Union Sanitary District

Union City, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017 with Comparative Information for Fiscal Year Ended June 30, 2016

Union Sanitary District

Union City, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017 with Comparative Information for Fiscal Year Ended June 30, 2016

Prepared by Business Services Department

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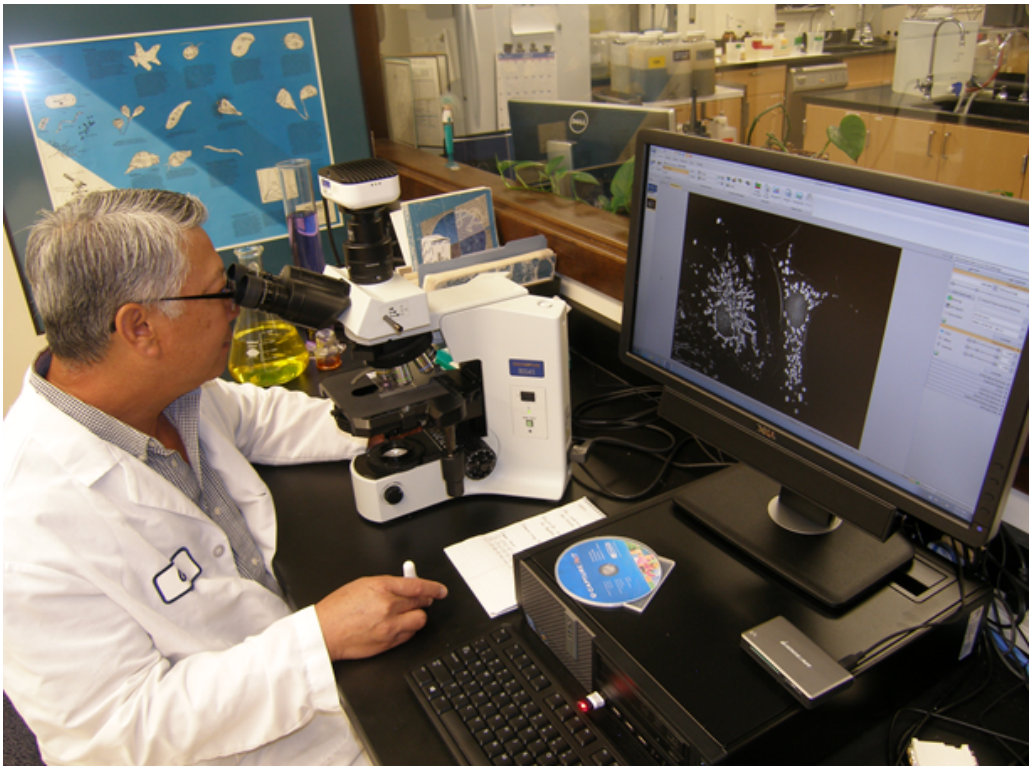
Introductory Section



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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

November 27, 2017

Board of Directors

Union Sanitary District
Union City, California

Subject: Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

We are pleased to present the Union Sanitary District's Comprehensive Annual Financial Report (CAFR) for the fiscal year (FY) ended June 30, 2017. 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, 2017 and 2016 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 350,538. 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 131.45 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. Summary notes of the prevailing economic conditions in the Tri-City area and the District as a whole are below, delineated by City.

The City of Fremont*

Located on the southeast side of the San Francisco Bay, Fremont is a city of over 231,000 people with an area of 92-square miles, making it the fourth most populous city in the Bay Area and California's 15th largest city. With its moderate climate and its proximity to major universities, shopping areas, recreation and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best. Fremont is home to a broad variety of innovative firms including over 1,200 high tech, life science, and clean technology firms. Residents are attracted to Fremont for its nationally-recognized high-ranking public schools, its numerous well-kept parks, and a variety of recreational amenities, including beautiful Lake Elizabeth, Central Park, and Mission San José (California's 14th mission).

The City of Newark*

Newark has an area of 13 square miles, and has maintained their balanced budget through appropriate budgeting practices including conservative estimates for revenue growth. The local economy is growing stronger. Consumers are spending, home sales and construction are up, and the business community is doing well. Newark continues to see increases in major revenue sources including sales tax, property tax, and transient occupancy tax or hotel tax. These three revenue sources make up approximately 60 percent of the operating budget revenue. Newark is also experiencing increases in revenues from development and building permit fees because of the significant construction activity that is occurring throughout the City.

The City of Union City*

Union City is 18 square miles in area. The community offers a variety of housing, with affordable and upscale homes available in many charming neighborhoods throughout the city. The transit-oriented Station District, located around the Union City BART station, boasts housing and business development opportunities with easy, convenient access to major public transit running throughout the Bay Area. Union City also has many wonderful parks, sports fields, community centers, and a variety of recreation programs and social services for residents of all ages. Union City has grown into an ethnically diverse community of about 70,000 residents, and is home to the highly regarded New Haven Unified School District.

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 3.1%, 3.4%, and 3.6% respectively, compared with 3.8%, 4.1%, and 4.4% one year earlier.

*Source: Fremont and Newark State of the City addresses and websites 2017; 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 2017, the District completed or initiated a number of significant projects:

Plant 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. This major initiative started in FY 2017 and is expected to be completed in FY 2018.

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. Tiered roll out to all operating teams was completed in FY 2017.

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. This project was completed in FY 2017.

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. This project was ongoing throughout FY 2017 and will be continued in FY 2018.

Phase 5 LED Lighting Conversion – District facilities were upgraded with LED lighting. One primary area in the plant is updated each year, utilizing staff. Phase 5 was completed in FY 2017.

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. This project started in FY 2017 and is expected to be completed in FY 2018.

Permit Renewal for the East Bay Dischargers Authority (EBDA) Discharge – The State Water Resource Control Board (SWRCB) renewed our permit in FY 2017.

Digester 7 – The District identified the need for additional digester capacity to ensure appropriate solids handling. An additional anaerobic digester will be built and placed into service in this project. The pre-design phase was completed in FY 2017 and the design is scheduled to be completed in FY 2018 and installation is scheduled to begin in FY 2018.

Emergency Power - The District's current emergency power facilities are very old and outdated and have questionable reliability if the District were to lose power unexpectedly. The predesign of this project was completed in FY 2017 and the design will conclude in FY 2018, with construction starting shortly thereafter.

Future Projects or Initiatives

East Bay Discharge Authority (EBDA) Joint Powers Agreement (JPA) contract negotiations – This project involves the ongoing data analysis, negotiation, and formal documentation of a new contractual relationship between the members of the existing JPA, which includes Union Sanitary District.

Collection Services Preventive Maintenance Schedule Evaluation – This project is intended to review the detailed study and data provided by West Yost on the age and condition of the District's existing collections system infrastructure throughout our service area and to determine the viability of modifying our existing cleaning processes for improved efficiencies moving forward.

Dumbarton Transit Oriented Development Project – This development requires the relocation of the District force mains. 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. The District purchased equipment for this project in FY 2017, but will not implement until FY 2018.

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.

TNI Implementation Evaluation – New and more rigorous standards for certifying laboratories to testing mandated in the industry is pending and will have significant impact on how the District handles the required sampling and testing of wastewater related to our National Pollutant Discharge Elimination System (NPDES) permits. This project will provide the data and information necessary to make informed decisions about future actions associated with our laboratory.

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 2017 was $380.05 for a single-family dwelling and $329.50 for a multi-family dwelling.

Connection Fees
In 2017 the District charged a sewer connection fee of $6,421.17 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 Lance, Soll & Lunghard, LLP was contracted to conduct this year's audit. The Board Audit Committee receives and reviews the audited financial statements. The audit opinion is included in the Financial Section of this report.

Financial Policies – In fiscal year 2017, the District reviewed and/or updated the following:
Accounting Standards, Internal Controls, Fraud in the Workplace, and Computer Purchase and Student Loan policies.

East Bay Dischargers Authority (EBDA) – 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:

- National Association of Clean Water Agencies (NACWA) – Peak Performance Awards 1993 – 2016; USD's Alvarado Treatment Plant in Union City has been recognized for 24 consecutive years by NACWA (and its predecessor, AMSA) for outstanding performance.
- National Institute for Government Purchasing (NIGP) – Achievement of Excellence in Procurement
- California Association of Public Information Officials (CAPIO) – Award of Excellence in Communication 2016 for Special Events; USD Open House
- 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, 2016. To be awarded the 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

VISION/MISSION STATEMENT
April 10, 2017 revision

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

How we continue to accomplish our Vision:

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

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

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

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

VISION/MISSION STATEMENT, cont'd.
April 10, 2017 revision

We benefit our stakeholders by:

Community

- Complying with all local, state, and federal regulations, protecting the environment and controlling odors
- Communicating with the public and bringing awareness about wastewater issues
- Responding to emergencies and providing mutual aid
- Participating in community outreach activities
- 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

Customer

- Providing award-winning, 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

Employees

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

Board of Directors

Pat Kite

Anjali Lathi

Manny Fernandez

Jennifer Toy

Tom Handley

Principal Officials

As of June 30, 2017

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

Karen W. Murphy	General Counsel
	Staff
Paul Eldredge	General Manager/District Engineer
Armando Lopez	Treatment & Disposal Services Manager
Robert Simonich	Fabrication Maintenance & Construction Manager
Vacant/TBD (recruitment underway 12/4/17)	Business Services Manager/Chief Financial Officer
Sami Ghossain	Technical Services Manager
James Schofield	Collection Services Manager

UNION SANITARY DISTRICT

Board of Directors
(5)

General Manager / District Engineer
(138*)

Technical Services Manager (33)

