (3)

Administrative Specialist II (1)
 Chemist II (3)
 Lab Director (1)
 Sr. Process Engineer (1)

Plant Operator II (1)
 Plant Operator III (8)
 Plant Operations Trainer (1)

Plant Operator I (1)
 Plant Operator III (4)
 Plant Operator III Trainee (1)

Adm. Specialist II (1)
 Instrument Technician/Electrician (4)
 Painter (2)
 Planner/Scheduler I (1)

Mechanic I (4)
 Mechanic II (8)

- Sr. GIS DBA (1)
- IT Administrator (1)
- Sr. Network Administrator (1)
- Sr. Developer/DBA (1)
- Sr. IT Analyst (1)

Administrative Specialist II (1)
 Environmental Health & Safety Program Manager (1)
 Human Resources Analyst II (1)
 Org Performance Program Mgr (1)
 Training & Emergency Response Programs Manager (1)

Accounting Technical Specialist (3)
 Administrative Specialist I (1)
 Buyer I (1)
 Principal Financial Analyst (1)
 Purchasing Agent (1)
 Sr. Accountant (1)
 Storekeeper I (1)
 Storekeeper II (1)

Vacancy

* 139 positions allocated in 2015
 Full Time Equivalent positions in 2015 is 136.45.



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, 2015

Executive Director/CEO



Financial Section



INDEPENDENT AUDITORS' REPORT

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Union Sanitary 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the equity investment in the East Bay Dischargers Authority which represents approximately 1.5 percent and 1.8 percent, respectively, of the assets and net position of the District. The statements for which the equity investment is derived were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the equity investment, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2016 and 2015 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems provided by the State Comptroller's Office for Special Districts.

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective July 1, 2015. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is 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 applies in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurances on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Varrinck, Trine, Day & Co. LLP.

Pleasanton, California

October 20, 2016

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 AND 2015

As management of the Union Sanitary District, Union City, California, (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2016, by \$334.4 million (net position). Net position consists of \$295.4 million invested in capital assets, \$25.1 million restricted net position and \$14 million in unrestricted net position.
- The District's total net position increased by \$9.4 million during the fiscal year ended June 30, 2016. The primary reasons for the increase was the collection of \$7.3 million in connection fees and \$1.86 million in contributed capital for pipeline installed for a residential development.
- Long-term liabilities increased by \$5.6 million during the current fiscal year due to the addition of State Revolving Fund loan proceeds (debt) for the Thickener project and an increase of \$4.5 million in the net pension liability.
- The District placed \$6.6 million in capital assets into service compared to \$12.5 million last 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 longer-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.

UNION SANITARY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2016 AND 2015

- **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.

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 (88%) 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

| | <u>Fiscal Year 2016</u> | <u>Fiscal Year 2015</u> | <u>Fiscal Year 2014</u> | <u>Dollar Change FY16 to FY15</u> | <u>Percent Change FY16 to FY15</u> |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|---|--|
| Current and other assets | \$ 77,881,176 | \$ 64,249,309 | \$ 57,495,214 | \$ 13,631,867 | 21.2% |
| Capital assets | 338,426,172 | 339,323,878 | 338,757,641 | (897,706) | -0.3% |
| Total assets | <u>416,307,348</u> | <u>403,573,187</u> | <u>396,252,855</u> | <u>12,734,161</u> | 3.2% |
| Deferred outflows of resources | <u>7,549,687</u> | <u>2,973,280</u> | <u>-</u> | <u>4,576,407</u> | 153.9% |
| Current liabilities | 10,533,131 | 8,137,982 | 9,146,967 | 2,395,149 | 29.4% |
| Long-term liabilities | <u>72,916,067</u> | <u>67,311,036</u> | <u>37,360,355</u> | <u>5,605,031</u> | 8.3% |
| Total liabilities | <u>83,449,198</u> | <u>75,449,018</u> | <u>46,507,322</u> | <u>8,000,180</u> | 10.6% |
| Deferred inflows of resources | <u>5,962,106</u> | <u>6,052,085</u> | <u>-</u> | <u>(89,979)</u> | -1.5% |
| Net Position: | | | | | |
| Net investment in capital assets | 295,355,262 | 297,462,404 | 299,269,526 | (2,107,142) | -0.7% |
| Restricted | 25,075,327 | 19,808,500 | 17,622,778 | 5,266,827 | 26.6% |
| Unrestricted | 14,015,142 | 7,774,460 | 32,853,229 | 6,240,682 | 80.3% |
| Total net position | <u>\$ 334,445,731</u> | <u>\$ 325,045,364</u> | <u>\$ 349,745,533</u> | <u>\$ 9,400,367</u> | 2.9% |

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 AND 2015

Net position of the District's business type activities increased 2.8% to \$334.4 million, of which \$295.3 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$25 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$14 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.

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

| | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 | Dollar Change FY16 to FY15 | Percent Change FY16 to FY15 |
|---|---------------------|---------------------|---------------------|----------------------------------|-----------------------------------|
| Operating Revenues: | | | | | |
| Sewer service charges (SSC) | \$ 50,112,564 | \$ 48,379,254 | \$ 45,139,420 | \$ 1,733,310 | 3.6% |
| Other revenues | 1,791,782 | 1,581,031 | 1,370,017 | 210,751 | 13.3% |
| Total operating revenues | 51,904,346 | 49,960,285 | 46,509,437 | 1,944,061 | 3.9% |
| Operating Expenses: | | | | | |
| Depreciation | 17,379,112 | 17,899,765 | 17,219,109 | (520,653) | -2.9% |
| Sewage treatment | 15,464,775 | 14,956,369 | 15,410,523 | 508,406 | 3.4% |
| Sewage collection and engineering | 11,296,680 | 10,763,530 | 10,869,755 | 533,150 | 5.0% |
| General and administration | 6,848,244 | 6,910,857 | 6,634,688 | (62,613) | -0.9% |
| Total operating expenses | 50,988,811 | 50,530,521 | 50,134,075 | 458,290 | 0.9% |
| Nonoperating Revenues (Expenses) | | | | | |
| Connection fees | 7,233,338 | 4,820,637 | 3,315,007 | 2,412,701 | 50.0% |
| Contributed capital | 1,863,035 | 4,774,582 | 886,925 | (2,911,547) | -61.0% |
| Investment income and net gains | 496,439 | 160,790 | 180,041 | 335,649 | 208.7% |
| Loss on retirement of capital assets | (30,472) | (1,165,160) | (796,735) | 1,134,688 | -97.4% |
| East Bay Dischargers Authority loss | (160,540) | (86,652) | (92,180) | (73,888) | 85.3% |
| Interest | (916,968) | (971,695) | (1,106,609) | 54,727 | -5.6% |
| Total net non-operating revenues (expenses) | 8,484,832 | 7,532,502 | 2,386,449 | 971,491 | 12.9% |
| Change in Net Position | 9,400,367 | 6,962,266 | (1,238,189) | 2,438,101 | -35.0% |
| Beginning Net Position | 325,045,364 | 349,745,533 | 350,983,722 | (24,700,169) | -7.1% |
| Prior period adjustment | - | (31,662,435) | - | 31,662,435 | N/A |
| Restated Net Position, Beginning of Year (2015) | 325,045,364 | 318,083,098 | - | 6,962,266 | N/A |
| Ending Net Position | \$ 334,445,731 | \$ 325,045,364 | \$ 349,745,533 | \$ 9,400,367 | 2.9% |

The District's increase in net position of \$9.4 million is primarily due to the following reasons:

- The sewer service charges due to a rate increase and the increase in other revenues due to an increase in permits, therefore revenues exceeded expenditures by \$0.9 million.
- Connection fees the District received of \$7.2 million and \$1.8 million in contributed capital due to the increase in residential development.

Overall the District's revenues increased \$1.8 million from fiscal year (FY) 2015. The District's sewer service charge rates increased 5.6% therefore, the total increase in sewer service charges from FY 2015 was \$1.7 million. Other revenues increased \$0.2 million or 13.3% from prior year due to the increase in permit revenue from building. The District's service area continues to experience a robust economy which has resulted in a significant amount of residential development. Due to the residential development, the connection fee revenue increased \$2.4 million, or 50%, from prior year. Contributed Capital decreased \$2.9 as the development that occurred during FY 2015 required a significant amount of construction for infrastructure to support it.

UNION SANITARY DISTRICT

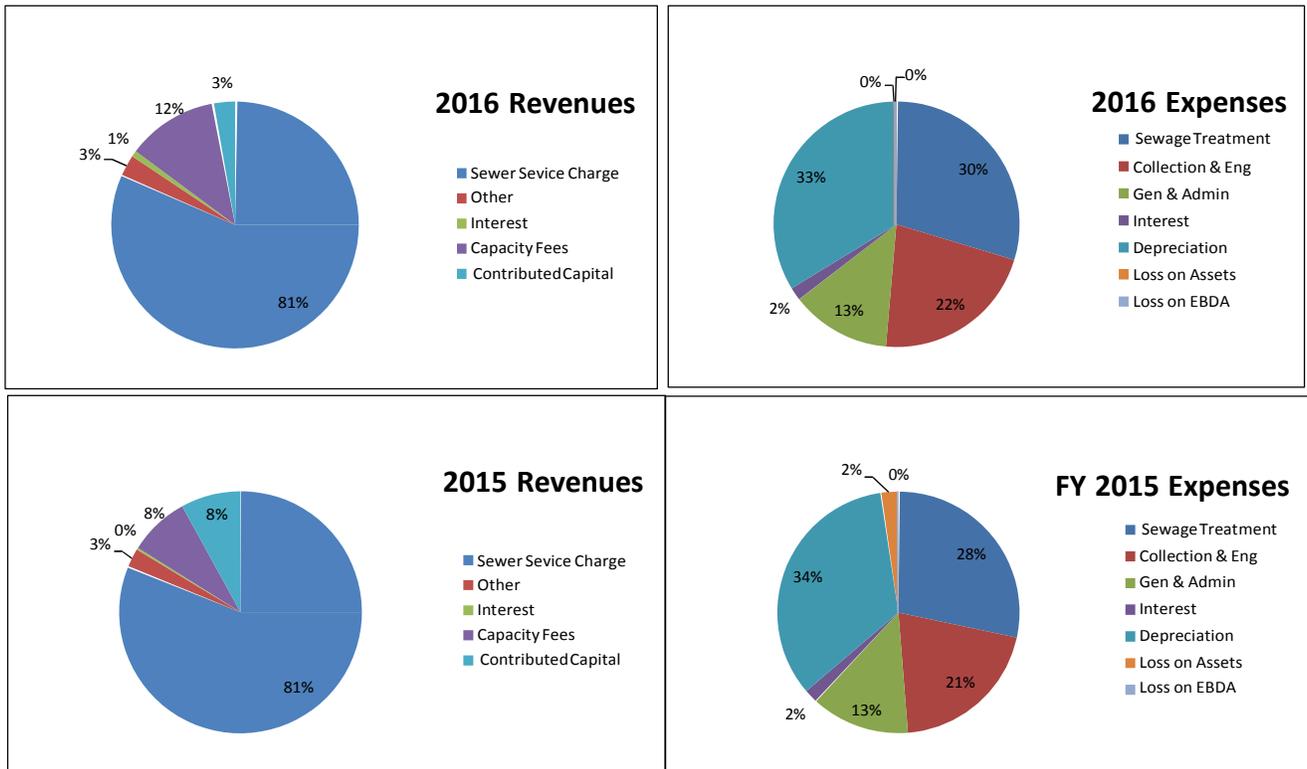
MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2016 AND 2015

District-wide Financial Analysis (continued)

Investment income and net gains increased \$0.3 million from prior year due to the overall increase in cash and investments of \$12.5 million, and diversifying the portfolio in a variety of eligible investment instruments with longer terms. These factors resulted in a higher weighted investment yield at June 30, 2016, of 1.159%, with a weighted average portfolio life of 712 days compared to a weighted investment yield at June 20, 2015, of 0.49%, with a weighted average portfolio life of 466 days.

The District’s operating expenses increased from prior year \$0.5 million or 0.9%. The increase is primarily due to cost of living salary adjustments; an increase in the retirement plans percentage contribution; an increase in utility costs; and an increase in maintenance and operating expenses.

In the prior year, the District’s total revenues such as capacity fees and sewer service charges increased by \$8.8 million, or 17.3% for the year ended June 30, 2015. This is due mainly to a 5.7% increase in the sewer service charge rate; an increase in capacity fee revenue due to strong residential, industrial and commercial development; and an increase in other fees and permits from development and building. Contributed capital increased, from development that required major construction of infrastructure, by \$3.9 million. The total cost of all programs and services, including depreciation, was 1.1% higher than FY 2014. Most major cost categories decreased from FY 2014 costs except for non-capital project costs, repairs and maintenance, and office supplies.



As previously stated, in FY 2016, the District took actions to compensate for increases in certain costs, and to avoid the loss of revenue due to changes in the economy by increasing sewer service charges by 5.6%.

UNION SANITARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016 AND 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2016, the District had approximately \$338.4 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 decrease of \$898,000, or 0.3%, compared to last year. The main reason for this is a combination of increased Construction in Progress (CIP), additional assets placed in service, and more assets being depreciated. Total CIP placed into service was \$4.05 million in FY 2016 vs. \$12.5 million in FY 2015 and \$37 million in FY 2014. Additions to CIP were \$14.0 million in FY 2016 vs. \$13.8 million in FY 2015 and \$19.9 million in FY 2014.