- Coach
  - Capital Improvements Projects Team (8)
    - Admin Specialist II (1)
    - Assistant Engineer (2)
    - Associate Engineer (4)
    - Engineering Tech II (1)
- Coach
  - Customer Service Team (10)
    - Executive Assistant to the GM/Board Clerk (1)
    - Associate Engineer (1)
    - C&IG Coordinator (1)
    - Construction Inspector II (2)
    - Customer Service Fee Analyst (1)
    - Engineering Tech I (1)
    - Engineering Tech III (1)
    - Receptionist (1)
    - Customer Service Fee Analyst (1)
- Coach
  - Environmental Compliance Team (11)
    - Admin Specialist I (1)
    - Admin Specialist II (1)
    - EC Inspector II (3)
    - EC Inspector III (3)
    - EC Inspector IV (1)
    - EC Outreach Rep (1)
    - Environmental Program Coordinator (1)

Collection Services Manager (32)

- Coach
  - Maintenance/ TV Team (11)
    - Collection System Worker I (3)
    - Collection System Worker II (5)
    - Lead Collection System Worker (3)
- Coach
  - Support Team (8)
    - Admin Specialist II (1)
    - Fleet Mechanic II (2)
    - Janitor (1)
    - Maintenance Assistant (1)
    - Mechanic II (1)
    - Planner/Scheduler II (1)
    - Janitor (1)
  - Construction Team (10)
    - Collection Services Trainer (1)
    - Collection System Worker II (6)
    - Lead Collection System Worker (3)

Treatment & Disposal Services Manager (26)

- Coach
  - Research & Support Team (6)
    - Admin Specialist II (1)
    - Chemist II (3)
    - Lab Director (1)
    - Sr. Process Engineer (1)
- Coach
  - Total Productive Operations (Day) (10)
    - Plant Operator III (6)
    - Plant Operator III Trainee (3)
    - Plant Operations Trainer (1)
- Coach
  - Total Productive Operations (Night) (6)
    - Plant Operator I (1)
    - Plant Operator III (5)

Fabrication, Maintenance, and Construction Manager (28)

- Coach
  - Mechanical Team (12)
    - Mechanic I (4)
    - Mechanic II (8)
- Coach
  - Electrical/ Support Team (8)
    - Admin Specialist II (1)
    - Instrument Tech/ Electrician (4)
    - Painter (1)
    - Planner/Scheduler II (1)
    - Painter(1)
  - Information Technology Team (5)
    - Sr. GIS DBA (1)
    - IT Administrator (1)
    - Sr. Network Administrator (1)
    - Sr. Developer/ DBA (1)
    - Sr. IT Analyst (1)

Business Services Manager/CFO Vacant (18)

- Coach/HR Manager
  - Organizational Support Team (5)
    - Admin Specialist II (1)
    - Environmental Health & Safety Program Mgr (1)
    - HR Analyst II (1)
    - Org. Performance Program Manager (1)
    - Training & Emergency Response Program Manager (1)
- Coach
  - Finance & Acquisition Services Team (10)
    - Accounting & Financial Analyst I (1)
    - Accounting Tech II (1)
    - Accounting Technical Specialist (2)
    - Administrative Specialist II (1)
    - Buyer I (1)
    - Purchasing Agent (1)
    - Storekeeper I (1)
    - Storekeeper II (1)
    - Accounting & Financial Analyst II (1)

Vacancy

***138 positions allocated in FY2017**
Full Time Equivalent positions in FY 2017 is 131.45.

June 30, 2017

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, 2016

Christopher P. Morrill

Executive Director/CEO

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Financial Section

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CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Union Sanitary District
City of 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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An Association of Independent Accounting Firms

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CPAs AND ADVISORS

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

Other Matters

Required Supplementary Information

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

Prior Year Audited Financial Statements

The financial statements for the year ended June 30, 2016, were audited by other auditors whose report dated October 20, 2016 expressed and unmodified opinion on those financial statements.

As part of our audit of the 2017 financial statements, we reclassified the deferred inflows/outflows related to the net difference between projected and actual earnings on plan investments related to pensions. There was no impact to net position. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements other than with respect to the reclassification, and accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

Other Information

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

The supplementary schedule of operating expenses before depreciation and schedule of insurance coverage 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 applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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CPAs AND ADVISORS

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
November 27, 2017

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This section of the District's annual financial report presents an analysis of the District's financial performance during the fiscal year ended June 30, 2017. This information is presented in conjunction with the audited financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2017, by $351.7 million (net position). Net position consists of $294.9 million invested in capital assets, $34.4 million restricted net position, and $22.5 million in unrestricted net position.
- The District's total net position increased by $17.3 million during the fiscal year ended June 30, 2017. Contributing factors include an increase of $5.4 million in connection fees, $2.1 million in contributed capital, marginal rate increases, inspections and other area development.
- Long-term liabilities increased on the Statement of Net Position by $8.4 million during the current fiscal year, largely due to changes in reporting mandated by the GASB 68 pronouncement.
- The District placed $14.1 million in capital assets into service compared to $6.6 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.
- **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 (84%) reflects its investment in capital assets (net of accumulated depreciation) less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table 1 – Condensed Statement of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Dollar Change FY17 to FY16	Percent Change FY17 to FY16
Current and other assets	$94,382,924	$77,881,176	$64,249,309	$16,501,748	21.2%
Capital Assets	339,178,722	338,426,172	339,323,878	752,550	0.2%
Total Assets	433,561,646	416,307,348	403,573,187	17,254,298	4.1%
Deferred outflows of resources	8,937,492	3,813,521	2,973,280	5,123,971	134.4%
Current liabilities	8,622,149	10,533,131	8,137,982	(1,910,982)	-18.1%
Long-term liabilities	81,337,732	72,916,067	67,311,036	8,421,665	11.5%
Total liabilities	89,959,881	83,449,198	75,449,018	6,510,683	7.8%
Deferred inflows of resources	804,328	2,225,940	6,052,085	(1,421,612)	-63.9%
Net Position:					
Net investment in capital assets	294,906,308	295,355,262	297,462,404	(448,954)	-0.2%
Restricted	34,360,257	25,075,327	19,808,500	9,284,930	37.0%
Unrestricted	22,468,364	14,015,142	7,774,460	8,453,222	60.3%
Total net position	$351,734,929	$334,445,731	$325,045,364	$17,289,198	5.2%

Net position of the District's business type activities increased 5.2% to $351.7 million, of which $294.9 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, $34.4 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining $22.5 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 2017	Fiscal Year 2016	Fiscal Year 2015	Dollar Change FY17 to FY16	Percent Change FY17 to FY16
Operating Revenues:					
Sewer service charges (SSC)	$52,384,709	$50,112,564	$48,379,254	$2,272,145	4.5%
Other revenues	2,154,364	1,791,782	1,581,031	362,582	20.2%
Total operating revenues	54,539,073	51,904,346	49,960,285	2,634,727	5.1%
Operating Expenses:					
Depreciation	17,036,880	17,379,112	17,899,765	(342,232)	-2.0%
Sewage treatment	16,252,881	15,464,775	14,956,369	788,106	5.1%
Sewage collection and engineering	12,462,391	11,296,680	10,763,530	1,165,711	10.3%
General and administration	7,195,269	6,848,244	6,910,857	347,025	5.1%
Total operating expenses	52,947,421	50,988,811	50,530,521	1,958,610	3.8%
Non-operating Revenues (Expenses):					
Investment income and net gains	482,342	496,439	160,790	(14,097)	-2.8%
Loss on retirement of capital assets	(432,674)	(30,472)	(1,165,160)	(402,202)	1319.9%
East Bay Dischargers Authority loss	(52,458)	(160,540)	(86,652)	108,082	-67.3%
Interest	(860,316)	(916,968)	(971,695)	56,652	-6.2%
Total Net non-operating revenues (expenses)	(863,106)	(611,541)	(2,062,717)	(251,565)	41.1%
Income Before Contributed Capital	728,546	303,994	(2,632,953)	424,552	139.7%
Capital Contributions					
Connection fees	12,595,637	7,233,338	4,820,637	5,362,299	74.1%
Contributed capital	3,965,015	1,863,035	4,774,582	2,101,980	112.8%
Total Net Capital Contributions	16,560,652	9,096,373	9,595,219	7,464,279	82.1%
Change in Net Position	17,289,198	9,400,367	6,962,266	7,888,831	83.9%
Beginning Net Position	334,445,731	325,045,364	349,745,533	9,400,367	2.9%
Prior period adjustment	-	-	(31,662,435)	-	0.0%
Restated Net Position, Beginning of Year (2016)	334,445,731	325,045,364	318,083,098	9,400,367	2.9%
Ending Net Position	$351,734,929	$334,445,731	$325,045,364	$ 17,289,198	5.2%

The District's increase in net position of $17.3 million is primarily due to the following:

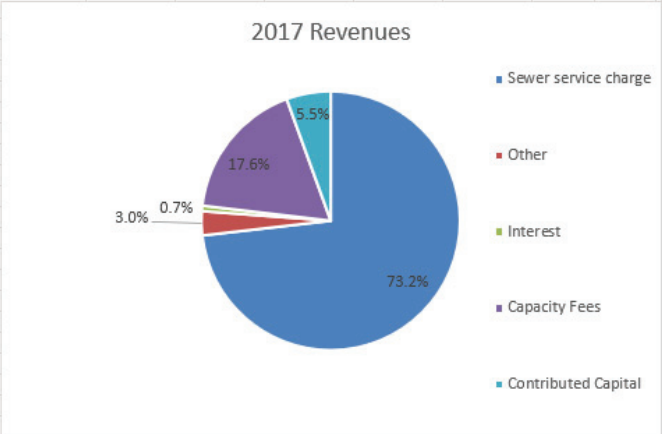
- A marginal rate increase in sewer service charges and the increase in other revenues such as permit fees.
- Revenues exceeded expenses by $0.7 million.
- The District received $12.6 million in connection fees and $4.0 million in contributed capital due to the ongoing increase in residential development within the service area.