The District has outstanding construction contract commitments on capital projects approximating \$45.4 million at June 30, 2016. Additions to CIP totaled \$14.0 million. Major projects included:

Table 3 – Additions to CIP

| | |
|--|-----------------------------|
| Thickener Control Building Improvements, Phase 2 | \$ 3,799,893 |
| Alvarado Blvd Sewer Main Repairs | 2,208,595 |
| Newark Backyard Sanitary Sewer Relocation, Phase 2 | 1,710,278 |
| Alvarado Niles Road Sanitary Sewer Rehabilitation | 1,082,907 |
| High Speed Aeration Blowers | 1,081,155 |
| Plant Facilities Improvements | 870,627 |
| Motor Control Center & Programmable Logic Control | 674,847 |
| Newark Backyard Sanitary Sewer Relocation, Phase 3 | 672,498 |
| Fremont & Paseo Padre Lift Station Improvements | 379,650 |
| Miscellaneous Spot Repairs | 337,586 |
| Diffuser Replacement - Aeration Basin Tank 5 | 296,048 |
| Hypo Tanks and Piping Replacement | 223,764 |
| 3rd Sludge Degritter System | 181,816 |
| Water Recycling & Conservation Program | 108,724 |
| Others | 363,219 |
| Total | <u><u>\$ 13,991,607</u></u> |

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

Table 4 – Total CIP Placed into Service

| | |
|--|----------------------------|
| Newark Backyard Sanitary Sewer Relocation, Phase 2 | \$ 2,693,133 |
| Hansen 8 Upgrade | 774,420 |
| Boyce Road Lift Station | 422,350 |
| Remote Access to iFix | 66,008 |
| Mobile Project | 61,092 |
| Newark Pump Station Waterline | 33,957 |
| | <u><u>\$ 4,050,960</u></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, 2016 AND 2015

Debt Administration

At year-end, the District had \$43.1 million in loans outstanding versus \$41.9 million last year. This debt consists of nine State Revolving Fund loans.

Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in *Note 5* to the financial statements.

New Significant Accounting Standards Implemented

In fiscal year 2015-16, the District implemented two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity:

- Statement No. 72 “*Fair Value Measurement and Application*” and
- Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”.

Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

Statement No. 76 objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the fiscal year 2016-2017 Budget with total appropriations of \$57.3 million. Of that amount, \$14.6 million is appropriated for capital projects such as the Alvarado-Niles Sewer Rehabilitation, Newark Backyard Relocation, and Thickener Control Building Improvements and Plant facilities improvement. The budget also includes \$2.1 million in special projects such as a financial master plan; a treatment plant master plan; and a solids system/capacity master plan. This budget includes the first year of a five-year sewer service charge rate increase that became effective on July 1, 2016. The FY 2017 rate increase for residential sewer service charges was 1%. Total estimated revenues for FY 2017 are \$54.1 million which includes \$50.4 million in sewer service charges. Connection fee revenues are estimated at \$8.9 million. To stay competitive with the market, the appropriations include a cost of living increase of 3.5% for union employees and an overall cost of living increase for exempt employees of 3.8%. All other appropriations are consistent with FY 2016.

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.

UNION SANITARY DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| CURRENT ASSETS | | |
| Cash, cash equivalents | \$ 3,256,503 | \$ 2,100,320 |
| Investments | 62,438,845 | 49,924,414 |
| Accounts receivable, net | 3,179,897 | 3,404,733 |
| Interest receivable | 216,019 | 106,021 |
| Inventory | 761,415 | 712,956 |
| Other | 27,901 | 20,967 |
| Total current assets | <u>69,880,580</u> | <u>56,269,411</u> |
| NONCURRENT ASSETS | | |
| Capital Assets | | |
| Non depreciable capital assets: | | |
| Land and improvements | 5,395,903 | 5,395,903 |
| Construction in progress | 32,974,397 | 23,033,750 |
| Capacity permits and easements | 6,415,898 | 6,415,898 |
| Depreciable assets | | |
| Utility plant in service | 657,171,954 | 650,926,132 |
| Less: Accumulated depreciation | <u>(363,531,980)</u> | <u>(346,447,805)</u> |
| Net capital assets | <u>338,426,172</u> | <u>339,323,878</u> |
| Other Assets | | |
| Restricted cash and cash equivalents | 404,968 | 221,827 |
| Restricted investments | 10,000 | 15,000 |
| Net OPEB asset | 1,452,553 | 1,449,455 |
| Investment in East Bay Dischargers Authority | <u>6,133,075</u> | <u>6,293,616</u> |
| Total other assets | <u>8,000,596</u> | <u>7,979,898</u> |
| Total non-current assets | <u>346,426,768</u> | <u>347,303,776</u> |
| TOTAL ASSETS | <u>416,307,348</u> | <u>403,573,187</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pensions | <u>7,549,687</u> | <u>2,973,280</u> |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | 5,460,347 | 3,030,544 |
| Customer deposits | 842,855 | 520,628 |
| Accrued payroll and related expenses | 506,116 | 961,515 |
| Interest payable | 512,068 | 546,052 |
| Current portion of compensated absences | 979,801 | 903,086 |
| Current portion of long-term debt | <u>2,231,944</u> | <u>2,176,157</u> |
| Total current liabilities | <u>10,533,131</u> | <u>8,137,982</u> |
| LONG-TERM LIABILITIES | | |
| Long-term debt, net of current portion | 40,838,966 | 39,685,317 |
| Net pension liability | <u>32,077,101</u> | <u>27,625,719</u> |
| Total long-term liabilities | <u>72,916,067</u> | <u>67,311,036</u> |
| TOTAL LIABILITIES | <u>83,449,198</u> | <u>75,449,018</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to pensions | <u>5,962,106</u> | <u>6,052,085</u> |
| NET POSITION | | |
| Net investment in capital assets | 295,355,262 | 297,462,404 |
| Restricted for: | | |
| Capacity purposes | 21,617,947 | 16,351,121 |
| SRF loan contingency reserve | 3,457,380 | 3,457,379 |
| Unrestricted | <u>14,015,142</u> | <u>7,774,460</u> |
| TOTAL NET POSITION | <u>\$ 334,445,731</u> | <u>\$ 325,045,364</u> |

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

UNION SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| OPERATING REVENUES | | |
| Sewer service charges | \$ 50,112,564 | \$ 48,379,254 |
| Other operating revenues | 1,791,782 | 1,581,031 |
| Total operating revenue | <u>51,904,346</u> | <u>49,960,285</u> |
| OPERATING EXPENSES | | |
| Sewage treatment | 15,464,775 | 14,956,369 |
| Sewage collection and engineering | 11,296,680 | 10,763,530 |
| General and administration | 6,848,244 | 6,910,857 |
| Total operating expenses before depreciation | <u>33,609,699</u> | <u>32,630,756</u> |
| DEPRECIATION | 17,379,112 | 17,899,765 |
| Total operating expenses | <u>50,988,811</u> | <u>50,530,521</u> |
| OPERATING INCOME/(LOSS) | <u>915,535</u> | <u>(570,236)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Net investment income and net realized gains and losses | 496,439 | 160,790 |
| Interest Expense | (916,968) | (971,695) |
| Loss on retirement of capital assets | (30,472) | (1,165,160) |
| Loss on equity investment in East Bay Dischargers Authority | <u>(160,540)</u> | <u>(86,652)</u> |
| Net non-operating revenue (expense) | <u>(611,541)</u> | <u>(2,062,717)</u> |
| INCOME/(LOSS) BEFORE CONTRIBUTED CAPITAL | 303,994 | (2,632,953) |
| Connection fees and other contributed capital | <u>9,096,373</u> | <u>9,595,219</u> |
| CHANGE IN NET POSITION | 9,400,367 | 6,962,266 |
| NET POSITION, BEGINNING OF YEAR | 325,045,364 | 318,083,098 |
| NET POSITION, END OF YEAR | <u>\$ 334,445,731</u> | <u>\$ 325,045,364</u> |

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

UNION SANITARY DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 52,129,182 | \$ 49,816,326 |
| Payments to suppliers & service providers | (9,214,018) | (12,790,080) |
| Payments to employees | (16,001,089) | (15,014,047) |
| Payments for benefits on behalf of employees | (6,055,761) | (6,263,323) |
| Receipts for customer deposits | 729,478 | 468,319 |
| Returns of customer deposits | (407,251) | (536,687) |
| Payments related to postemployment benefits | (561,205) | (543,540) |
| | <u>20,619,336</u> | <u>15,136,968</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES | | |
| Principal payments on long-term debt | (2,176,154) | (2,127,763) |
| Proceeds from state revolving loan funds | 3,385,590 | 4,501,122 |
| Interest paid on long-term debt | (950,952) | (999,349) |
| Acquisition and construction of capital assets | (14,648,844) | (14,856,581) |
| Connection fees and other related revenues from developers | 7,233,338 | 4,820,637 |
| | <u>(7,157,022)</u> | <u>(8,661,934)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 386,441 | 134,129 |
| Purchase of investments | (97,926,056) | (68,226,219) |
| Proceeds from sales and maturities of investments | 85,416,625 | 62,945,000 |
| | <u>(12,122,990)</u> | <u>(5,147,090)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,339,324 | 1,327,944 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>2,322,147</u> | <u>994,203</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 3,661,471</u> | <u>\$ 2,322,147</u> |
| RECONCILIATION OF CASH AND EQUIVALENTS | | |
| Unrestricted cash and cash equivalents | \$ 3,256,503 | \$ 2,100,320 |
| Restricted cash and cash equivalents | 404,968 | 221,827 |
| Total cash and cash equivalents | <u>\$ 3,661,471</u> | <u>\$ 2,322,147</u> |
| RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | |
| Operating income/(loss) | \$ 915,535 | \$ (570,236) |
| Adjustments to reconcile operating loss to cash flows provided by operating activities | | |
| Depreciation | 17,379,112 | 17,899,765 |
| (Increase) in accounts receivable and other assets | 224,836 | (143,959) |
| Decrease in inventory and other | (437,175) | 44,489 |
| (Increase) in pension related amounts | (215,002) | (957,911) |
| (Decrease) increase in accounts payable and accrued expenses | 2,429,803 | (1,066,812) |
| (Decrease) increase in customer deposits | 322,227 | (68,368) |
| | <u>\$ 20,619,336</u> | <u>\$ 15,136,968</u> |
| NONCASH TRANSACTIONS | | |
| Contributions of capital assets | \$ 1,863,035 | \$ 4,774,582 |
| Decrease in equity in East Bay Dischargers Authority | 160,541 | 86,651 |

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – 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 overlapping 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 has determined that there are no component units that meet these criteria as of, and for the year ended June 30, 2016. The District includes all funds that are controlled by, or dependent upon the Board of Directors of the District.

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).

Measurement Focus and Basis of Accounting

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.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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, 2016 and 2015, 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.

Investments

Investments, which consist of short-term, fixed-income securities at June 30, 2016 and 2015, 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.

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

Inventory

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

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 as fair value as of the date of donation. Repairs, maintenance, and minor replacements of property are charges to expense.

Comparative Data

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changed in the District's financial position and operations.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 3.07 percent and 3.14 percent of average depreciable plant during the years ended June 30, 2016 and 2015, respectively.

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.

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 Purposes* – the State requires a contingency reserve for State Revolving Fund loan balances.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Nonoperating 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.

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.

Deferred Outflows and 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 in acquisition of net position that is applicable to a future reporting period. A deferred outflows of resources has a positive effect on net position, similar to assets, and a deferred inflows of resources has a negative effect on net position, similar to liabilities. The District has certain items, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

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 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.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Change in Accounting Principles

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. This statement was implemented by the District as of July 1, 2015.

GASB Statement No. 76 – In June 2015, GASB issues Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for reporting periods beginning after June 15, 2015. This statement was implemented by the District as of July 1, 2015.

New Accounting Pronouncements

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The District has not determined its effect on the financial statements.

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, statement 43, and statement No. 50, *Pension Disclosures*. The provisions in statement 74 are effective for fiscal years beginning after June 15, 2016. The District has not determined its effect on the financial statements.

GASB Statement No. 75 - In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The District has not determined its effect on the financial statements.

GASB Statement No. 77 - In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients,
- The gross dollar amount of taxes abated during the period,
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The District has not determined its effect on the financial statements.

GASB Statement No. 78 - In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The District has not determined its effect on the financial statements.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 79 - In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

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

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The District has not determined its effect on the financial statements.

GASB Statement No. 80 - In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The District has not determined its effect on the financial statements.

GASB Statement No. 81 - In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The District has not determined its effect on the financial statements.

GASB Statement No. 82 - In March 2016, the GASB issued Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District has not determined its effect on the financial statements

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #2 – CAPITAL ASSETS

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

| | Balance June 30, 2015 | Additions | Deletions | Transfers | Balance June 30, 2016 |
|---|--------------------------|---------------------|--------------------|--------------------|--------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land and improvements | \$ 5,395,903 | \$ - | \$ - | \$ - | \$ 5,395,903 |
| Construction in progress | 23,033,750 | 13,991,607 | - | (4,050,960) | 32,974,397 |
| Capacity permits and easements | 6,415,898 | - | - | - | 6,415,898 |
| Total Capital assets, not being depreciated: | <u>34,845,551</u> | <u>13,991,607</u> | <u>-</u> | <u>(4,050,960)</u> | <u>44,786,198</u> |
| Capital assets, being depreciated: | | | | | |
| Sewage collection facilities | 409,763,916 | 1,863,035 | (79,081) | 3,115,483 | 414,663,353 |
| Sewage treatment facilities | 154,580,723 | 51,288 | - | - | 154,632,011 |
| District facilities | 73,307,922 | - | - | 33,957 | 73,341,879 |
| General equipment | 6,679,143 | 220,293 | (48,410) | 901,520 | 7,752,546 |
| Fleet | 6,594,428 | 385,655 | (197,918) | - | 6,782,165 |
| Total Capital assets, being depreciated: | <u>650,926,132</u> | <u>2,520,271</u> | <u>(325,409)</u> | <u>4,050,960</u> | <u>657,171,954</u> |
| Less: Accumulated depreciation | | | | | |
| Sewage collection facilities | (224,303,176) | (9,445,531) | 60,390 | - | (233,688,317) |
| Sewage treatment facilities | (79,662,752) | (4,861,411) | - | - | (84,524,163) |
| District facilities | (33,727,935) | (2,089,493) | - | - | (35,817,428) |
| General equipment | (5,276,281) | (527,188) | 44,952 | - | (5,758,517) |
| Fleet | (3,477,661) | (455,488) | 189,594 | - | (3,743,555) |
| Total Accumulated depreciation: | <u>(346,447,805)</u> | <u>(17,379,111)</u> | <u>294,936</u> | <u>-</u> | <u>(363,531,980)</u> |
| Total capital assets, being depreciated , net | <u>304,478,327</u> | <u>(14,858,840)</u> | <u>(30,473)</u> | <u>4,050,960</u> | <u>293,639,974</u> |
| Total Capital Assets, net | <u>\$ 339,323,878</u> | <u>\$ (867,233)</u> | <u>\$ (30,473)</u> | <u>\$ -</u> | <u>\$ 338,426,172</u> |

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 \$45.4 million at June 30, 2016.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #2 – CAPITAL ASSETS - CONTINUED