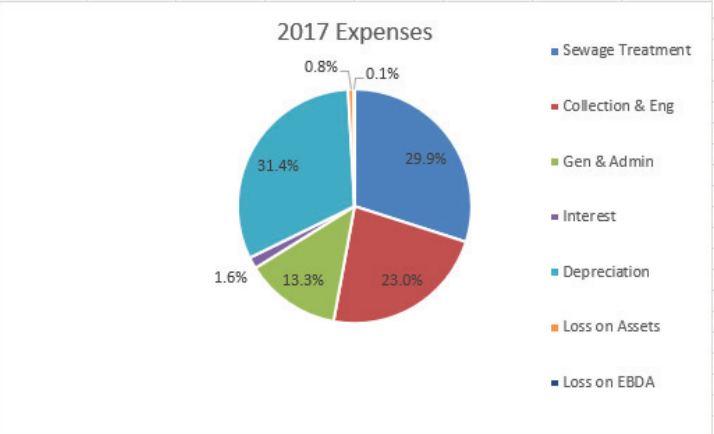
Overall the District's revenues increased 5.1% or $2.6 million from fiscal year FY 2016. The District's sewer service charge rate increased 1.0%. Sewer service revenues for the year increased by 4.5% or $2.3 million overall. Other operating revenues increased 20.2% or $0.4 million from prior year as the result of significant development in the service area. Due to both commercial and residential development, connection fee revenues increased 74%, or $5.4 million from prior year. Contributed Capital increased 113% or $2.1 million.

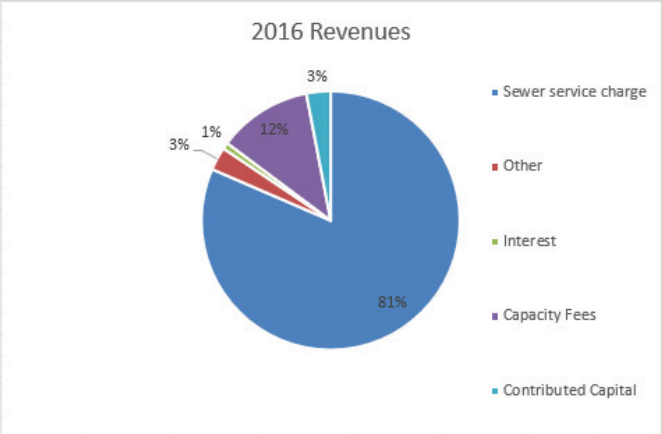
Investment income of $0.483 million was offset by a net loss on retirement of assets of $0.433 million, and the loss on equity investment of $0.053 million (EBDA), resulting in a net decrease of $0.303 million from prior year. A diversified portfolio in a variety of eligible investment instruments with longer terms further impacted the slight decrease in net investment income from FY 2016. These factors resulted in a higher weighted investment yield at June 30, 2017, of 1.418%, with a weighted average portfolio life of 649 days compared to a weighted investment yield at June 20, 2016, of 1.159%, with a weighted average portfolio life of 712 days.

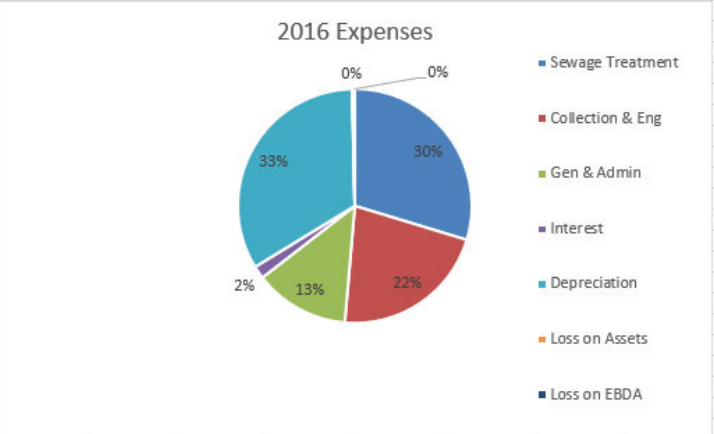
The District's operating expenses increased from prior year $2 million or 3.8%. The increase is primarily due to increases in the contribution percentage for employee retirement plans; cost of living salary adjustments; and an increase in expenses for temporary help in various departments throughout the year.

In the prior year, the District's total revenues such as capacity fees and sewer service charges increased by $1.9 million, or 3.9% (for the year ended June 30, 2016). This is due mainly to a 5.6% 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 decreased in prior year by $2.9 million due to normalizing effect after the increase of $3.9 million in FY15 due development that required major construction of infrastructure. The total cost of all programs and services, including depreciation, was 0.9% higher than FY 2015. Most major cost categories increased from FY 2015, except for non-capital project costs, insurance, and temporary help.









As previously stated, in FY 2017, 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 1.0% and connection fees by 14.8%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2017, the District had approximately $339.2 million invested in a broad range of capital assets, including facilities and equipment for the plant, collections, and administrative facilities. This amount represents a net increase of $0.752 million, or 0.22%, compared to last year. The main reason for this is a combination of increased Construction in Progress (CIP), and additional assets being placed into service. Total CIP placed into service was $9.8 million in FY 2017 versus $4.05 million in FY 2016 and $12.5 million in FY 2015. Additions to CIP were $13.9 million in FY 2017 versus $14.0 million in FY 2016 and $13.8 million in FY 2015.

The District has outstanding construction contract commitments on capital projects approximating $50 million at June 30, 2017. Major projects included:

Table 3 – Additions to CIP

Thickener Control Building Improvements, Phase 2	$	3,023,329
Alvarado-Niles Road Sanitary Sewer Rehabilitation		2,484,537
Fremont & Paseo Padre Lift Station Improvements		2,387,878
Newark Backyard Sanitary Sewer Relocation, Phase 3		1,749,379
Hypo Tanks and Piping Replacement		1,387,823
3rd Sludge Degritter System		661,250
Plant Facilities Improvements		597,298
MCC and PLC Replacement - Phase 3		289,857
Headworks Knife Gate Valves Replacement		267,991
Pine Street Easement		191,381
Force Main Corrosion Repairs - West		144,169
Standby Power System Upgrade		132,931
Digester No. 3 Inspection and Rehabilitation		119,995
Digester 1-3 Gas Isolation Valves		114,721
Others		367,621
Total	$	13,920,160

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

Table 4 – Total CIP Placed into Service

Alvarado-Niles Road Sanitary Sewer Rehabilitation		$ 3,741,425
Alvarado Boulevard Sewer Main Repairs		2,208,880
Plant Facilities Improvements		1,530,980
MCC and PLC Replacement - Phase 3		985,306
Misc Spot Repairs Phase VI		341,643
Pine Street Easement		329,036
Diffuser Replacement - Aeration Basin Tank 5		310,758
Phone System Replacement		268,703
Digester 1-3 Gas Isolation Valves		114,721
Total	$	9,831,453

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

Debt Administration

At year-end, the District had $44.3 million in loans outstanding versus $43.1 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 6 to the financial statements.

New Significant Accounting Standards Implemented

In FY 2017, no new Governmental Accounting Standards Board (GASB) pronouncements impacted the District.

NEXT YEAR'S BUDGET AND RATES

The Board of Directors adopted the FY 2018 Budget with total appropriations of $55.4 million. Of that amount, $10.1 million is appropriated for capital projects (both for design and construction) such as the Digester No. 7, Stand-by Power Generation System Upgrade, Wet Weather Flow Management, Force Main Corrosion Repairs (phase 1). The budget also includes $1.9 million in special projects such as the Forcemain Condition Assessment, Financial Master Plan; Treatment Plant Master Plan; and the Solids System/Capacity Master Plan. This budget includes the second 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 2018 are $65.1 million which includes $54.9 million in sewer service charges. Connection fee revenues are estimated at $7.9 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 4.2%. 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.

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UNION SANITARY DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Assets:		
Current Assets:		
Cash, cash equivalents	$ 4,148,823	$ 3,256,503
Investments	77,649,277	62,438,845
Receivables:		
Accounts, net	3,401,287	3,179,897
Accrued interest	245,298	216,019
Inventories	747,467	761,415
Other	25,439	27,901
Total Current Assets	**86,217,591**	**69,880,580**
Noncurrent Assets:		
Capital assets		
Non depreciable capital assets		
Land and improvements	5,395,903	5,395,903
Construction in progress	37,063,104	32,974,397
Capacity permits and easements	6,415,898	6,415,898
Depreciable capital assets		
Utility plant in service	669,151,317	657,171,954
Less: Accumulated depreciation	(378,847,500)	(363,531,980)
Net capital assets	339,178,722	338,426,172
Other Assets		
Restricted cash and cash equivalents	624,224	404,968
Restricted investments	10,000	10,000
Net OPEB Asset	1,450,492	1,452,553
Investment in East Bay Dischargers Authority	6,080,617	6,133,075
Total other assets	8,165,333	8,000,596
Total Noncurrent Assets	**347,344,055**	**346,426,768**
Total Assets	**$ 433,561,646**	**$ 416,307,348**
Deferred Outflows of Resources:		
Deferred outflows related to pensions	$ 8,937,492	$ 3,813,521
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,527,036	$ 5,460,347
Accrued payroll and related expenses	583,589	506,116
Interest payable	477,217	512,068
Customer deposits	1,341,256	842,855
Accrued compensated absences	901,905	979,801
Bonds, notes, and capital leases	2,791,146	2,231,944
Total Current Liabilities	**8,622,149**	**10,533,131**
Long-term liabilities:		
Bonds, notes, and capital leases	41,481,268	40,838,966
Net pension liability	39,856,464	32,077,101
Total Long-Term Liabilities	**81,337,732**	**72,916,067**
Total Liabilities	**$ 89,959,881**	**$ 83,449,198**
Deferred Inflows of Resources:		
Deferred inflows related to pensions	$ 804,328	$ 2,225,940
Net Position:		
Net investment in capital assets	$ 294,906,308	$ 295,355,262
Restricted for:		
Capacity purposes	30,902,877	21,617,947
SRF loan contingency reserve	3,457,380	3,457,380
Unrestricted	22,468,364	14,015,142
Total Net Position	**$ 351,734,929**	**$ 334,445,731**

See Notes to Financial Statements

UNION SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating Revenues:		
Sewer service charges (SSC)	$ 52,384,709	$ 50,112,564
Other operating revenues	2,154,364	1,791,782
Total Operating Revenues	**54,539,073**	**51,904,346**
Operating Expenses:		
Sewage treatment	16,252,881	15,464,775
Sewage collection and engineering	12,462,391	11,296,680
General and administration	7,195,269	6,848,244
Total Operating Expenses Before Depreciation	**35,910,541**	**33,609,699**
Depreciation	17,036,880	17,379,112
Total Operating Expenses	**52,947,421**	**50,988,811**
Operating Income	1,591,652	915,535
Nonoperating Revenues (Expenses):		
Net investment income and net realized gains and losses	482,342	496,439
Interest expense	(860,316)	(916,968)
Loss on equity investment in East Bay Dischargers Authority	(52,458)	(160,540)
Loss on retirement of capital assets	(432,674)	(30,472)
Net Nonoperating Revenues (Expenses)	**(863,106)**	**(611,541)**
Income Before Contributed Capital	728,546	303,994
Connection fees and other contributed capital	16,560,652	9,096,373
Changes in Net Position	17,289,198	9,400,367
Net Position:		
Beginning of Fiscal Year	334,445,731	325,045,364
End of Fiscal Year	**$ 351,734,929**	**$ 334,445,731**

See Notes to Financial Statements

UNION SANITARY DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Receipts from customers and users	$ 54,317,683	$ 52,129,182
Payments to suppliers for goods and services	(18,857,954)	(9,214,018)
Payments to employees for services	(18,734,070)	(22,618,055)
Receipts from (payments to) customer deposits	498,401	322,227
Net Cash Provided by Operating Activities	**17,224,060**	**20,619,336**
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt	3,433,448	3,385,590
Capital contributions	12,595,637	7,233,338
Acquisition and construction of capital assets	(14,257,089)	(14,648,844)
Principal paid on capital debt	(2,231,944)	(2,176,154)
Interest paid on capital debt	(895,167)	(950,952)
Net Cash(Used) in Capital and Related Financing Activities	**(1,355,115)**	**(7,157,022)**
Cash Flows from Investing Activities:		
Proceeds from the purchase and sales of investments	(15,210,432)	(12,509,431)
Interest received	453,063	386,441
Net Cash (Used) in Investing Activities	**(14,757,369)**	**(12,122,990)**
Net Increase in Cash and Cash Equivalents	**1,111,576**	**1,339,324**
Cash and Cash Equivalents at Beginning of Year	3,661,471	2,322,147
Cash and Cash Equivalents at End of Year	**$ 4,773,047**	**$ 3,661,471**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income	$ 1,591,652	$ 915,535
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	17,036,880	17,379,112
(Increase) decrease in accounts receivable	(221,390)	224,836
(Increase) decrease in inventories and other	16,410	(437,175)
Increase (decrease) in accounts payable and accrued expenses	(2,933,311)	2,429,803
Increase (decrease) in payroll related amounts	1,313,314	(215,002)
Increase (decrease) in customer deposits	498,401	322,227
Increase (decrease) in compensated absences	(77,896)	-
Total Adjustments	**15,632,408**	**19,703,801**
Net Cash Provided (Used) by Operating Activities	**$ 17,224,060**	**$ 20,619,336**
Non-Cash Investing, Capital, and Financing Activities:		
Contributions of capital assets	$ 3,965,015	$ 1,863,035
Gain/(Loss) on disposition of capital assets	(432,674)	-
Increase/(Decrease) in equity in East Bay Dischargers Authority	(52,458)	160,541

See Notes to Financial Statements

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Note 1: Organization and Summary of Significant Accounting Policies

The Organization

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

The District is governed by a five-member Board of Directors elected by wards for four-year 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, 2017. 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).

a. Basis of Accounting and Measurement Focus

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

Note 1: Organization and 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.

b. Cash and Cash Equivalents

The District considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired, to be cash equivalents. As of June 30, 2017 and 2016, cash equivalents consist of U.S. Treasury funds in a sweep account and money market funds.

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

c. Investments

Investments, which consist of short-term, fixed-income securities at June 30, 2017 and 2016, 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.

d. Inventory

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

e. Capital Assets

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

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

f. 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 changes in the District's financial position and operations.

g. 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 3.17 percent and 3.07 percent of average depreciable plant during the years ended June 30, 2017 and 2016, respectively.

h. 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.

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

i. Net Position

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

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

- Net Position Restricted for Capacity Purposes – restricted for activities related to increases in the capacity of the collection and/or treatment systems.

- Net Position Restricted for Debt Purposes – the State requires a contingency reserve for State Revolving Fund loan balances.

j. Classification of Revenues and Expenses

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

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

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

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

k. Use of Estimates

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

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

l. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred 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.

m. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Note 2: Capital Assets

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

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Land and improvements	$ 5,395,903	$ -	$ -	$ -	$ 5,395,903
Construction in progress	32,974,397	13,920,160	-	(9,831,453)	37,063,104
Capacity permits and easements	6,415,898	-	-	-	6,415,898
Total capital assets, not being depreciated	44,786,198	13,920,160	-	(9,831,453)	48,874,905
Capital assets, being depreciated:					
Sewage collection facilities	414,663,353	3,965,015	(525,823)	7,090,983	425,193,528
Sewage treatment facilities	154,632,011	-	(524,222)	2,279,020	156,386,809
District facilities	73,341,879	-	-	192,747	73,534,626
General equipment	7,752,546	246,488	(945,716)	268,703	7,322,021
Fleet	6,782,165	90,441	(158,273)	-	6,714,333
Total capital assets, being depreciated	657,171,954	4,301,944	(2,154,034)	9,831,453	669,151,317
Less accumulated depreciation for:					
Sewage collection facilities	(233,688,317)	(8,977,861)	274,495	-	(242,391,683)
Sewage treatment facilities	(84,524,163)	(4,933,818)	374,343	-	(89,083,638)
District facilities	(35,817,428)	(2,087,818)	-	-	(37,905,246)
General equipment	(5,758,517)	(578,855)	921,297	-	(5,416,075)
Fleet	(3,743,555)	(458,528)	151,225	-	(4,050,858)
Total accumulated depreciation	(363,531,980)	(17,036,880)	1,721,360	-	(378,847,500)
Total capital assets being depreciated, net	293,639,974	(12,734,936)	(432,674)	9,831,453	290,303,817
Total Capital Assets, net	$ 338,426,172	$ 1,185,224	$ (432,674)	$ -	$ 339,178,722

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 $68.2 million at June 30, 2017.

Note 2: Capital Assets (Continued)

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	34,845,551	13,991,607	-	(4,050,960)	44,786,198
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	650,926,132	2,520,271	(325,409)	4,050,960	657,171,954
Less accumulated depreciation for:					
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	(346,447,805)	(17,379,111)	294,936	-	(363,531,980)
Total capital assets being depreciated, net	304,478,327	(14,858,840)	(30,473)	4,050,960	293,639,974
Total Capital Assets, net	$ 339,323,878	$ (867,233)	$ (30,473)	$ -	$ 338,426,172

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:

	2017	2016
Cash and cash equivalents	$ 4,148,823	$ 3,256,503
Restricted cash and cash equivalents	624,224	404,968
Investments	77,649,277	62,438,845
Restricted investments	10,000	10,000
Total cash and cash equivalents and investments	$ 82,432,324	$ 66,110,316

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
Banker's Acceptances (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.