Capital asset activity for the year ended June 30, 2015 is summarized as follows:

| | Balance June 30, 2014 | Additions | Deletions | Transfers | Balance June 30, 2015 |
|--|--------------------------|--------------|----------------|-------------|--------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land and improvements | \$ 5,395,903 | \$ - | \$ - | \$ - | \$ 5,395,903 |
| Construction in progress | 16,012,340 | 13,803,875 | - | (6,782,465) | 23,033,750 |
| Capacity permits and easements | 6,415,898 | - | - | - | 6,415,898 |
| Total Capital assets, not being depreciated: | 27,824,141 | 13,803,875 | - | (6,782,465) | 34,845,551 |
| Capital assets, being depreciated: | | | | | |
| Sewage collection facilities | 400,135,920 | 4,774,582 | (387,453) | 5,240,867 | 409,763,916 |
| Sewage treatment facilities | 157,562,129 | 70,801 | (4,258,286) | 1,206,079 | 154,580,723 |
| District facilities | 73,250,838 | - | (41,785) | 98,869 | 73,307,922 |
| General equipment | 6,560,276 | 80,693 | (198,476) | 236,650 | 6,679,143 |
| Fleet | 6,250,358 | 901,212 | (557,142) | - | 6,594,428 |
| Total Capital assets, being depreciated: | 643,759,521 | 5,827,288 | (5,443,142) | 6,782,465 | 650,926,132 |
| Less: Accumulated depreciation | | | | | |
| Sewage collection facilities | (214,757,353) | (9,916,923) | 371,100 | - | (224,303,176) |
| Sewage treatment facilities | (77,870,321) | (4,986,146) | 3,193,715 | - | (79,662,752) |
| District facilities | (31,652,174) | (2,097,698) | 21,937 | - | (33,727,935) |
| General equipment | (4,939,480) | (472,769) | 135,968 | - | (5,276,281) |
| Fleet | (3,606,693) | (426,229) | 555,261 | - | (3,477,661) |
| Total Accumulated depreciation: | (332,826,021) | (17,899,765) | 4,277,981 | - | (346,447,805) |
| Total capital assets, being depreciated, net | 310,933,500 | (12,072,477) | (1,165,161) | 6,782,465 | 304,478,327 |
| Total Capital Assets, net | \$ 338,757,641 | \$ 1,731,398 | \$ (1,165,161) | \$ - | \$ 339,323,878 |

NOTE #3 – CASH AND INVESTMENTS

A. Summary of Cash and Cash Equivalents and Investments

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

| | 2016 | 2015 |
|---|---------------|---------------|
| Cash and cash equivalents | \$ 3,256,503 | \$ 2,100,320 |
| Restricted cash and cash equivalents | 404,968 | 221,827 |
| Investments | 62,438,845 | 49,924,414 |
| Restricted investments | 10,000 | 15,000 |
| Total Cash and Cash Equivalents and Investments | \$ 66,110,316 | \$ 52,261,561 |

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE #3 – CASH AND INVESTMENTS - CONTINUED

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 |
| Bankers Acceptance (b) | 180 days | A1/P1 (ST) A (LT) | 40% | 10% |
| Certificates of Deposit | 180 days | N/A | 30% | 10% |
| Negotiable Certificates of Deposit | 5 years | A1 (ST) A (LT) | 30% | 10% |
| Repurchase Agreements (c) | 90 days | N/A | 10% | 10% |
| Commercial Paper | 270 days | "Prime" quality | 25% | 10% |
| Local Agency Investment Fund (LAIF) | N/A | N/A | 70% | None |
| Corporate Notes (d) | 5 years | A | 30% | 10% |
| Mortgage Pass-through and Asset Backed Securities | N/A | AAA or Aaa | 20% | 10% |
| Money Market Funds | N/A | AAA or Aaa | 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).
- 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 THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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:

| 2016 | Maturities of | | | Total |
|---|-------------------|--------------|---------------|---------------|
| | 12 months or less | 12-24 months | 25-60 months | |
| U.S. Treasury Obligations | \$ 1,000,090 | \$ 2,008,630 | \$ - | \$ 3,008,720 |
| U.S. Agency Obligations: | | | | |
| FHLB | 2,002,970 | 1,004,090 | 4,007,230 | 7,014,290 |
| FNMA | 2,004,750 | - | 2,002,130 | 4,006,880 |
| FHLM | - | 2,004,460 | 7,509,700 | 9,514,160 |
| Corporate Notes | 6,534,965 | 2,013,240 | 11,406,871 | 19,955,077 |
| Certificates of Deposit | 4,390,925 | 2,465,332 | - | 6,856,257 |
| LAIF | 12,083,636 | | | 12,083,636 |
| Local Government Investment Pool (CAMP) | 9,825 | | | 9,825 |
| Total Investments | 28,027,162 | 9,495,752 | 24,925,931 | 62,448,845 |
| Cash in bank | 3,661,471 | - | - | 3,661,471 |
| Total Cash and Investments | \$ 31,688,633 | \$ 9,495,752 | \$ 24,925,931 | \$ 66,110,316 |

| 2015 | Maturities of | | | Total |
|---|-------------------|---------------|--------------|---------------|
| | 12 months or less | 12-24 months | 25-60 months | |
| U.S. Treasury Obligations | \$ 5,013,600 | \$ - | \$ 2,002,190 | \$ 7,015,790 |
| U.S. Agency Obligations: | | | | |
| FHLB | - | 3,001,390 | 999,170 | 4,000,560 |
| FNMA | 1,001,390 | - | - | 1,001,390 |
| FHLM | - | 1,000,360 | 1,003,770 | 2,004,130 |
| Corporate Notes | 3,135,031 | 4,600,640 | - | 7,735,671 |
| Certificates of Deposit | 1,215,483 | 1,684,264 | 240,153 | 3,139,900 |
| LAIF | 25,032,178 | - | - | 25,032,178 |
| Local Government Investment Pool (CAMP) | 9,795 | - | - | 9,795 |
| Total Investments | 35,407,477 | 10,286,654 | 4,245,283 | 49,939,414 |
| Cash in bank | 2,322,147 | - | - | 2,322,147 |
| Total Cash and Investments | \$ 37,729,624 | \$ 10,286,654 | \$ 4,245,283 | \$ 52,261,561 |

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #3 – CASH AND INVESTMENTS - CONTINUED

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 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. 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, 2016, these investments mature in an average of 167 days.

E. 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, 2016 for each investment type:

| | Aaa | Aa3 | Aa2 | A1 | A2 | A3 | Total |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| U.S. Agency Obligations | | | | | | | |
| FHLB | \$ 7,014,290 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,014,290 |
| FNMA | 4,006,880 | - | - | - | - | - | 4,006,880 |
| FHLM | 9,514,160 | - | - | - | - | - | 9,514,160 |
| Corporate Notes | 6,014,350 | 5,223,358 | 1,192,561 | 4,190,984 | 2,324,503 | 1,009,320 | 19,955,077 |
| Totals | <u>\$ 26,549,680</u> | <u>\$ 5,223,358</u> | <u>\$ 1,192,561</u> | <u>\$ 4,190,984</u> | <u>\$ 2,324,503</u> | <u>\$ 1,009,320</u> | <u>40,490,407</u> |
| Exempt from credit rate disclosure | | | | | | | |
| U.S. Treasury Obligations | | | | | | | 3,008,720 |
| Not rated | | | | | | | |
| Certificates of deposit | | | | | | | 6,856,257 |
| California Local Agency Investment Fund | | | | | | | 12,083,636 |
| Local Government Investment Pool (CAMP) | | | | | | | 9,825 |
| Cash and cash equivalents | | | | | | | 3,661,471 |
| Total Cash, Cash Equivalents and Investments | | | | | | | <u>\$ 66,110,316</u> |

Presented below is the actual rating as of June 30, 2015 for each investment type:

| | Aaa | Aa3 | Aa2 | A1 | A2 | A3 | Total |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|----------------------|
| U.S. Agency Obligations | | | | | | | |
| FHLB | \$ 4,000,560 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,000,560 |
| FNMA | 1,001,390 | - | - | - | - | - | 1,001,390 |
| FHLM | 2,004,130 | - | - | - | - | - | 2,004,130 |
| Corporate Notes | - | 2,209,156 | 565,153 | 3,074,958 | 1,315,916 | 570,488 | 7,735,671 |
| Totals | <u>\$ 7,006,080</u> | <u>\$ 2,209,156</u> | <u>\$ 565,153</u> | <u>\$ 3,074,958</u> | <u>\$ 1,315,916</u> | <u>\$ 570,488</u> | <u>14,741,751</u> |
| Exempt from credit rate disclosure | | | | | | | |
| U.S. Treasury Obligations | | | | | | | 7,015,790 |
| Not rated | | | | | | | |
| Certificates of deposit | | | | | | | 3,139,900 |
| California Local Agency Investment Fund | | | | | | | 25,032,178 |
| Local Government Investment Pool (CAMP) | | | | | | | 9,795 |
| Cash and cash equivalents | | | | | | | 2,322,147 |
| Total Cash, Cash Equivalents and Investments | | | | | | | <u>\$ 52,261,561</u> |

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #3 – CASH AND INVESTMENTS - CONTINUED

F. 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, 2016, more than 5 percent of the District's investments were in FHLB, FNMA, and FHLM. These investments were 10.6 percent, 6.1 percent, and 14.49 percent, respectively, of the District's total investments.

G. 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, 2016, the District's total bank balance of \$1,488,351 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.

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4 - FAIR VALUE MEASUREMENTS - CONTINUED

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.

Uncategorized - Investments in the Local Agency Investment Funds/State Investment Pools 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's fair value measurements are as follows at June 30, 2016:

| Investment Type | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Uncategorized |
|---|----------------------|----------------------|----------------------|-------------------|----------------------|
| U.S. Agency Obligations | \$ - | \$ - | \$ - | \$ - | \$ - |
| FHLB | 7,014,290 | - | 7,014,290 | - | - |
| FNMA | 4,006,880 | - | 4,006,880 | - | - |
| FHLM | 9,514,160 | - | 9,514,160 | - | - |
| Corporate Notes | 19,955,077 | 12,749,989 | 7,205,088 | - | - |
| Local Government Investment Pool (CAMP) | 9,825 | - | - | - | 9,825 |
| U.S. Treasury Obligations | 3,008,720 | - | 3,008,720 | - | - |
| Certificates of deposit | 6,856,257 | - | 6,856,257 | - | - |
| California Local Agency Investment Fund | 12,083,636 | - | - | - | 12,083,636 |
| Total | <u>\$ 62,448,845</u> | <u>\$ 12,749,989</u> | <u>\$ 37,605,395</u> | <u>\$ -</u> | <u>\$ 12,093,461</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.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #5 – JOINT VENTURES - CONTINUED

Investment in East Bay Dischargers Authority

The District has an 18.7 percent interest in East Bay Dischargers 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.

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 the 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, 2015 and 2014 and for the years then ended, the most recent audited information available, is as follows:

| | 2015 | 2014 |
|---------------------------------------|----------------------|----------------------|
| Total Assets | \$ 34,069,451 | \$ 34,477,100 |
| Total liabilities | 1,084,270 | 821,401 |
| Net position value of EBDA | <u>\$ 32,985,181</u> | <u>\$ 33,655,699</u> |
| District's share at 18.7% | <u>\$ 6,168,229</u> | <u>\$ 6,293,616</u> |
| Net loss on equity investment in EBDA | <u>\$ 125,387</u> | <u>\$ 86,652</u> |

EBDA has no outstanding debt.

During fiscal year ended June 30, 2016 and 2015, the District was charged \$1,213,490 and \$1,152,054, respectively, 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, CA 94580-1841.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #6 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2016 are summarized as below:

| | Maturity Date | Interest Rate | Balance 7/1/15 | Additions | Retirements | Balance 6/30/16 | Current Portion |
|---|---------------|---------------|----------------------|---------------------|---------------------|----------------------|---------------------|
| 2003 State Revolving Fund Loan - Irvington | 08/30/23 | 2.4% | \$ 7,273,123 | \$ - | \$ 733,608 | \$ 6,539,515 | \$ 751,216 |
| 2008 State Revolving Fund Loan - Willow | 11/16/27 | 2.4% | 1,198,175 | - | 79,628 | 1,118,547 | 81,540 |
| 2008 State Revolving Fund Loan - Newark | 01/26/30 | 2.7% | 8,362,728 | - | 459,610 | 7,903,118 | 472,020 |
| 2008 State Revolving Fund Loan - Hetch Hetchy | 11/17/28 | 2.7% | 1,610,058 | - | 96,162 | 1,513,896 | 98,759 |
| 2009 State Revolving Fund Loan - Cedar Blvd. | 02/26/30 | 2.5% | 1,576,757 | - | 87,930 | 1,488,827 | 90,128 |
| 2011 State Revolving Fund Loan - Primary Cl. | 01/15/33 | 2.7% | 8,321,201 | - | 365,109 | 7,956,092 | 374,968 |
| 2011 State Revolving Fund Loan - Substation 1 | 02/28/32 | 2.6% | 2,139,709 | - | 101,695 | 2,038,014 | 104,339 |
| 2011 State Revolving Fund Loan - Boyce Rd. Lift Station | 03/31/33 | 2.6% | 6,102,002 | - | 252,412 | 5,849,590 | 258,974 |
| 2014 State Revolving Fund Loan- Thickenner Control Building | 03/31/36 | 2.1% | 5,277,721 | 3,385,590 | - | 8,663,311 | - |
| Compensated absences | n/a | n/a | 903,086 | 1,079,312 | 1,002,597 | 979,801 | 979,801 |
| | | | <u>\$ 42,764,560</u> | <u>\$ 4,464,902</u> | <u>\$ 3,178,751</u> | <u>\$ 44,050,711</u> | <u>\$ 3,211,745</u> |

A. 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.

B. 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.

C. 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 \$10,283,321 based upon projected costs to be incurred. As of June 30, 2016, \$10,283,322, the maximum loan amount, has been advanced under this agreement.

D. 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, 2016, \$2,113,379 has been advanced under this agreement.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #6 - LONG-TERM OBLIGATIONS - CONTINUED

E. 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, 2016, \$1,998,384 has been advanced under this agreement.

F. 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, 2016, \$8,821,860 has been advanced under this agreement.

G. 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, 2016, \$2,412,908 has been advanced under this agreement.

H. 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, 2016, \$6,196,671 has been advanced under this agreement.

I. 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 nineteen annual installments beginning September 2017. 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 \$12.2 million based upon projected costs to be incurred. As of June 30, 2016, \$8,663,311 has been advanced under this agreement.