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:

2017

	Maturities of			
	12 Months Or Less	12 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	$ 3,005,790	$ 2,995,190	$ -	$ 6,000,980
U.S. Agency Obligations:				
FFCB	998,470	2,994,550	2,973,610	6,966,630
FHLB	999,500	1,994,760	6,980,790	9,975,050
FHLMC	1,999,400	3,986,130	7,937,720	13,923,250
FNMA	-	-	979,830	979,830
Corporate Notes	2,996,810	1,001,740	10,658,255	14,656,805
Certificates of Deposit	2,461,047	246,280	3,489,537	6,196,864
LAIF	15,944,019	-	-	15,944,019
Local Government Investment Pool (CAMP)	3,015,849	-	-	3,015,849
Total Investments	31,420,885	13,218,650	33,019,742	77,659,277
Cash in bank	4,773,047	-	-	4,773,047
Total Cash and Investments	$ 36,193,932	$ 13,218,650	$ 33,019,742	$ 82,432,324

2016

	Maturities of			
	12 Months Or Less	12 to 24 Months	25 to 60 Months	Total
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
FHLMC	-	2,004,460	7,509,700	9,514,160
FNMA	2,004,750	-	2,002,130	4,006,880
Corporate Notes	6,534,966	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

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, 2017, these investments mature in an average of 194 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, 2017 for each investment type:

Investment Type	Aaa	Aa3	Aa2	A1	A2	A3	Total
U.S. Agency Obligations							
FFCB	$ 6,966,630	$ -	$ -	$ -	$ -	$ -	$ 6,966,630
FHLB	9,975,050	-	-	-	-	-	9,975,050
FHLMC	13,923,250	-	-	-	-	-	13,923,250
FNMA	979,830	-	-	-	-	-	979,830
Corporate Notes	1,825,757	4,002,400	2,664,268	4,154,460	1,009,210	1,000,710	14,656,805
Totals	$ 33,670,517	$ 4,002,400	$ 2,664,268	$ 4,154,460	$ 1,009,210	$ 1,000,710	46,501,565
Exempt from credit rate disclosure							
U.S. Treasury Obligations							6,000,980
Not rated							
Certificates of deposit							6,196,864
California Local Agency Investment Fund							15,944,019
Local Government Investment Pool (CAMP)							3,015,849
Cash and cash equivalents							4,773,047
Total Cash, Cash Equivalents and Investments							$ 82,432,324

Note 3: Cash and Investments (Continued)

Presented below is the actual rating as of June 30, 2016 for each investment type:

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	6,014,351	5,223,358	1,192,561	4,190,984	2,324,503	1,009,320	19,955,077
Totals	$ 26,549,681	$ 5,223,358	$ 1,192,561	$ 4,190,984	$ 2,324,503	$ 1,009,320	40,490,407
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							$ 66,110,316

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, 2017, more than 5 percent of the District's investments were in FFCB, FHLB, and FHLMC. These investments were 9.0 percent, 12.8 percent, and 17.9 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, 2017, the District's total bank balance of $4,674,036 was either collateralized or insured by the Federal Deposit Insurance Corporation (FDIC). Certificates of Deposit were also collateralized.

Note 3: Cash and Investments (Continued)

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. However, the District's policy states that all security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery, or by third party custodial agreement as required by CGC Section 53601. The collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under CGC Section 53601(i) (2).

Note 4: Fair Value Measurements

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

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

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

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

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.

Note 4: Fair Value Measurements (Continued)

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
U.S. Agency Obligations					
FFCB	$ 6,966,630	$ -	$ 6,966,630	$ -	$ -
FHLB	9,975,050	-	9,975,050	-	-
FHLMC	13,923,250	-	13,923,250	-	-
FNMA	979,830	-	979,830	-	-
Corporate Notes	14,656,805	-	14,656,805	-	-
Local Government Investment Pool (CAMP)	3,015,849	-	-	-	3,015,849
U.S. Treasury Obligations	6,000,980	-	6,000,980	-	-
Certificates of Deposits	6,196,864	-	6,196,864	-	-
California Local Agency Investment Fund (LAIF)	15,944,019	-	-	-	15,944,019
Totals	$ 77,659,277	$ -	$ 58,699,409	$ -	$ 18,959,868

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	$ -	$ -
FHLM	9,514,160	-	9,514,160	-	-
FNMA	4,006,880	-	4,006,880	-	-
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 Deposits	6,856,257	-	6,856,257	-	-
California Local Agency Investment Fund (LAIF)	12,083,636	-	-	-	12,083,636
Totals	$ 62,448,845	$ 12,749,989	$ 37,605,395	$ -	$ 12,093,461

Note 5: Joint Ventures

Alameda County Water District Financing Authority

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

Investment in East Bay Dischargers Authority

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

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

Note 5: Joint Ventures (Continued)

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

Because the District has the ability to exercise influence over operating and financial policies of 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, 2016 and 2015 and for the years then ended, the most recent audited information available, is as follows:

	2016	2015
Total assets and deferred outflows	$ 33,978,738	$ 34,130,512
Total liabilities and deferred inflows	1,462,068	1,333,317
Net position value of EBDA	$ 32,516,670	$ 32,797,195
District's share at 18.7%	$ 6,080,617	$ 6,133,075
Net loss on equity investment in EBDA	$ 160,540	$ 125,387

EBDA has no outstanding debt.

During fiscal year ended June 30, 2017 and 2016, the District was charged $1,263,944 and $1,213,490, 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.

Note 6: Long-Term Obligations

Long-term obligations at June 30, 2017 are summarized as below:

	Maturity Date	Interest Rate	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
2003 State Revolving Fund Loan - Irvington	08/30/23	2.4%	$ 6,539,515	$ -	$ 751,216	$ 5,788,299	$ 769,245
2008 State Revolving Fund Loan - Willow	11/16/27	2.4%	1,118,547	-	81,540	1,037,007	83,497
2008 State Revolving Fund Loan - Newark	01/26/30	2.7%	7,903,118	-	472,020	7,431,098	484,765
2008 State Revolving Fund Loan - Hetch Hetchy	11/17/28	2.7%	1,513,896	-	98,759	1,415,137	101,425
2009 State Revolving Fund Loan - Cedar Blvd.	02/26/30	2.5%	1,488,827	-	90,128	1,398,699	92,382
2011 State Revolving Fund Loan - Primary Cl.	01/15/33	2.7%	7,956,092	-	374,968	7,581,124	385,092
2011 State Revolving Fund Loan - Substation 1	02/28/32	2.6%	2,038,014	-	104,339	1,933,675	107,052
2011 State Revolving Fund Loan - Boyce Rd. Lift Station	03/31/33	2.6%	5,849,590	-	258,974	5,590,616	265,707
2014 State Revolving Fund Loan - Thickner Improvement	03/31/36	2.1%	8,663,311	3,433,448	-	12,096,759	501,981
Compensated Absences	N/A	N/A	979,801	1,049,356	1,127,252	901,905	901,905
			$ 44,050,711	$ 4,482,804	$ 3,359,196	$ 45,174,319	$ 3,693,051

Note 6: Long-Term Obligations (Continued)

2003 State Revolving Fund Loan – Irvington

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

2008 State Revolving Fund Loan – Willow

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.4 percent and is payable in twenty annual installments, beginning one year after initial loan disbursement. The purpose of this loan was to finance the Willow/Central Avenue sanitary sewer rehabilitation project. The maximum amount of this agreement is $1,749,329 based upon projected costs to be incurred. As of June 30, 2017, $1,710,471 has been advanced under this agreement.

2008 State Revolving Fund Loan – Newark Pump Station

During 2008, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and is payable in twenty annual installments, beginning in 2011. The purpose of this loan was to finance the Newark Pump Station project. The maximum amount of this agreement is $10,283,322 based upon projected costs to be incurred. As of June 30, 2017, $10,283,322, the maximum loan amount, has been advanced under this agreement.

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, 2017, $2,113,379 has been advanced under this agreement.

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, 2017, $1,998,384 has been advanced under this agreement.

Note 6: Long-Term Obligations (Continued)

2011 State Revolving Fund Loan – Primary Clarifier

During 2011, the District entered into a loan agreement with the California State Water Resources Control Board in accordance with the State Revolving Fund Loan Program. The interest rate on the loan is 2.7 percent and will be payable in twenty annual installments beginning one year after the initial loan disbursements. The purpose of this loan is to finance the rehabilitation of primary clarifiers (Nos. 1 through 4) at the Alvarado Wastewater Treatment Plant. The maximum amount of this agreement is $8,821,860 based upon projected costs to be incurred. As of June 30, 2017, $8,821,860 has been advanced under this agreement.

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, 2017, $2,412,908 has been advanced under this agreement.

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, 2017, $6,196,671 has been advanced under this agreement.

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, 2017, $12,096,759 has been advanced under this agreement.

Note 6: Long-Term Obligations (Continued)

Debt Service Requirements

Future annual repayment requirements as of June 30, 2017 are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 2,791,146	$ 1,091,957	$ 3,883,103
2019	2,857,222	1,025,882	3,883,104
2020	2,928,119	954,985	3,883,104
2021	3,000,789	882,315	3,883,104
2022	3,075,276	807,828	3,883,104
2023-2027	13,770,148	2,920,879	16,691,027
2028-2032	11,080,701	1,316,070	12,396,771
2033-2037	4,769,013	273,453	5,042,466
Totals	$ 44,272,414	$ 9,273,369	$ 53,545,783

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.jap?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.

Note 7: Pension Plan

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50+	52+
Monthly benefits, as a % of annual salary	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	20.362%	11.621%

Employees Covered

At June 30, 2017 and 2016, the following employees were covered by the benefit terms of the Plan:

	Miscellaneous	
	2017	2016
Inactive employees or beneficiaries currently receiving benefits	155	143
Inactive employees entitled to but not yet receiving benefits	67	69
Active employees	129	132
Totals	351	344

Contributions

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

For the year ended June 30, 2017 the average employee contribution rate was 8.0 percent of annual payroll, and the District's average rate was 20.362 percent of annual payroll. The total contributions to the plan were $ 3,333,889 for the year ended June 30, 2017 and $3,034,082 for the year ended June 30, 2016.

Note 7: Pension Plan (Continued)

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016.

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions.

	Miscellaneous	
	2015	**2014**
Valuation date	June 30, 2015	June 30, 2014
Measurement date	June 30, 2016	June 30, 2015
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Actuarial assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Projected Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Mortality rate table*	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, 2015 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

Note 7: Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. 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 (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

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

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal 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, 2015.

Note 7: Pension Plan (Continued)

	Target Allocation			Real Return
Asset Class	**2015**	**2014**	**Years 1-10***	**Years 11+ ****
Global Equity	51.0%	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	6.0%	0.45%	3.36%
Private Equity	10.0%	10.0%	6.83%	6.95%
Real Estate	10.0%	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	2.0%	4.50%	5.09%
Liquidity	1.0%	2.0%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period
**An expected inflation of 3.0% used for this period

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, 2015	**$ 116,341,189**	**$ 88,715,470**	**$ 27,625,719**
Change in the year:			
Service Cost	2,285,511	-	2,285,511
Interest on total pension liability	8,707,550	-	8,707,550
Differences between expected and actual 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**

Note 7: Pension Plan (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2016	**$ 120,938,176**	**$ 88,861,075**	**$ 32,077,101**
Change in the year:			
Service Cost	2,413,856	-	2,413,856
Interest on total pension liability	9,157,444	-	9,157,444
Differences between expected and actual experience	621,331	-	621,331
Changes in assumptions	-	-	-
Plan to plan resource movement	-	-	-
Contribution-employer	-	2,770,226	(2,770,226)
Contribution-employee	-	1,206,505	(1,206,505)
Net investment income	-	490,693	(490,693)
Administrative Expenses	-	(54,156)	54,156
Benefit payments, including refunds of employee contributions	(6,122,564)	(6,122,564)	-
Net changes	**6,070,067**	**(1,709,296)**	**7,779,363**
Balance at June 30, 2017	**$ 127,008,243**	**$ 87,151,779**	**$ 39,856,464**

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	
	2017	2016
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 55,844,411	$ 47,517,126
Current Discount Rate	7.65%	7.65%
Net Pension Liability	39,856,464	32,077,101
1% Increase	8.65%	8.65%
Net Pension Liability	26,506,041	19,190,933

Pension Plan Fiduciary Net Position

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

Note 7: Pension Plan (Continued)

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

For the year ended June 30, 2017 and 2016, the District recognized pension expense of $4,303,813 and $2,819,078, respectively. At June 30, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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 assumptions	-	(1,423,042)
Net differences between projected and actual earnings on plan investments	-	(802,898)
Totals	**$ 3,813,521**	**$ (2,225,940)**

June 30, 2017:	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,333,889	$ -
Differences between actual and expected experience	879,140	-
Changes in assumptions	-	(804,328)
Net differences between projected and actual earnings on plan investments	4,724,463	-
Totals	**$ 8,937,492**	**$ (804,328)**

The amount of $3,333,889 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2017	$ 561,032
2018	756,912
2019	2,244,234
2020	1,237,097

Payable to the Pension Plan

At June 30, 2017 and 2016, the District reported a payable of $168,340 and $160,866, respectively, for the outstanding amount of contributions to the pension plan.

Note 8: Other Retirement Benefits

a. Post-employment Healthcare Benefit (OPEB)

Plan Description:

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

The District contracts with CalPERS to administer its retiree health benefit plan (an agent multiple-employer plan) and to provide an investment vehicle, the California Employers' Retiree Benefit Trust Fund, to prefund future OPEB costs. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. The District chooses among the menu of benefit provisions and adopts certain benefit provisions by Board resolution. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, 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, 2017 the District contributed $583,771 to the plan.

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 required contribution (ARC)	$ 583,771
Interest on net OPEB obligation (asset)	(97,757)
Adjustment to ARC	99,818
Annual OPEB cost	585,832
Contributions made	583,771
Change in net OPEB obligation (asset)	2,061
OPEB obligation (asset) - beginning of year	(1,452,553)
OPEB obligation (asset) - end of year	$ (1,450,492)

Note 8: Other Retirement Benefits (Continued)

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)
6/30/2017	$ 585,832	$ 583,771	100%	$ (1,450,492)
6/30/2016	558,107	561,205	101%	(1,452,553)
6/30/2015	537,844	543,540	101%	(1,449,455)

Funded Status:

The schedule of funded status of the plan as of July 1, 2015 was as follows:

Actuarial accrued liability (AAL)	$ 8,646,387
Actuarial value of plan assets	4,311,934
Unfunded actuarial accrued liability (UAAL)	$ 4,334,453
Funded ratio (actuarial value of plan assets/AAL)	49.9%
Covered payroll (active plan members	$ 13,933,168
UAAL as a percentage of covered payroll	31.1%

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.

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.

Note 8: Other Retirement Benefits (Continued)

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

Valuation date	July 1, 2015
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)	6.73%
Salary increase	3.25%
Healthcare cost trend rate	7.5% initial; 4.5% ultimate
Inflation Rate	2.75%

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 $17,909 and $20,630 to the plans for the years ended June 30, 2017, and 2016, 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.

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.

The following material construction commitments existed at June 30, 2017:

Project Name	Total Committed Amount	Expenses to Date as of June 30, 2017	Remaning Commitment
Cogeneration Project	$ 15,113,389	$ 12,841,599	$ 2,271,790
Thickener Conrol Building Improvements Phase II	13,200,472	13,145,698	54,774
Fremont & Paseo Padre LS Improvements	3,455,189	2,912,040	543,149
Newark Backyard SS Relocation - Phase 3	2,632,147	2,500,497	131,650
Hypo Tanks and Piping Replacement	2,486,872	1,611,587	875,285
3rd Sludge Degritter System	1,741,479	843,066	898,413

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REQUIRED SUPPLEMENTARY INFORMATION

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, 2015	$ 4,311,934	$ 8,646,387	$ 4,334,453	49.9%	$ 13,933,168	31.1%
July 1, 2013	4,170,486	8,461,869	4,291,383	49.3%	14,189,868	30.2%
July 1, 2011	3,735,506	8,010,025	4,274,519	46.6%	13,743,213	31.1%

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

	2017	2016	2015
Measurement Period	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability			
Service Cost	$ 2,413,856	$ 2,285,511	$ 2,338,837
Interest on total pension liability	9,157,444	8,707,550	8,205,194
Changes in benefit terms	-	-	-
Differences between expected and actual experience	621,331	1,118,325	-
Changes in assumptions	-	(2,041,756)	-
Benefit payments, including refunds of employee contributions	(6,122,564)	(5,472,643)	(4,871,998)
Net change in total pension liability	6,070,067	4,596,987	5,672,033
Total Pension Liability-beginning	**120,938,176**	**116,341,189**	**110,669,156**
Total Pension Liability-ending (a)	**$ 127,008,243**	**$ 120,938,176**	**$ 116,341,189**
Plan Fiduciary Net Position			
Contributions-employer	$ 2,770,226	$ 2,536,676	$ 2,428,874
Contributions-employee	1,206,505	1,187,621	1,356,767
Net investment income	490,693	2,002,533	13,223,974
Benefit payments	(6,122,564)	(5,472,643)	(4,871,998)
Plan to plan resource movement	-	(8,501)	-
Administrative expense	(54,156)	(100,081)	-
Net change in plan fiduciary net position	(1,709,296)	145,605	12,137,617
Plan Fiduciary Net Position-beginning	**88,861,075**	**88,715,470**	**76,577,853**
Plan Fiduciary Net Position-ending (b)	**$ 87,151,779**	**$ 88,861,075**	**$ 88,715,470**
Net pension liability-ending (a) - (b)	**$ 39,856,464**	**$ 32,077,101**	**$ 27,625,719**
Plan fiduciary net position as a percentage of the total pension liability	68.62%	73.48%	76.25%
Covered - employee payroll	$ 14,229,298	$ 13,896,353	$ 13,453,476
Net pension liability as a percentage of covered employee payroll	280.10%	230.83%	205.34%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of adminstrative expense) to 7.65 percent (without a reduction for pension plan adminstrative expense.) In 2014, amount reported were based on the 7.5 percent discount rate.

**Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only 3 years are show.

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

	2017	2016	2015
Actuarial Determined Contribution	$ 3,333,889	$ 3,034,082	$ 2,973,280
Contribution in relation to the Actuarially Determined Contribution	(3,333,889)	(3,034,082)	(2,973,280)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-employee payroll	15,017,486	$ 14,229,298	$ 13,896,353
Contributions as a percentage of covered-employee payroll	22.20%	21.32%	21.40%
Notes to Schedule			
Valuation date	6/30/2014	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Direct rte smoothing
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5%, 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 probababilities 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.

**Historical information is required only for measurement periods for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only 3 years are show.