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE #6 - LONG-TERM OBLIGATIONS – CONTINUED

J. Debt Service Requirements

Future annual repayment requirements as of June 30, 2016 are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 2,231,944 | \$ 803,445 | \$ 3,035,389 |
| 2018 | 2,772,832 | 799,394 | 3,572,226 |
| 2019 | 2,701,940 | 879,827 | 3,581,767 |
| 2020 | 2,769,649 | 821,891 | 3,591,540 |
| 2021 | 2,839,065 | 762,488 | 3,601,553 |
| 2022-2026 | 13,462,397 | 2,878,858 | 16,341,255 |
| 2027-2031 | 10,897,439 | 1,406,547 | 12,303,986 |
| 2032-2036 | 4,887,643 | 320,041 | 5,207,684 |
| 2037 | 508,001 | 10,669 | 518,670 |
| Totals | <u>\$ 43,070,910</u> | <u>\$ 8,683,160</u> | <u>\$ 51,754,070</u> |

NOTE #7 - 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 <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>

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.

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE #7 - PENSION PLAN – CONTINUED

The Plans’ provisions and benefits in effect at June 30, 2016 and 2015, are summarized as follows:

| | Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire Date | | |
| Formula | 2.5% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-55 | 52-67 |
| 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 contribution rates | 17.410% | 18.558% |

Employees Covered – At June 30, 2016 and 2015, the following employees were covered by the benefit terms for the Plan:

| | Miscellaneous | |
|--|----------------------|-------------|
| | 2016 | 2015 |
| Inactive employees or beneficiaries currently receiving benefits | 155 | 143 |
| Inactive employees entitled to but not yet receiving benefits | 67 | 69 |
| Active employees | 129 | 132 |
| Total | <u>351</u> | <u>344</u> |

Contributions – Section 20814(c) of the California Public Employees’ Retirement law 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 rate. Funding contributions for both Plans are determined annual on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

For the year ended June 30, 2016 the average employee contribution rate was 8.0 percent of annual payroll, and the District's average rate was 17.410 of annual payroll. The total contributions to the plan were \$3,034,082 for the year ended June 30, 2016.

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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015.

A summary of principal assumptions used to determine the net pension liability is shown as follows:

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #7 - PENSION PLAN – CONTINUED

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 and 2013 actuarial valuations were determined using the following actuarial assumptions.

| | Miscellaneous | |
|-------------------------------------|---|---|
| | 2014 | 2013 |
| Valuation Date | June 30, 2014 | June 30, 2013 |
| Measurement Date | June 30, 2015 | June 30, 2014 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 7.65% | 7.59% |
| Inflation | 2.75% | 2.75% |
| Payroll Growth | 3.0% | 3.0% |
| Projected Salary Increase | 3.3% - 14.2% | 3.3% - 14.2% |
| Investment Rate of Return | 7.7% | 7.5% |
| Mortality Rate Table ⁽¹⁾ | Derived using CalPERS' Membership Data for all Funds | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

The mortality table used for Miscellaneous Plan was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website at:

<http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports.xml>

Discount Rate – The discount rate used to measure the total pension liability was increased from 7.50 percent to 7.65 percent in 2015. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE #7 - PENSION PLAN – CONTINUED

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014 and 2013.

| Asset Class | Target Allocation | | Real Return Years 1-10 ^(a) | Real Return Years 11+ ^(b) |
|-------------------------------|--------------------------|-------------|--|---|
| | 2014 | 2013 | | |
| Global Equity | 51.0% | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 12.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 11.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.0% | 3.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | 2.0% | -0.55% | -1.05% |
| Total | 100.0% | 100.0% | | |

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

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

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE #7 - 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/(Asset) |
| Balance at June 30, 2014 | \$ 110,669,156 | \$ 76,577,853 | \$ 34,091,303 |
| Changes in the year: | | | |
| Service Cost | 2,338,837 | - | 2,338,837 |
| Interest on the total pension liability | 8,205,194 | - | 8,205,194 |
| Differences between actual and expected experience | - | - | - |
| Changes in assumptions | - | - | - |
| Changes in benefit terms | - | - | - |
| Contribution - employer | - | 2,428,874 | (2,428,874) |
| Contribution - employee (paid by employer) | - | - | - |
| Contribution - employee | - | 1,356,767 | (1,356,767) |
| Net investment income | - | 13,223,974 | (13,223,974) |
| Differences between projected and actual earning on plan investments | - | - | - |
| Administrative expenses | - | - | - |
| Benefit payments, including refunds of employee contributions | (4,871,998) | (4,871,998) | - |
| Net changes | 5,672,033 | 12,137,617 | (6,465,584) |
| Balance at June 30, 2015 | \$ 116,341,189 | \$ 88,715,470 | \$ 27,625,719 |

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at June 30, 2015 | \$ 116,341,189 | \$ 88,715,470 | \$ 27,625,719 |
| Changes in the year: | | | |
| Service Cost | 2,285,511 | - | 2,285,511 |
| Interest on the total pension liability | 8,707,550 | - | 8,707,550 |
| Differences between actual and expected experience | 1,118,325 | - | 1,118,325 |
| Changes in assumptions | (2,041,756) | - | (2,041,756) |
| Plan to plan resource movement | - | (8,501) | 8,501 |
| Contribution - employer | - | 2,536,676 | (2,536,676) |
| Contribution - employee | - | 1,187,621 | (1,187,621) |
| Net investment income | - | 2,002,533 | (2,002,533) |
| Administrative expenses | - | (100,081) | 100,081 |
| Benefit payments, including refunds of employee contributions | (5,472,643) | (5,472,643) | - |
| Net changes | 4,596,987 | 145,605 | 4,451,382 |
| Balance at June 30, 2016 | \$ 120,938,176 | \$ 88,861,075 | \$ 32,077,101 |

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE #7 - PENSION PLAN – CONTINUED

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 | |
|-----------------------|----------------------|--------------|
| | 2016 | 2015 |
| 1% Decrease | 6.65% | 6.50% |
| Net Pension Liability | \$47,517,126 | \$42,097,870 |
| Current Discount Rate | 7.65% | 7.50% |
| Net Pension Liability | \$32,077,101 | \$27,625,719 |
| 1% Increase | 8.65% | 8.50% |
| Net Pension Liability | \$19,190,933 | \$15,485,726 |

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

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension - For the year ended June 30, 2016 and 2015, the District’s recognized pension expense of \$2,819,078 and \$2,015,375, respectively. At June 30, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | | |
|---|-----------------------------------|----------------------------------|
| June 30, 2015: | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 2,973,280 | \$ - |
| Differences between actual and expected experience | - | - |
| Changes in assumption | - | - |
| Net differences between projected and actual earnings on plan investments | - | \$ 6,052,085 |
| Total | \$ 2,973,280 | \$ 6,052,085 |
| June 30, 2016: | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 3,034,082 | \$ - |
| Differences between actual and expected experience | 779,439 | - |
| Changes in assumption | - | (1,423,042) |
| Net differences between projected and actual earnings on plan investments | 3,736,166 | (4,539,064) |
| Total | \$ 7,549,687 | \$ (5,962,106) |

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #7 - PENSION PLAN – CONTINUED

The amount of \$3,034,082 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year ended June 30 | |
|--------------------|-----------------------|
| 2016 | \$ (858,807) |
| 2017 | (858,807) |
| 2018 | (662,927) |
| 2019 | 934,040 |
| 2020 | - |
| Thereafter | - |
| | <u>\$ (1,446,501)</u> |

Payable to the Pension Plan - At June 30, 2016 and 2015, the District reported a payable of \$160,866 and \$132, respectively, for the outstanding amount of contributions to the pension plan.

NOTE #8 - OTHER RETIREMENT BENEFITS

A. Postemployment Healthcare Plan (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, CA, 95814.

Funding Policy. The District's annual required contribution of the employer (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years on a closed basis. The current ARC rate is 4% of the annual covered payroll, based on the most recent actuarial report dated July 1, 2015. The plan members receiving benefits currently do not make contributions. For the year end June 30, 2016 the District contributed \$561,205 to the plan.

UNION SANITARY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE #8 - OTHER RETIREMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation.

ANNUAL OPEB COST

| | |
|---|------------------------------|
| Annual Required Contribution (ARC) | \$ 561,205 |
| Interest on net OPEB obligation (asset) | (97,838) |
| Adjustment to ARC | 94,740 |
| Annual OPEB cost | <u>558,107</u> |
| Contributions made | <u>561,205</u> |
| Change in net OPEB obligation (asset) | (3,098) |
| OPEB obligation (asset) - beginning of year | <u>(1,449,455)</u> |
| OPEB obligation (asset) - end of year | <u><u>\$ (1,452,553)</u></u> |

Trend Information. The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) is as follows:

| Fiscal Year Ending | Annual OPEB Cost | Actual Employer Contributions | Percentage Contributed | Net OPEB Obligation (Asset) |
|-----------------------|---------------------|----------------------------------|---------------------------|--------------------------------|
| 6/30/2016 | \$ 558,107 | \$ 561,205 | 101% | \$ (1,452,553) |
| 6/30/2015 | 537,844 | 543,540 | 101% | (1,449,455) |
| 6/30/2014 | 454,811 | 462,852 | 102% | (1,443,759) |

Funded Status. The schedule of funded status of the plan as of July 1, 2013 was as follows:

| | |
|--|---------------------|
| Actuarial accrued liability (AAL) | \$ 8,461,869 |
| Actuarial value of plan assets | <u>4,170,486</u> |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 4,291,383</u> |
| Funded ratio (actuarial value of plan assets/ AAL) | 49.3% |
| Covered payroll (active plan members) | \$ 14,189,868 |
| UAAL as a percentage of covered payroll | 30.2% |

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

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #8 - OTHER RETIREMENT BENEFITS – CONTINUED

A. Postemployment Healthcare Plan (OPEB) - Continued

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

| | |
|------------------------------------|-----------------------------|
| Valuation date | July 1, 2013 |
| Actuarial cost method | Entry age, Normal cost |
| Amortization method | Level percentage of payroll |
| Amortization period | 30 years - closed |
| Asset valuation method | Market value of assets |
| Actuarial Assumptions: | |
| Investment rate of return (funded) | 6.75% |
| Salary increase | 3.25% |
| Healthcare cost trend rate | 8.5% initial; 4.5% ultimate |
| Inflation Rate | 3.00% |

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 \$20,630 and \$27,865 to the plans for the years ended June 30, 2016, and 2015, respectively.

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.

UNION SANITARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

NOTE #9 - 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.

NOTE #10 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress for Retiree Health Benefit Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|------------------------------|--------------------------------------|------------------------|--------------|--------------------|---|
| July 1, 2013 | \$ 4,170,486 | \$ 8,461,869 | 4,291,383 | 49% | \$ 14,189,868 | 30.2% |
| July 1, 2013 | 3,735,506 | 8,010,025 | 4,274,519 | 47% | 13,743,213 | 31.1% |
| July 1, 2013 | 3,377,623 | 7,568,777 | 4,191,154 | 45% | 13,310,618 | 31.5% |

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

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 | 2016 June 30, 2015 | 2015 June 30, 2014 |
|--|-----------------------|-----------------------|
| Total Pension Liability | | |
| Service Cost | \$ 2,285,511 | \$ 2,338,837 |
| Interest on total pension liability | 8,707,550 | 8,205,194 |
| Changes in benefits terms | - | - |
| Difference between expected and actual experience | 1,118,325 | - |
| Changes in assumptions | (2,041,756) | - |
| Benefit payments, including refunds of employee contributions | (5,472,643) | (4,871,998) |
| Net change in total pension liability | 4,596,987 | 5,672,033 |
| Total Pension Liability - beginning | 116,341,189 | 110,669,156 |
| Total Pension Liability - ending (a) | \$ 120,938,176 | \$ 116,341,189 |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 2,536,676 | \$ 2,428,874 |
| Contributions - employee | 1,187,621 | 1,356,767 |
| Net investment income | 2,002,533 | 13,223,974 |
| Benefit payments | (5,472,643) | (4,871,998) |
| Plan to plan resource movement | (8,501) | - |
| Administrative expense | (100,081) | - |
| Net change in plan fiduciary net position | 145,605 | 12,137,617 |
| Plan fiduciary net position - beginning | 88,715,470 | 76,577,853 |
| Plan fiduciary net position - ending (b) | \$ 88,861,075 | \$ 88,715,470 |
| Net pension liability - ending (a) - (b) | \$ 32,077,101 | \$ 27,625,719 |
| Plan fiduciary net position as a percentage of the total pension liability | 73.48% | 76.25% |
| Covered - employee payroll | \$ 15,432,788 | \$ 14,947,998 |
| Net pension liability as a percentage of covered employee payroll | 207.85% | 184.81% |

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, 2014 valuation date. This applies for voluntary benefit changes as well as any offer of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

UNION SANITARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

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

| | 2016 | 2015 |
|---|---------------|---------------|
| Actuarially Determined Contribution | \$ 3,034,082 | \$ 2,973,280 |
| Contribution in relation to the Actuarially Determined Contribution | (3,034,082) | (2,973,280) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| Covered-employee payroll | \$ 16,210,804 | \$ 15,432,788 |
| Contributions as a percentage of covered-employee payroll | 18.72% | 19.27% |
| Notes to Schedule | | |
| Valuation date | 6/30/2014 | 6/30/2013 |

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level Percent of Payroll |
| Average Remaining Period | 26 Years as of the Valuation Date |
| Asset valuation method | 15 Year Smoothed Market |
| Inflation | 2.75% |
| Salary increases | Varies by entry age and service |
| Payroll growth | 3.00% |
| Investment rate of return | 7.65%, net of pension plan investment expenses, including inflation |
| Retirement age | The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using scale AA published by the Society of Actuaries. |

SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

**SCHEDULE OF OPERATING EXPENSES BEFORE DEPRECIATION
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015**

| | 2016 | | | | 2015 | | | |
|---|----------------------|---------------------------------------|-----------------------------|----------------------|----------------------|---------------------------------------|-----------------------------|----------------------|
| | Sewage Treatment | Sewage Collection & Engineering | General & Administrative | Total | Sewage Treatment | Sewage Collection & Engineering | General & Administrative | Total |
| Salaries and wages | \$ 5,581,380 | \$ 6,692,390 | \$ 3,187,901 | \$ 15,461,671 | \$ 5,496,340 | \$ 6,399,329 | \$ 3,344,762 | \$ 15,240,431 |
| Employee benefits | 2,143,880 | 2,695,466 | 1,720,254 | 6,559,600 | 1,889,390 | 2,290,977 | 1,541,957 | 5,722,324 |
| Recruitment and development | 92,840 | 72,350 | 216,060 | 381,250 | 75,044 | 74,380 | 229,128 | 378,552 |
| Temporary help | - | 41,134 | 8,243 | 49,377 | 8,114 | 90,313 | - | 98,427 |
| Repairs and maintenance | 1,389,802 | 750,887 | 11,653 | 2,152,342 | 1,162,998 | 644,803 | 11,670 | 1,819,471 |
| Operating supplies | 1,660,979 | 191,922 | - | 1,852,901 | 1,650,879 | 210,820 | - | 1,861,699 |
| Office and safety supplies | 150,382 | 217,787 | 264,228 | 632,397 | 141,816 | 167,258 | 298,525 | 607,599 |
| Insurance | - | - | 216,594 | 216,594 | - | - | 282,429 | 282,429 |
| Contractual services | 855,954 | 74,904 | - | 930,858 | 665,305 | 48,689 | 11,119 | 725,113 |
| Professional services | 191,753 | 80,275 | 777,880 | 1,049,908 | 173,100 | 46,049 | 666,407 | 885,556 |
| Utilities | 1,806,434 | 73,461 | 123,091 | 2,002,986 | 1,802,178 | 66,778 | 85,495 | 1,954,451 |
| East Bay Dischargers Authority - operating charges | 1,213,490 | - | - | 1,213,490 | 1,152,055 | - | - | 1,152,055 |
| Non-capital projects | 336,665 | 336,665 | 287,050 | 960,380 | 677,034 | 677,034 | 396,561 | 1,750,629 |
| Sewer Service charge administrative fee | 35,289 | 35,289 | 35,290 | 105,868 | 35,186 | 35,186 | 35,186 | 105,558 |
| Rents/Leases | 5,927 | 34,150 | - | 40,077 | 26,930 | 11,914 | 7,618 | 46,462 |
| Total | \$ 15,464,775 | \$ 11,296,680 | \$ 6,848,244 | \$ 33,609,699 | \$ 14,956,369 | \$ 10,763,530 | \$ 6,910,857 | \$ 32,630,756 |

UNION SANITARY DISTRICT

SCHEDULE OF INSURANCE COVERAGE FOR THE YEAR ENDED JUNE 30, 2016

The District's insurance policies and coverages in effect at June 30, 2016 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 |

Insured Value

| | | |
|--|----|-------------|
| Auto physical damage (primary insurance program) | \$ | 3,055,865 |
| Workers' Compensation | \$ | 1,750,000 |
| Group Health and Life | | Contract |
| Employee Disability and Salary Continuance | | Contract |
| Property insurance, all property | \$ | 235,573,907 |
| Accounts receivable | | No sublimit |

Employee Dishonesty Bond Coverages:

| | | |
|---------------------------------|----|-----------|
| Public Employee Dishonesty Bond | \$ | 1,000,000 |
| Forgery and alteration | \$ | 1,000,000 |
| Computer Fraud | \$ | 1,000,000 |



Statistical Section

UNION SANITARY DISTRICT

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

| Changes in Net Position | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Operating Revenues | | | | | | | | | | |
| Sewer Service Charges | \$30,951,916 | \$32,851,938 | \$35,103,885 | \$37,217,073 | \$38,486,824 | \$40,630,578 | \$42,339,311 | \$45,139,420 | \$48,379,254 | \$50,112,564 |
| Other Operating Revenues | 1,099,925 | 922,013 | 809,171 | 968,475 | 987,948 | 1,027,357 | 1,163,802 | 1,370,017 | 1,581,031 | 1,791,782 |
| Total Operating Revenues | 32,051,841 | 33,773,951 | 35,913,056 | 38,185,548 | 39,474,772 | 41,657,935 | 43,503,113 | 46,509,437 | 49,960,285 | 51,904,346 |
| Operating Expenses | | | | | | | | | | |
| Treatment | 11,250,875 | 11,881,805 | 12,938,404 | 13,995,781 | 14,342,352 | 14,255,266 | 16,088,929 | 15,410,523 | 14,956,369 | 15,464,775 |
| Collection and Engineering | 8,160,123 | 7,998,961 | 8,658,679 | 9,338,919 | 10,532,692 | 9,712,645 | 11,954,345 | 10,869,755 | 10,763,530 | 11,296,680 |
| General and Administration | 4,442,638 | 4,757,630 | 5,200,792 | 5,322,085 | 5,574,251 | 5,951,818 | 6,111,468 | 6,634,688 | 6,910,857 | 6,848,244 |
| Total Operating Expenses Before Depr. | 23,853,636 | 24,638,396 | 26,797,875 | 28,656,785 | 30,449,295 | 29,919,729 | 34,154,742 | 32,914,966 | 32,630,756 | 33,609,699 |
| Depreciation | 17,127,661 | 15,829,000 | 16,380,510 | 16,243,535 | 16,323,858 | 16,790,277 | 16,776,307 | 17,219,109 | 17,899,765 | 17,379,112 |
| Total Operating Expenses | 40,981,297 | 40,467,396 | 43,178,385 | 44,900,320 | 46,773,153 | 46,710,006 | 50,931,049 | 50,134,075 | 50,530,521 | 50,988,811 |
| Operating Loss | (8,929,456) | (6,693,445) | (7,265,329) | (6,714,772) | (7,298,381) | (5,052,071) | (7,427,936) | (3,624,638) | (570,236) | 915,535 |
| Non-operating Revenues (Expenses) | | | | | | | | | | |
| Investment Income | 1,902,866 | 1,746,157 | 1,136,138 | 349,012 | 274,328 | 248,337 | 178,690 | 180,041 | 160,790 | 496,439 |
| Interest Expense | (839,808) | (775,179) | (647,171) | (867,781) | (1,114,313) | (858,162) | (1,138,677) | (1,106,609) | (971,695) | (916,968) |
| Loss on Retirement of Utility in Capital Assets | (97,969) | (384,325) | (134,787) | (95,110) | (751,601) | (127,430) | (1,479,254) | (796,735) | (1,165,160) | (30,472) |
| Gain (loss) on Equity Investment in EBDA | (142,783) | (46,886) | (12,946) | (76,498) | (95,011) | (100,827) | (89,170) | (92,180) | (86,652) | (160,540) |
| Other Non-operating Expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Non-operating Revenues | 822,306 | 539,767 | 341,234 | (690,377) | (1,686,597) | (838,082) | (2,528,411) | (1,815,483) | (2,062,717) | (611,541) |
| Loss Before Contributions | (8,107,150) | (6,153,678) | (6,924,095) | (7,405,149) | (8,984,978) | (5,890,153) | (9,956,347) | (5,440,121) | (2,632,953) | 303,994 |
| Connection Fees and Other Contrib. Capital | 3,503,054 | 6,231,701 | 2,648,784 | 3,196,347 | 7,850,769 | 4,386,772 | 7,072,821 | 4,201,932 | 9,595,219 | 9,096,373 |
| Change in Net Position | (4,604,096) | 78,023 | (4,275,311) | (4,208,802) | (1,134,209) | (1,503,381) | (2,883,526) | (1,238,189) | 6,962,266 | 9,400,367 |
| Net Position, Beginning of Year | 367,626,389 | 363,022,293 | 364,988,951 | 360,713,640 | 356,504,838 | 355,370,629 | 353,867,248 | 350,983,722 | 349,745,533 | 325,045,364 |
| Prior period adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (31,662,435) * | 0 |
| Net Position, End of Year | \$363,022,293 | \$363,100,316 | \$360,713,640 | \$356,504,838 | \$355,370,629 | \$353,867,248 | \$350,983,722 | \$349,745,533 | \$325,045,364 | \$334,445,731 |
| Statement of Net Position by Component | | | | | | | | | | |
| Net investment in capital assets | \$321,621,932 | \$312,722,057 | \$308,753,429 | \$302,407,235 | \$300,489,831 | \$296,939,157 | \$294,393,392 | \$299,269,526 | \$297,462,404 | \$295,355,262 |
| Restricted | 6,700,960 | 10,166,261 | 14,290,870 | 14,840,623 | 16,877,836 | 19,346,378 | 20,297,820 | 17,622,778 | 19,808,500 | 25,075,327 |
| Unrestricted | 2,215,053 | 2,927,822 | 37,669,341 | 39,256,980 | 38,002,962 | 37,581,713 | 36,292,510 | 32,853,229 | 7,774,460 | 14,015,142 |
| Restricted-Retiree medical benefit plan | 938,263 | 1,457,853 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unrestricted | 31,546,085 | 35,826,323 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total USD net position | \$363,022,293 | \$363,100,316 | \$360,713,640 | \$356,504,838 | \$355,370,629 | \$353,867,248 | \$350,983,722 | \$349,745,533 | \$325,045,364 | \$334,445,731 |

* GASB 68 Adjustment

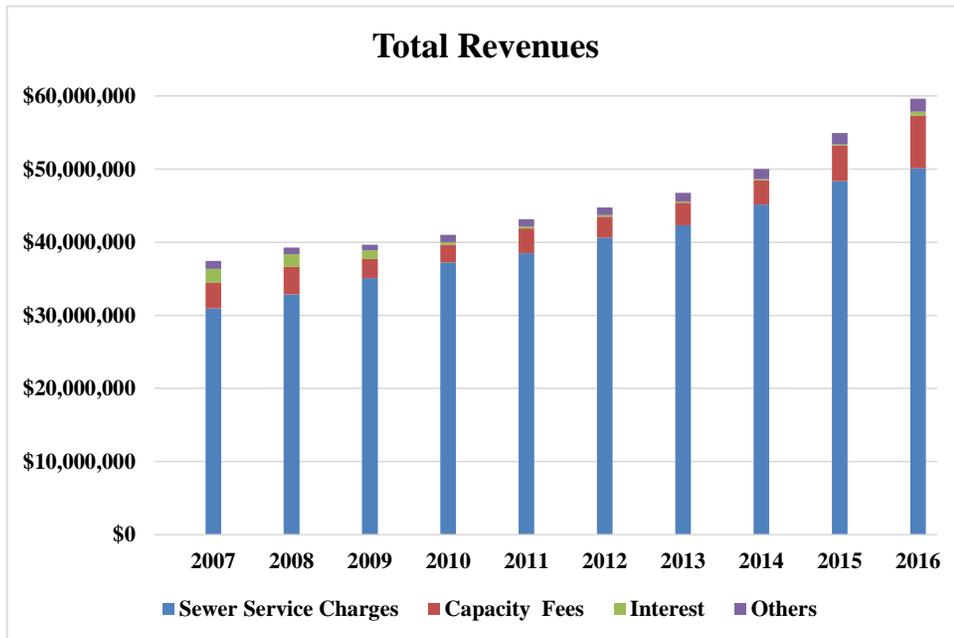
** Capital asset threshold increased from \$5,000 to \$10,000

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> |
|--------------------|------------------------------|----------------------|-----------------|----------------|-----------------------|
| 2016 | \$ 50,112,566 | \$ 7,233,337 | \$ 496,439 | \$ 1,791,783 | \$ 59,634,125 |
| 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 |
| 2010 | \$ 37,217,073 | \$ 2,467,083 | \$ 349,012 | \$ 968,475 | \$ 41,001,643 |
| 2009 | \$ 35,103,885 | \$ 2,621,801 | \$ 1,136,138 | \$ 809,171 | \$ 39,670,995 |
| 2008 | \$ 32,851,938 | \$ 3,746,046 | \$ 1,746,157 | \$ 922,013 | \$ 39,266,154 |
| 2007 | \$ 30,951,916 | \$ 3,503,054 | \$ 1,902,866 | \$ 1,099,925 | \$ 37,457,761 |

*Others includes inspection fees, permits, external work orders, discounts, and misc.

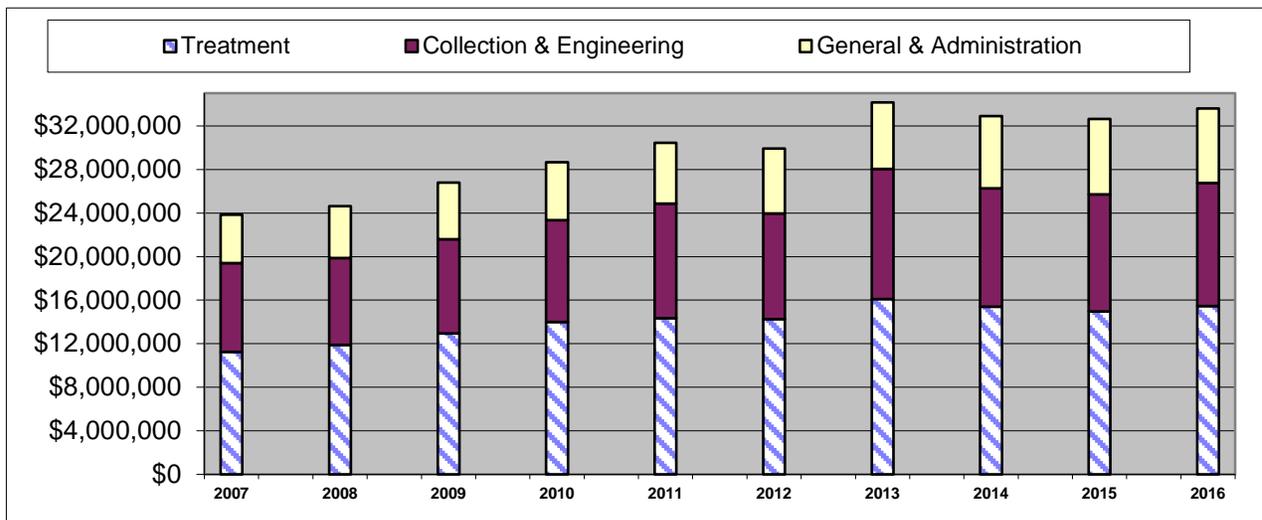


The District's main source of revenue is sewer service charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

UNION SANITARY DISTRICT

Operating Expenses By Function

| <u>Fiscal Year</u> | <u>Sewage Treatment</u> | <u>Sewage Collection & Engineering</u> | <u>General & Administration</u> | <u>Total Operating Expenses</u> |
|--------------------|-------------------------|--|-------------------------------------|---------------------------------|
| 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 |
| 2010 | 13,995,781 | 9,338,919 | 5,322,085 | 28,656,785 |
| 2009 | 12,938,404 | 8,658,679 | 5,200,792 | 26,797,875 |
| 2008 | 11,881,805 | 7,998,961 | 4,757,630 | 24,638,396 |
| 2007 | 11,250,875 | 8,160,123 | 4,442,638 | 23,853,636 |



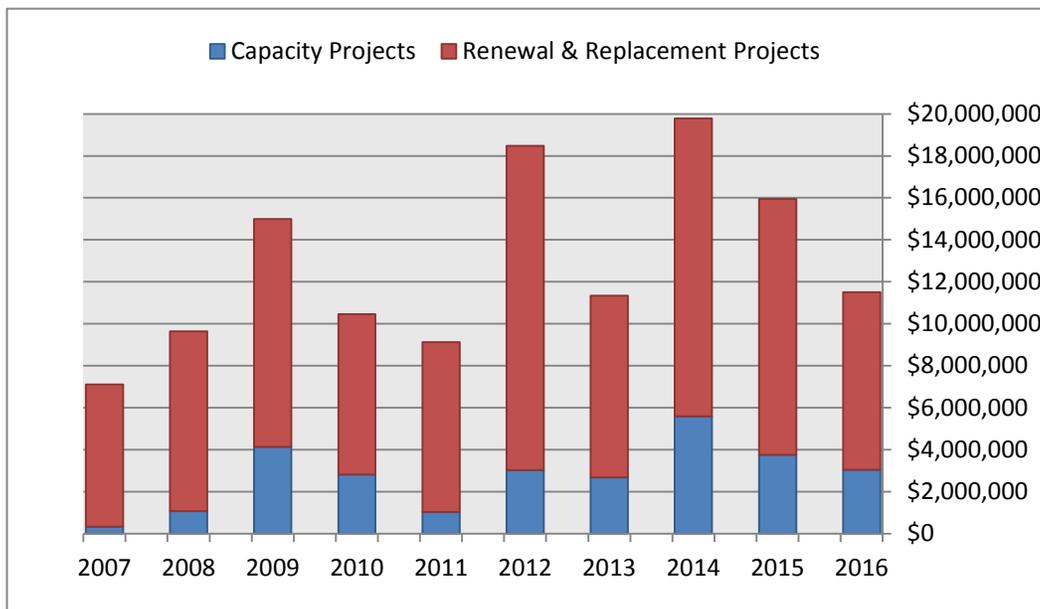
Operating expenses are the day-to-day expenses to run the District, including labor, benefits, chemicals, utilities, parts and materials, and other supplies. Depreciation, a non-cash operating expense, is not included here. Capital expenditures are not included in operating expenses.

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 & Replacement Projects</u> | <u>Total Capital Expenditures</u> |
|--------------------|--------------------------|---|-----------------------------------|
| 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 |
| 2010 | 2,809,723 | 7,641,018 | 10,450,741 |
| 2009 | 4,134,515 | 10,861,404 | 14,995,919 |
| 2008 | 1,070,104 | 8,571,513 | 9,641,617 |
| 2007 | 333,087 | 6,765,850 | 7,098,937 |



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.

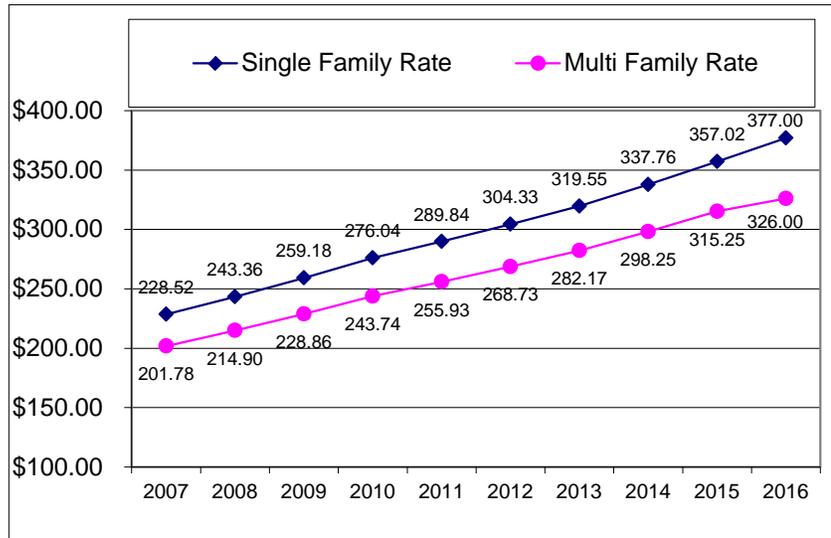
*Does not include Self Generation Incentive Program (SGIP) credit of \$1,690,000 for the Co-generation project.

UNION SANITARY DISTRICT

**Current and Historical Fees
As of June 30, 2016
Last Ten Years**

Sewer Service Charge Rates

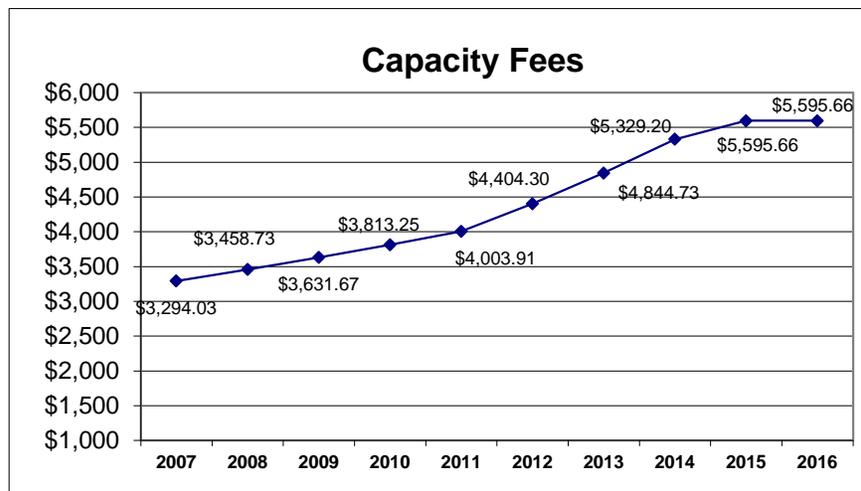
| | Single Family Rate | Multi - Family Rate | Single Family Rate Percentage Change |
|------|--------------------|---------------------|--------------------------------------|
| 2016 | \$377.00 | \$326.00 | 5.6% |
| 2015 | 357.02 | 315.25 | 5.7% |
| 2014 | 337.76 | 298.25 | 5.7% |
| 2013 | 319.55 | 282.17 | 5.0% |
| 2012 | 304.33 | 268.73 | 5.0% |
| 2011 | 289.84 | 255.93 | 5.0% |
| 2010 | 276.04 | 243.74 | 6.5% |
| 2009 | 259.18 | 228.86 | 6.5% |
| 2008 | 243.36 | 214.90 | 6.5% |
| 2007 | 228.52 | 201.78 | |



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged \$326 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

| | | % Change |
|------|------------|----------|
| 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% |
| 2010 | 3,813.25 | 5.0% |
| 2009 | 3,631.67 | 5.0% |
| 2008 | 3,458.73 | 5.0% |
| 2007 | 3,294.03 | 10.3% |



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.

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UNION SANITARY DISTRICT
Ten Principal Industrial Rate Payers by Levy
June 30, 2016

| Rate Payer | 2015-16 | | | Rate Payer | 2014-15 | | | Rate Payer | 2013-14 | | |
|--|----------------------|------|----------------------------|--|----------------------|------|----------------------------|--|----------------------|------|----------------------------|
| | Total Annual Billing | Rank | % of Total Annual Billings | | Total Annual Billing | Rank | % of Total Annual Billings | | Total Annual Billing | Rank | % of Total Annual Billings |
| Tesla | \$469,466 | 1 | 0.94% | Tesla | \$324,934 | 1 | 0.67% | Western Digital | \$260,023 | 1 | 0.58% |
| Western Digital | 218,616 | 2 | 0.44% | Western Digital | 235,844 | 2 | 0.49% | Washington Hospital | 148,743 | 2 | 0.33% |
| Seagate Technology #3 | 152,100 | 3 | 0.30% | Washington Hospital | 153,645 | 3 | 0.32% | Seagate Technology | 140,016 | 3 | 0.31% |
| Washington Hospital | 147,910 | 4 | 0.30% | Seagate Technology | 116,332 | 4 | 0.24% | Tesla | 137,788 | 4 | 0.31% |
| U S Pipe | 123,218 | 5 | 0.25% | Lido Faire Shopping Center | 114,536 | 5 | 0.24% | Ranch 99 Warms Springs Sh | 112,329 | 5 | 0.25% |
| Marriott Hotel | 119,716 | 6 | 0.24% | Pacific Commons (Kohls/Old Nav | 113,472 | 6 | 0.23% | Gateway Plaza | 101,416 | 6 | 0.22% |
| Kaiser Hospital | 118,369 | 7 | 0.24% | Pacific Commons (Area 4-Asian f | 108,292 | 7 | 0.22% | Kaiser Hospital | 99,174 | 7 | 0.22% |
| Ranch 99/Warm Springs Shopping | 115,458 | 8 | 0.23% | Ranch 99/Warm Springs Shoppir | 108,163 | 8 | 0.22% | Pacific Commons (Area 4) | 99,159 | 8 | 0.22% |
| Pacific Commons (Area 4-Asian P | 112,498 | 9 | 0.22% | Full Bloom | 105,805 | 9 | 0.22% | The Benton in Fremont | 96,037 | 9 | 0.21% |
| Pacific Commons (Kohls/Old Navy | 108,358 | 10 | 0.22% | Kaiser Hospital | 102,771 | 10 | 0.21% | Pacific Commons (Kohls/Old | 90,880 | 10 | 0.20% |
| Total annual billing largest ten: | \$1,685,708 | | 3.36% | Total annual billing largest ten: | \$1,483,794 | | 3.07% | Total annual billing largest ten: | \$1,285,565 | | 2.85% |
| Total ALL annual billings | \$50,112,564 | | | Total ALL annual billings | \$48,379,254 | | | Total ALL annual billings | \$45,139,420 | | |

| Rate Payer | 2012-13 | | | Rate Payer | 2011-12 | | | Rate Payer | 2010-11 | | |
|--|----------------------|------|----------------------------|--|----------------------|------|----------------------------|--|----------------------|------|----------------------------|
| | 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 | \$216,919 | 1 | 0.51% | Western Digital | \$269,619 | 1 | 0.66% | NUMMI | \$391,105 | 1 | 1.02% |
| Seagate Technology | 114,131 | 2 | 0.27% | Solyndra | 210,366 | 2 | 0.52% | Western Digital | 215,190 | 2 | 0.56% |
| Washington Hospital | 105,407 | 3 | 0.25% | NUMMI/Tesla | 148,978 | 3 | 0.37% | Washington Hospital | 136,804 | 3 | 0.36% |
| Pacific Commons (Kohls/Old Navy | 95,188 | 4 | 0.22% | Evergreen Oil | 133,925 | 4 | 0.33% | Evergreen Oil | 124,684 | 4 | 0.32% |
| Ranch 99 Warms Springs Shoppir | 90,954 | 5 | 0.21% | Washington Hospital | 112,361 | 5 | 0.28% | Solyndra | 120,712 | 5 | 0.31% |
| The Benton in Fremont | 90,859 | 6 | 0.21% | Caravan Trading Co. & Bakery | 103,048 | 6 | 0.25% | Full Bloom | 109,681 | 6 | 0.28% |
| U S Pipe | 90,780 | 7 | 0.21% | The Benton in Fremont | 86,531 | 7 | 0.21% | The Benton in Fremont | 82,409 | 7 | 0.21% |
| Solyndra | 89,164 | 8 | 0.21% | Kaiser Hospital | 84,813 | 8 | 0.21% | Seagate Technology | 82,333 | 8 | 0.21% |
| Lam Research | 88,904 | 9 | 0.21% | Gateway Plaza | 81,681 | 9 | 0.20% | Kaiser Hospital | 78,993 | 9 | 0.21% |
| Kaiser Hospital | 83,879 | 10 | 0.20% | U S Pipe | 76,091 | 10 | 0.19% | Amgen | 75,741 | 10 | 0.20% |
| Total annual billing largest ten: | \$1,066,186 | | 2.52% | Total annual billing largest ten: | \$1,307,413 | | 3.22% | Total annual billing largest ten: | \$1,417,652 | | 3.68% |
| Total ALL annual billings | \$42,339,311 | | | Total ALL annual billings | \$40,630,578 | | | Total ALL annual billings | \$38,486,824 | | |