SUPPLEMENTARY INFORMATION

UNION SANITARY DISTRICT

SCHEDULE OF OPERATING EXPENSES BEFORE DEPRECIATION
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total	Sewage Treatment	Sewage Collection & Engineering	General & Administrative	Total
Salaries and wages	$ 5,844,754	$ 7,046,627	$ 3,055,453	$ 15,946,834	$ 5,581,380	$ 6,692,390	$ 3,187,901	$ 15,461,671
Employee benefits	2,743,421	3,448,879	2,141,465	8,333,765	2,143,880	2,695,466	1,720,254	6,559,600
Recruitment and development	114,328	67,171	213,544	395,043	92,840	72,350	216,060	381,250
Temporary help	-	146,702	42,373	189,075	-	41,134	8,243	49,377
Repairs and maintenance	1,489,598	716,611	7,860	2,214,069	1,389,802	750,887	11,653	2,152,342
Operating supplies	1,463,620	201,394	-	1,665,014	1,660,979	191,922	-	1,852,901
Office and safety supplies	129,967	232,059	287,662	649,688	150,382	217,787	264,228	632,397
Insurance	-	-	263,781	263,781	-	-	216,594	216,594
Contractual services	829,228	59,392	-	888,620	855,954	74,904	-	930,858
Professional services	172,741	72,816	684,151	929,708	191,753	80,275	777,880	1,049,908
Utilities	1,814,268	77,929	126,147	2,018,344	1,806,434	73,461	123,091	2,002,986
East Bay Dischargers Authority	1,263,944	-	-	1,263,944	1,213,490	-	-	1,213,490
Non-capital projects	325,767	325,768	337,285	988,820	336,665	336,665	287,050	960,380
Sewer Service charge administrative fee	35,548	35,548	35,548	106,644	35,289	35,289	35,290	105,868
Rents/Leases	25,697	31,495	-	57,192	5,927	34,150	-	40,077
Total	$ 16,252,881	$ 12,462,391	$ 7,195,269	$ 35,910,541	$ 15,464,775	$ 11,296,680	$ 6,848,244	$ 33,609,699

UNION SANITARY DISTRICT

SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2017

The District's insurance policies and coverages in effect at June 30, 2017 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)	$	3,839,196
Workers' Compensation		1,750,000
Group Health and Life		Contract
Employee Disability and Salary Continuance		Contract
Property insurance, all property	$	251,702,717
Accounts receivable		No sublimit
Employee Dishonesty Bond Coverages:		
Public Employee Dishonesty Bond	$	2,000,000
Forgery and alteration		2,000,000
Computer Fraud		2,000,000

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Statistical Section

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

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

UNION SANITARY DISTRICT

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

	Fiscal Year									
Changes in Net Position	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Operating Revenues										
Sewer Service Charges	$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	$52,384,709
Other Operating Revenues	922,013	809,171	968,475	987,948	1,027,357	1,163,802	1,370,017	1,581,031	1,791,782	2,154,364
Total Operating Revenues	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	54,539,073
Operating Expenses										
Treatment	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	16,252,881
Collection and Engineering	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	12,462,391
General and Administration	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	7,195,269
Total Operating Expenses Before Depr.	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	35,910,541
Depreciation	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	17,036,880
Total Operating Expeneses	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	52,947,421
Operating Loss	(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	1,591,652
Non-operating Revenues (Expenses)										
Investment Income	1,746,157	1,136,138	349,012	274,328	248,337	178,690	180,041	160,790	496,439	482,342
Interest Expense	(775,179)	(647,171)	(867,781)	(1,114,313)	(858,162)	(1,138,677)	(1,106,609)	(971,695)	(916,968)	(860,316)
Loss on Retirement of Utility in Capital Assets	(384,325)	(134,787)	(95,110)	(751,601)	(127,430)	(1,479,254)	(796,735)	(1,165,160)	(30,472)	(52,458)
Gain (loss) on Equity Investment in EBDA	(46,886)	(12,946)	(76,498)	(95,011)	(100,827)	(89,170)	(92,180)	(86,652)	(160,540)	(432,674)
Other Non-operating Expenses	0	0	0	0	0	0	0	0	0	0
Net Non-operating Revenues	539,767	341,234	(690,377)	(1,686,597)	(838,082)	(2,528,411)	(1,815,483)	(2,062,717)	(611,541)	(863,106)
Loss Before Contributions	(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	728,546
Connection Fees and Other Contrib. Capital	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	16,560,652
Change in Net Position	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	17,289,198
Net Position, Beginning of Year	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	334,445,731
Prior period adjustment	0	0	0	0	0	0	0	(31,662,435) *	0	0
Net Position, End of Year	$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	$351,734,929
Statement of Net Position by Component										
Net investment in capital assets	$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	$294,906,308
Restricted	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	34,360,257
Unrestricted	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	22,468,364
Restricted-Retiree medical benefit plan	1,457,853	0	0	0	0	0	0	0	0	0
Unrestricted	35,826,323	0	0	0	0	0	0	0	0	0
Total USD net position	$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	$351,734,929

* GASB 68 Adjustment
** Capital asset threshhold increased from $5,000 to $10,000

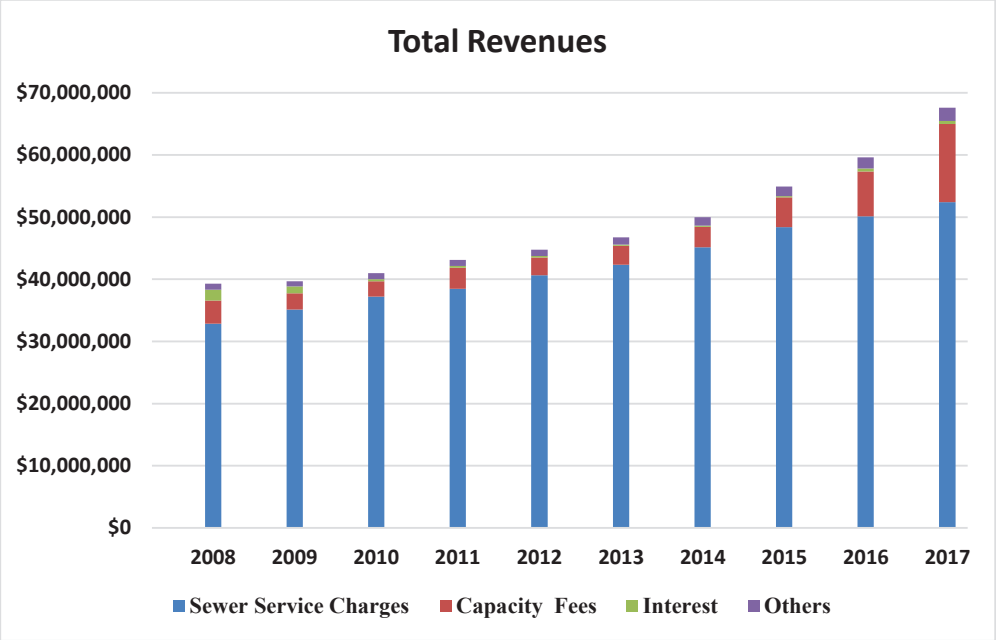
Source: USD Audited Financial Statements

UNION SANITARY DISTRICT

District-Wide Revenues and Other Financing Sources

Fiscal Year	Sewer Service Charges	Capacity Fees	Interest	Others*	Total Revenues
2017	$ 52,384,709	$ 12,595,637	$ 482,342	$ 2,154,364	$ 67,617,052
2016	$ 50,112,564	$ 7,233,338	$ 496,439	$ 1,791,782	$ 59,634,123
2015	$ 48,379,254	$ 4,820,637	$ 160,790	$ 1,581,031	$ 54,941,712
2014	$ 45,139,420	$ 3,315,007	$ 180,071	$ 1,370,017	$ 50,004,515
2013	$ 42,339,311	$ 3,062,836	$ 178,690	$ 1,163,802	$ 46,744,639
2012	$ 40,630,578	$ 2,848,488	$ 248,337	$ 1,027,357	$ 44,754,760
2011	$ 38,486,824	$ 3,381,963	$ 274,328	$ 987,948	$ 43,131,063
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

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

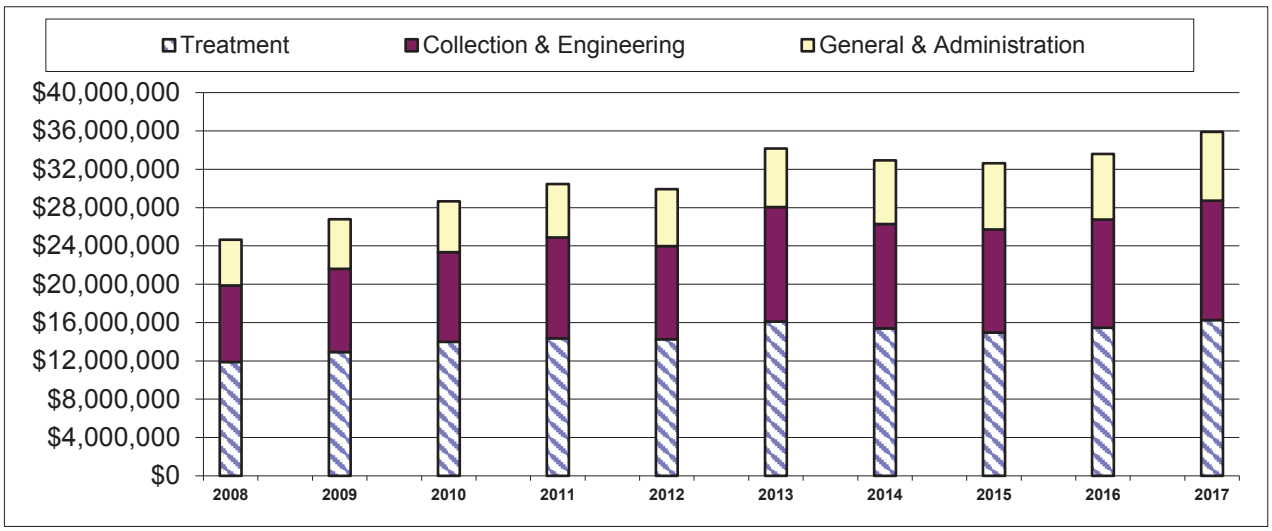


The District's main source of revenue is sewer service charges, which are collected on behalf of the District by Alameda County, on the tax rolls as part of the Teeter Plan.

Source: USD Audited Financial Statements

Operating Expenses By Function

Fiscal Year	Sewage Treatment	Sewage Collection & Engineering	General & Administration	Total Operating Expenses
2017	$16,252,881	$12,462,391	$7,195,269	$35,910,541
2016	$15,464,775	$11,296,680	$6,848,244	$33,609,699
2015	14,956,369	10,763,530	6,910,857	32,630,756
2014	15,410,523	10,869,755	6,634,688	32,914,966
2013	16,088,929	11,954,345	6,111,468	34,154,742
2012	14,255,266	9,712,645	5,951,818	29,919,729
2011	14,342,352	10,532,692	5,574,251	30,449,295
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



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.