UNION SANITARY DISTRICT
Ten Principal Industrial Rate Payers by Levy (continued)
June 30, 2016

| Rate Payer | 2009-10 | | | Rate Payer | 2008-09 | | | Rate Payer | 2007-08 | | |
|-----------------------------------|----------------------|------|----------------------------|-----------------------------------|----------------------|------|----------------------------|-----------------------------------|----------------------|------|----------------------------|
| | Total Annual Billing | Rank | % of Total Annual Billings | | Total Annual Billing | Rank | % of Total Annual Billings | | Total Annual Billing | Rank | % of Total Annual Billings |
| NUMMI | \$549,041 | 1 | 1.48% | NUMMI | \$525,177 | 1 | 1.50% | NUMMI | \$496,063 | 1 | 1.51% |
| Western Digital | 227,410 | 2 | 0.61% | Western Digital | 273,113 | 2 | 0.78% | Western Digital | 274,533 | 2 | 0.84% |
| Evergreen Oil | 136,078 | 3 | 0.37% | Washington Hospital | 146,515 | 3 | 0.42% | Washington Hospital | 139,089 | 3 | 0.42% |
| Washington Hospital | 128,056 | 4 | 0.34% | Evergreen Oil | 136,727 | 4 | 0.39% | Evergreen Oil | 114,815 | 4 | 0.35% |
| Full Bloom | 122,577 | 5 | 0.33% | Hilton Hotel | 77,798 | 5 | 0.22% | U S Pipe | 82,993 | 5 | 0.25% |
| The Benton in Fremont | 78,484 | 6 | 0.21% | Full Bloom | 75,086 | 6 | 0.21% | DS Waters/McKesson | 79,118 | 6 | 0.24% |
| The Tropics Trailer Park | 77,194 | 7 | 0.21% | The Benton in Fremont | 73,693 | 7 | 0.21% | Union Square | 74,001 | 7 | 0.23% |
| Solyndra | 73,694 | 8 | 0.20% | Union Square | 73,546 | 8 | 0.21% | The Benton in Fremont | 69,198 | 8 | 0.21% |
| Lam Research | 73,316 | 9 | 0.20% | The Tropics Trailer Park | 72,481 | 9 | 0.21% | The Tropics Trailer Park | 68,061 | 9 | 0.21% |
| Union Square | 71,960 | 10 | 0.19% | Kaiser Hospital | 67,334 | 10 | 0.19% | MMC Technology/Maxtor | 66,597 | 10 | 0.20% |
| Total annual billing largest ten: | <u>\$1,537,810</u> | | <u>4.13%</u> | Total annual billing largest ten: | <u>\$1,521,470</u> | | <u>4.33%</u> | Total annual billing largest ten: | <u>\$1,464,468</u> | | <u>4.46%</u> |
| Total ALL annual billings | <u>\$37,217,073</u> | | | Total ALL annual billings | <u>\$35,103,885</u> | | | Total ALL annual billings | <u>\$32,851,938</u> | | |

| Rate Payer | 2006-07 | | |
|-----------------------------------|----------------------|------|----------------------------|
| | Total Annual Billing | Rank | % of Total Annual Billings |
| NUMMI | \$544,105 | 1 | 1.76% |
| Western Digital | 233,804 | 2 | 0.76% |
| MMC Technology/Maxtor | 172,425 | 3 | 0.56% |
| Nancy's Food | 132,210 | 4 | 0.43% |
| Evergreen Oil | 124,993 | 5 | 0.40% |
| Washington Hospital | 111,139 | 6 | 0.36% |
| U S Pipe | 101,516 | 7 | 0.33% |
| DS Waters/McKesson | 87,468 | 8 | 0.28% |
| Union Square | 69,036 | 9 | 0.22% |
| The Benton in Fremont | 64,973 | 10 | 0.21% |
| Total annual billing largest ten: | <u>\$1,641,669</u> | | <u>5.30%</u> |
| Total ALL annual billings | <u>\$30,951,916</u> | | |

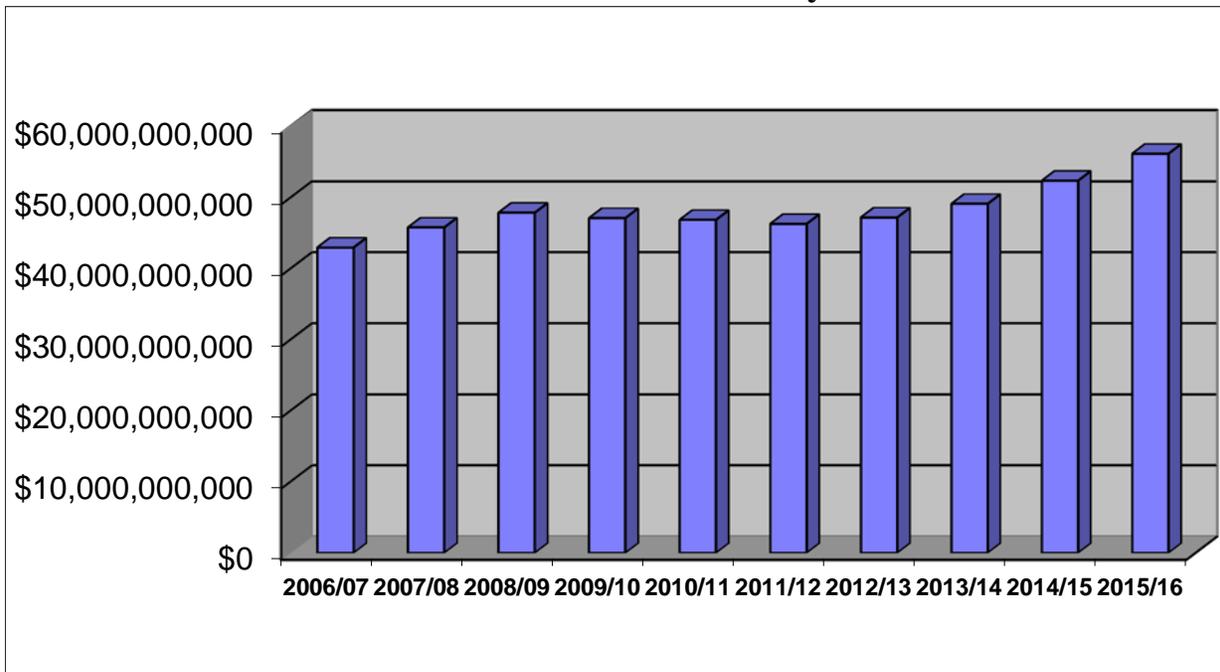
UNION SANITARY DISTRICT

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

Valuation of taxable property within Union Sanitary District

| Fiscal Year | Assessed Valuation | % Change |
|-------------|--------------------|----------|
| 2015/16 | \$56,180,082,061 | 7.25% |
| 2014/15 | \$52,380,183,178 | 6.64% |
| 2013/14 | \$49,120,298,326 | 4.06% |
| 2012/13 | \$47,205,182,529 | 1.95% |
| 2011/12 | \$46,301,581,317 | -1.22% |
| 2010/11 | \$46,871,083,762 | -0.54% |
| 2009/10 | \$47,125,012,456 | -1.57% |
| 2008/09 | \$47,878,943,360 | 4.55% |
| 2007/08 | \$45,796,626,625 | 6.56% |
| 2006/07 | \$42,977,256,903 | |

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 | | # of Parcels | Total Debt/ Parcel |
|----------------|-------------------|----------------------|--------------------|-----------------|-----------------------|
| | | Loans Payable (2) | Principal Total | | |
| 2016 | \$0 | \$43,070,909 | \$43,070,909 | 95,254 | \$452 |
| 2015 | 0 | 41,861,476 | 41,861,476 | 94,768 | 442 |
| 2014 | 0 | 39,488,115 | 39,488,115 | 94,877 | 416 |
| 2013 | 0 | 40,648,328 | 40,648,328 | 94,640 | 430 |
| 2012 | 0 | 39,630,289 | 39,630,289 | 94,351 | 420 |
| 2011 | 471,698 | 31,985,449 | 32,457,147 | 94,231 | 344 |
| 2010 | 916,696 | 33,594,457 | 34,511,153 | 93,962 | 367 |
| 2009 | 1,336,506 | 29,499,150 | 30,835,656 | 93,666 | 329 |
| 2008 | 1,732,553 | 25,367,381 | 27,099,934 | 92,427 | 293 |
| 2007 | 2,106,182 | 24,908,737 | 27,014,919 | 91,896 | 294 |

UNION SANITARY DISTRICT

Pledged-Revenue Coverage Last Ten Fiscal Years

| Fiscal Year | Gross Revenues ⁽¹⁾ | Operating Expenses ⁽²⁾ | Net Revenue Available for Debt Service | Debt Service Requirements | Debt Coverage % ⁽³⁾ |
|----------------|----------------------------------|--------------------------------------|--|------------------------------|--------------------------------------|
| 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% |
| 2010 | 41,001,643 | 28,656,785 | 12,344,858 | 3,476,933 | 355% |
| 2009 | 39,670,995 | 26,797,875 | 12,873,120 | 3,368,548 | 382% |
| 2008 | 39,266,154 | 24,638,396 | 14,627,758 | 3,368,548 | 434% |
| 2007 | 37,457,761 | 23,853,636 | 13,604,125 | 3,368,548 | 404% |

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

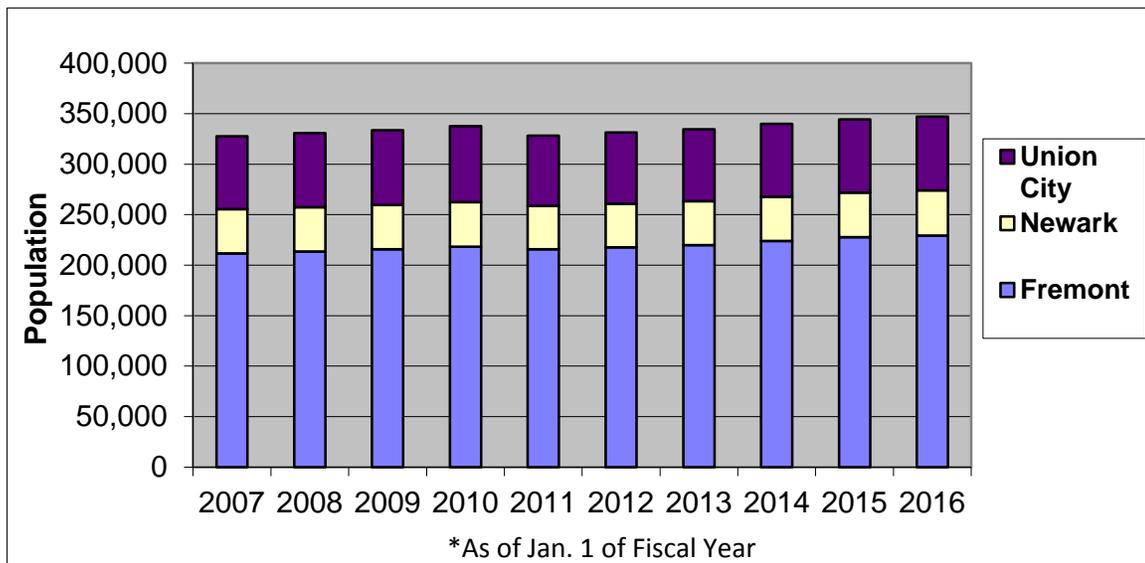
(2) Excludes depreciation; operating expenses do not include capital project expenditures.

(3) According to the District's Debt Management Policy, the targeted minimum debt service coverage ratio is 130%, which is higher than the standard 120% typically used to secure revenue bonds.

UNION SANITARY DISTRICT

Demographics Population Served*

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Fremont | 211,662 | 213,512 | 215,636 | 218,128 | 215,711 | 217,700 | 219,926 | 223,972 | 227,582 | 229,324 |
| Newark | 43,693 | 43,872 | 44,035 | 44,380 | 42,764 | 43,041 | 43,342 | 43,856 | 44,284 | 44,733 |
| Union City | 72,297 | 73,402 | 73,977 | 75,054 | 69,850 | 70,646 | 71,329 | 72,155 | 72,412 | 72,952 |
| Total | 327,652 | 330,786 | 333,648 | 337,562 | 328,325 | 331,387 | 334,597 | 339,983 | 344,278 | 347,009 |
| Total % Change | 0.88% | 0.96% | 0.87% | 1.17% | -2.74% | 0.93% | 0.97% | 1.61% | 1.26% | 0.79% |



UNION SANITARY DISTRICT
Demographics of Population Served
(Calendar Year)

| | Per Capita Income | Median Household Income Data | Unemployment Rate |
|--------------|--------------------------|-------------------------------------|--------------------------|
| 2016 Fremont | N/A | N/A | 3.8% |
| Newark | N/A | N/A | 4.1% |
| Union City | N/A | N/A | 4.4% |
| 2015 Fremont | \$40,562 | N/A | 3.7% |
| Newark | \$30,572 | N/A | 5.0% |
| Union City | \$59,111 | N/A | 5.3% |
| 2014 Fremont | \$40,562 | \$103,591 | 4.6% |
| Newark | \$30,572 | \$86,521 | 5.0% |
| Union City | \$57,758 | \$82,564 | 5.7% |
| 2013 Fremont | \$43,504 | N/A | 5.3% |
| Newark | \$29,390 | N/A | 5.3% |
| Union City | \$56,365 | N/A | 7.4% |
| 2012 Fremont | \$38,095 | N/A | 6.4% |
| Newark | \$28,683 | N/A | 6.5% |
| Union City | \$55,224 | N/A | 9.0% |
| 2011 Fremont | \$37,261 | N/A | 7.5% |
| Newark | \$28,466 | N/A | 9.7% |
| Union City | \$51,239 | N/A | 10.3% |
| 2010 Fremont | N/A | N/A | 8.2% |
| Newark | N/A | N/A | 10.5% |
| Union City | N/A | N/A | 11.3% |

| County | Income Category | Number of Persons in Household | | | | | | | |
|---|----------------------|--------------------------------|-------|--------|--------------|--------|--------|--------|--------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Alameda County 4-Person Area Median Income: \$93,500 | Extremely Low | 19650 | 22450 | 25250 | 28050 | 30300 | 32570 | 36730 | 40890 |
| | Very Low Income | 32750 | 37400 | 42100 | 46750 | 50500 | 54250 | 58000 | 61750 |
| | Low Income | 50150 | 57300 | 64450 | 71600 | 77350 | 83100 | 88800 | 94550 |
| | Median Income | 65450 | 74800 | 84150 | 93500 | 101000 | 108450 | 115950 | 123400 |
| | Moderate Income | 78550 | 89750 | 101000 | 112200 | 121200 | 130150 | 139150 | 148100 |

Sources: CAFR Reports - Fremont, Newark, Union City; Employment Development Department
Data USA
State of California Department of Housing and Community Development

UNION SANITARY DISTRICT

Demographics Major Employers in District Service Area

Percent of Total Employees as of fiscal year ended June 30,*

| Employer Name | Type of Business | 2016 | 2015 | 2014 | % of Total City Employment | | | | | | |
|-----------------------------------|-----------------------------|------|-------|-------|-------------------------------|-------|-------|-------|-------|-------|-------|
| | | | | | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Fremont | | | | | | | | | | | |
| Tesla | Auto Manufacturer | N/A | 2.68% | 2.75% | 2.81% | 1.45% | N/A | N/A | N/A | N/A | N/A |
| Lam Research | Technology | N/A | 2.68% | 2.75% | 1.41% | 1.45% | 1.00% | 0.96% | 0.84% | 1.14% | 1.18% |
| Washington Hospital | Healthcare | N/A | 2.68% | 2.75% | 1.70% | 1.76% | 1.98% | 1.81% | 2.18% | 2.16% | 2.25% |
| Western Digital | Hard Drives and Electronics | N/A | 2.68% | 2.75% | 1.22% | 1.26% | 1.20% | 1.81% | 0.91% | 1.05% | 1.03% |
| Fremont Unified School District | Education | N/A | 2.38% | 2.75% | 2.81% | 2.90% | 3.27% | 3.02% | 1.52% | 1.51% | 1.57% |
| Newark | | | | | | | | | | | |
| Newark Unified School District | Education | N/A | 3.10% | 3.20% | 3.30% | 3.40% | 3.40% | 3.40% | 3.40% | N/A | N/A |
| Logitech | Computer Accessories | N/A | 3.00% | 3.10% | 3.20% | 3.00% | N/A | N/A | N/A | N/A | N/A |
| WorldPac | Auto Part Distribution | N/A | 1.70% | 1.30% | 1.30% | 1.40% | 1.40% | 1.40% | 1.40% | N/A | N/A |
| Full Bloom Baking Company | Baking Products | N/A | 1.20% | 1.30% | 1.30% | 1.40% | 1.40% | 1.40% | 1.40% | N/A | N/A |
| Risk Management Solutions | Catastrophe Risk Management | N/A | 1.20% | 1.20% | 1.30% | 1.30% | 1.30% | 1.30% | 1.30% | N/A | N/A |
| Union City | | | | | | | | | | | |
| Southern Wine & Spirits | Beverages | N/A | 3.44% | 3.44% | 3.54% | 3.71% | 1.13% | 1.16% | 2.32% | 2.22% | 3.55% |
| New Haven Unified School District | Education | N/A | 3.01% | 3.01% | 3.07% | 3.22% | 3.69% | 3.76% | 3.70% | 3.84% | 4.18% |
| Wal Mart | Retailer | N/A | 2.34% | 2.34% | 2.40% | 2.52% | 1.62% | 1.65% | 1.86% | 1.77% | 2.41% |
| Axygen Scientific, Inc. | Biotech | N/A | 1.11% | 1.11% | 1.14% | 1.19% | 3.88% | 3.96% | N/A | N/A | 1.08% |
| Abaxis, Inc. | Biotech | N/A | 1.11% | 1.11% | 1.14% | 1.19% | N/A | N/A | N/A | N/A | N/A |

More statistics will be added as the data becomes available.

* Some employers report as of December 31.

UNION SANITARY DISTRICT

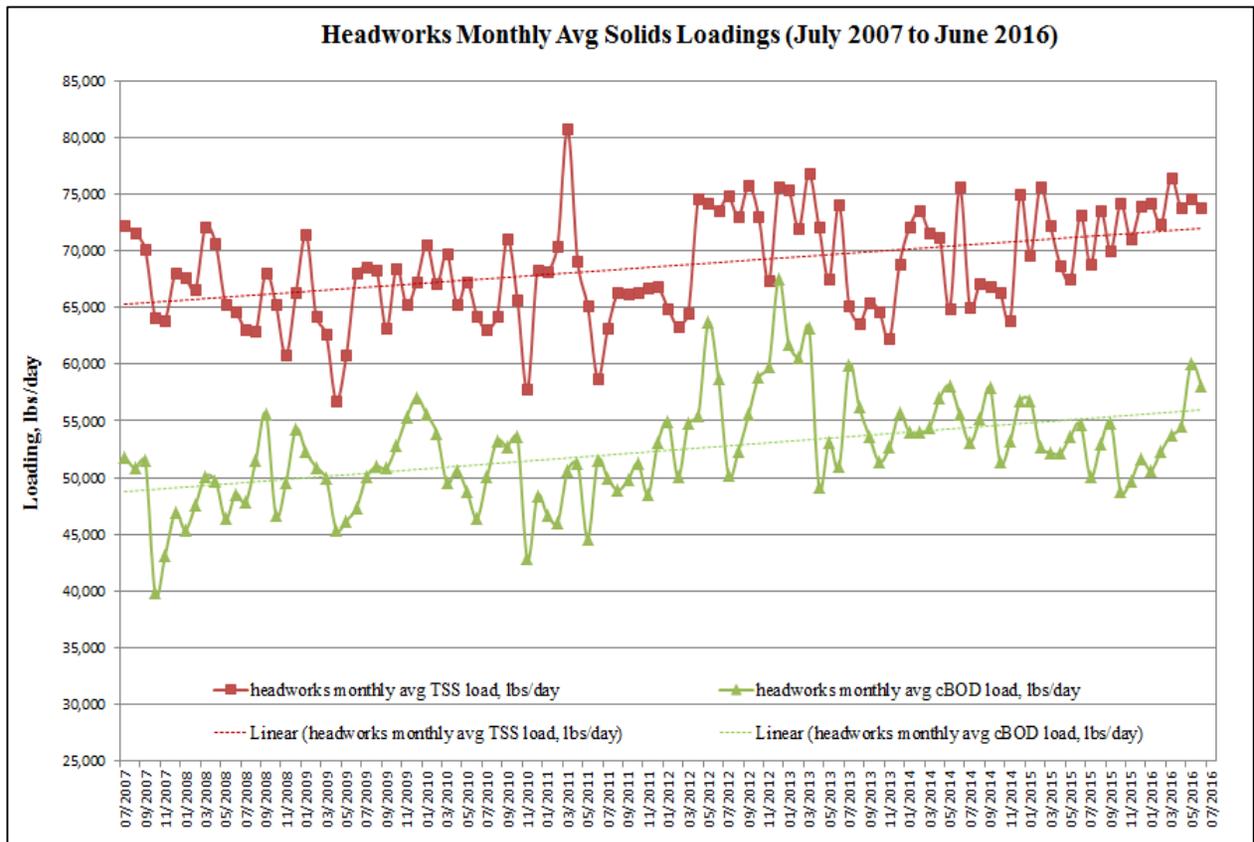
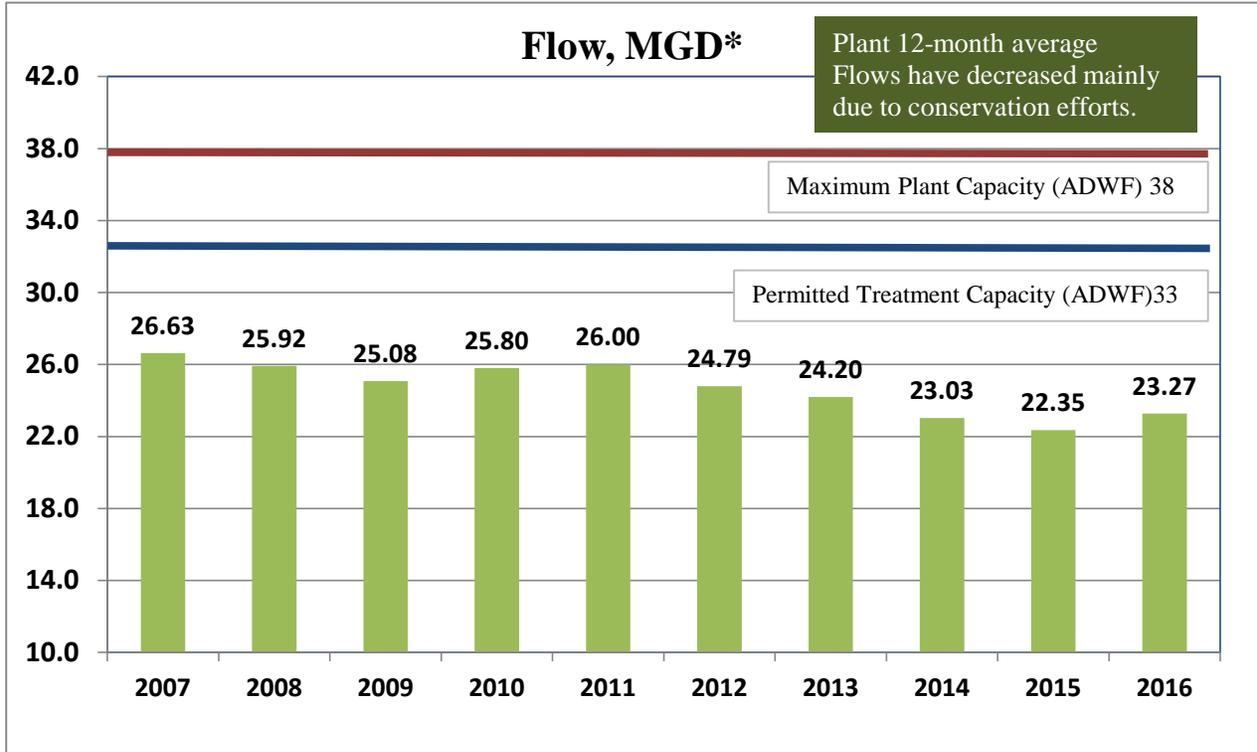
Full-time Equivalent District Employees by Function/Program
Last 10 Fiscal Years

| Function/Program | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|
| System operations and maintenance (CS Support, FMC, T&D, Warehouse) | 53.45 | 53.45 | 50.45 | 51.45 | 13.45 | 11.45 | 8.45 | 6.00 | 0.00 | 49.23 |
| Engineering and construction (CIP) | 10.00 | 8.00 | 8.00 | 7.00 | 8.00 | 8.00 | 6.00 | 6.00 | 6.00 | 7.00 |
| Collections System Maintenance (CS) | 25.00 | 23.00 | 23.00 | 24.00 | 22.00 | 22.00 | 22.00 | 22.00 | 21.00 | 23.00 |
| Office of the General Manager (GM) | 2.00 | 3.00 | 1.00 | 2.00 | 3.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Finance (FIST) | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 4.00 |
| Information systems (IT) | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 4.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Administration department (OA, Adm Specialist, MMT, non-HR OST) | 14.00 | 13.00 | 14.00 | 15.00 | 14.00 | 16.00 | 15.00 | 15.50 | 15.50 | 16.00 |
| Customer and community services (Rest of TS) | 20.00 | 18.00 | 19.00 | 19.00 | 19.00 | 19.00 | 19.00 | 21.00 | 21.00 | 18.00 |
| Human resources (HR) | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Total # of Employees | 136.45 | 131.45 | 128.45 | 131.45 | 92.45 | 90.45 | 85.45 | 85.50 | 78.50 | 127.23 |
| Average years of service of employees as of 6/30/16: | 10.54 | 11.25 | 11.97 | 11.70 | 17.28 | 17.01 | 17.23 | 16.35 | 16.63 | 9.80 |

CIP = Capital Improvements Projects Team
 FMC = Fabrication, Maintenance and Construction
 MMT = Materials Management Team
 OST = Organizational Support Team
 T&D = Treatment & Disposal Work Group
 TS = Technical Services Work Group

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

Plant Flow Data



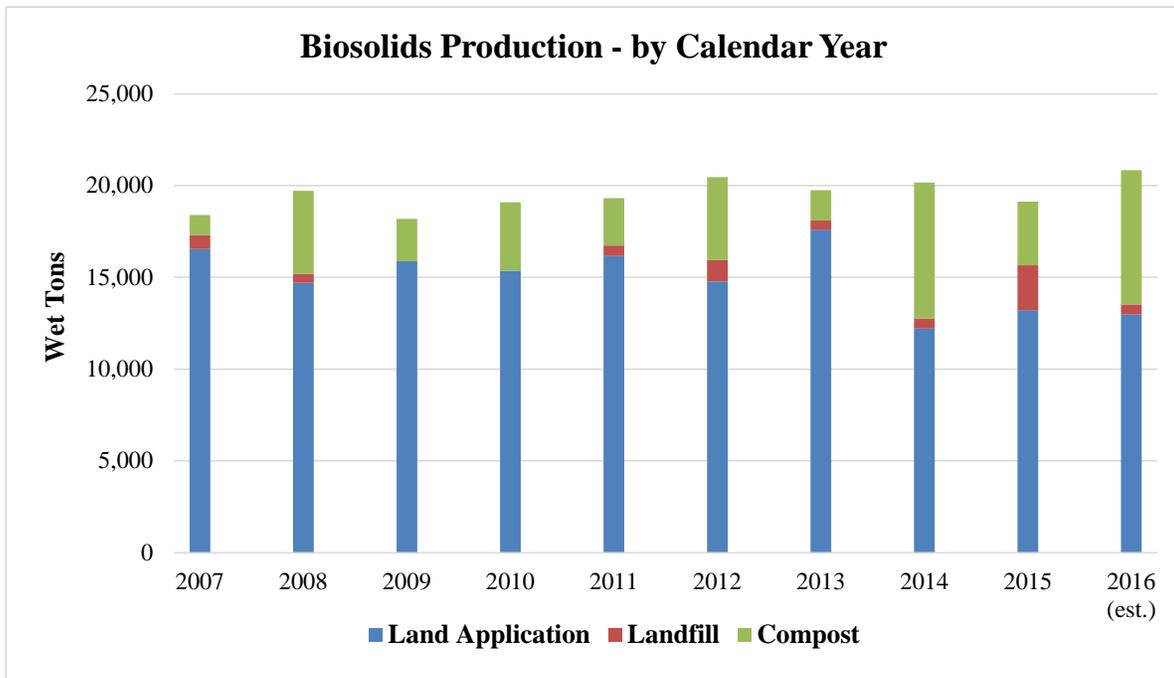
UNION SANITARY DISTRICT

Operating Indicators - Biosolids Last Ten Calendar Years

Function/Program

Biosolids

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> (est.) |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------|
| Land Application | 16,549 | 14,697 | 15,891 | 15,348 | 16,160 | 14,770 | 17,597 | 12,212 | 13,212 | 12,969 |
| Landfill | 748 | 491 | 0 | 0 | 571 | 1,187 | 501 | 545 | 2,450 | 563 |
| Compost | 1,096 | 4,523 | 2,291 | 3,751 | 2,585 | 4,501 | 1,642 | 7,414 | 3,470 | 7,303 |
| Total (in Wet Tons) | 18,393 | 19,712 | 18,182 | 19,099 | 19,315 | 20,458 | 19,741 | 20,171 | 19,132 | 20,836 |



UNION SANITARY DISTRICT

Miscellaneous Statistics

6/30/2016

| | |
|---|---|
| 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: | 136.45 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: | 347,009 |
| Number of Parcels | 95,254 (85,657 Residential; 3,122 Non-Residential; 6,475 Other (vacant land)) |
| Operations: | Total miles of pipeline - 811, 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: | \$377.00 annually per single family residential dwelling unit |

Source: USD Treatment Disposal, Collections Work Groups, CA Dept. of Finance