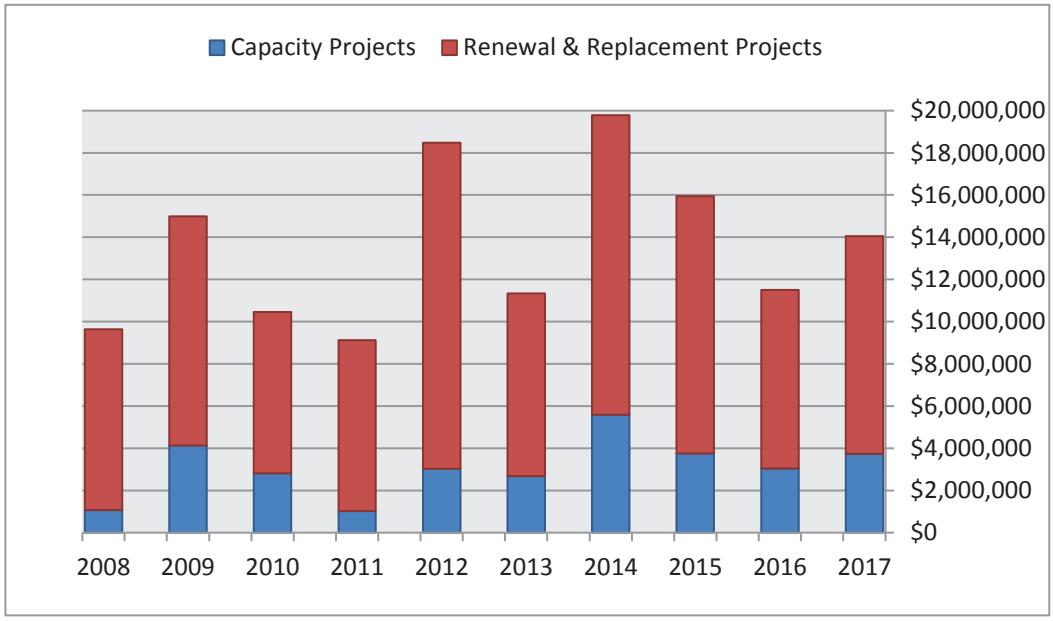
General & Administration includes Business Services, Information System Renewal and Replacement, and retiree medical benefits.

Source: USD Audited Financial Statements

UNION SANITARY DISTRICT

Capital Expenditures

Fiscal Year	Capacity Projects	Renewal & Replacement Projects	Total Capital Expenditures
2017	$3,734,780	$10,310,989	$14,045,769 *
2016	$3,037,012	$8,466,899	$11,503,911
2015	3,755,472	12,194,927	15,950,399
2014	5,592,023	14,195,068	19,787,091
2013	2,673,173	8,663,485	11,336,658
2012	3,032,556	15,453,790	18,486,346
2011	1,030,689	8,099,110	9,129,799
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



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 $251,930 for the Co-generation project.

Source: USD Finance Department

UNION SANITARY DISTRICT

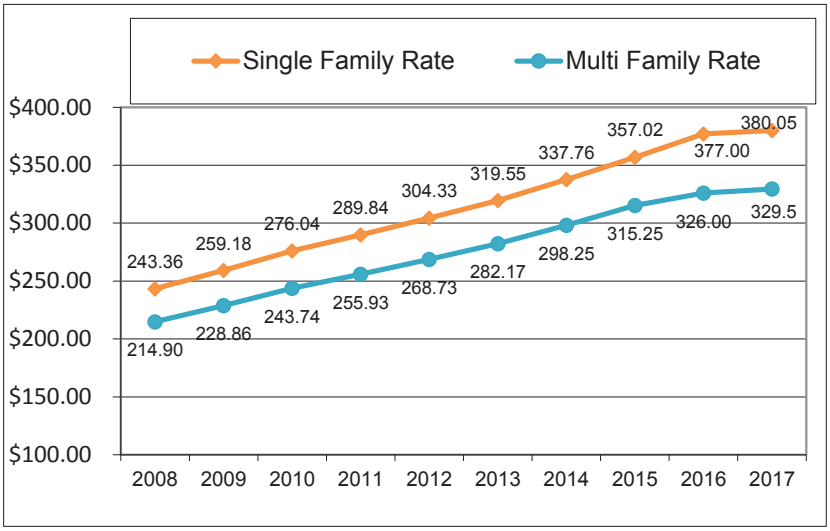
Current and Historical Fees

As of June 30, 2017

Last Ten Years

Sewer Service Charge Rates

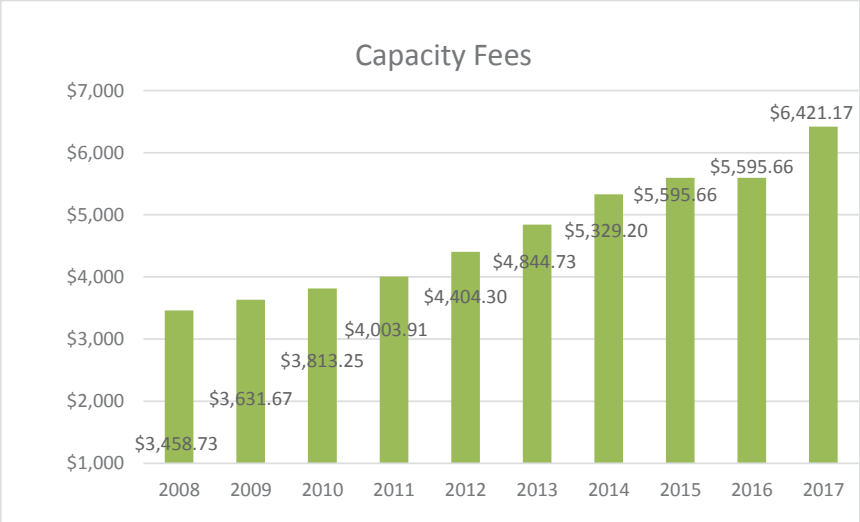
	Single Family Rate	Multi - Family Rate	Single Family Rate Percentage Change
2017	$380.05	$329.50	1.0%
2016	$377.00	$326.00	5.6%
2015	357.02	315.25	5.7%
2014	337.76	298.25	5.7%
2013	319.55	282.17	5.0%
2012	304.33	268.73	5.0%
2011	289.84	255.93	5.0%
2010	276.04	243.74	6.5%
2009	259.18	228.86	6.5%
2008	243.36	214.90	6.5%



The fees above are for residential units. A property with multiple housing units such as an apartment complex is charged $329.50 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
2017	$6,421.17	14.8%
2016	$5,595.66	0.0%
2015	5,595.66	5.0%
2014	5,329.20	10.0%
2013	4,844.73	10.0%
2012	4,404.30	10.0%
2011	4,003.91	5.0%
2010	3,813.25	5.0%
2009	3,631.67	5.0%
2008	3,458.73	5.0%



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

Source: USD Finance Department

UNION SANITARY DISTRICT

Ten Principal Industrial Rate Payers by Levy

June 30, 2017

2016-17

Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Tesla	$1,141,868		2.18%
Washington Hospital	206,132		0.39%
Western Digital	176,435		0.34%
Ranch 99/Warm Springs Shopping	161,772		0.31%
Marriott Hotel	142,229		0.27%
Ranch 99/Newark	133,807		0.26%
U S Pipe	130,685		0.25%
Kaiser Hospital	125,907		0.24%
Gateway Plaza	124,269		0.24%
Pacific Commons (Area 4-Asian P	119,920		0.23%
Total annual billing largest ten:	$2,463,022		4.70%
Total ALL annual billings	$52,384,709		

2015-16

Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Tesla	$469,466	1	0.94%
Western Digital	218,616	2	0.44%
Seagate Technology #3	152,100	3	0.30%
Washington Hospital	147,910	4	0.30%
U S Pipe	123,218	5	0.25%
Marriott Hotel	119,716	6	0.24%
Kaiser Hospital	118,369	7	0.24%
Ranch 99/Warm Springs Shoppin	115,458	8	0.23%
Pacific Commons (Area 4-Asian F	112,498	9	0.22%
Pacific Commons (Kohls/Old Nav	108,358	10	0.22%
Total annual billing largest ten:	$1,685,708		3.36%
Total ALL annual billings	$50,112,564		

2014-15

Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Tesla	$324,934	1	0.67%
Western Digital	235,844	2	0.49%
Washington Hospital	153,645	3	0.32%
Seagate Technology	116,332	4	0.24%
Lido Faire Shopping Center	114,536	5	0.24%
Pacific Commons (Kohls/Old	113,472	6	0.23%
Pacific Commons (Area 4-As	108,292	7	0.22%
Ranch 99/Warm Springs Shc	108,163	8	0.22%
Full Bloom	105,805	9	0.22%
Kaiser Hospital	102,771	10	0.21%
Total annual billing largest te	$1,483,794		3.07%
Total ALL annual billings	$48,379,254		

2013-14

Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	$260,023	1	0.58%
Washington Hospital	148,743	2	0.33%
Seagate Technology	140,016	3	0.31%
Tesla	137,788	4	0.31%
Ranch 99 Warms Springs Shoppir	112,329	5	0.25%
Gateway Plaza	101,416	6	0.22%
Kaiser Hospital	99,174	7	0.22%
Pacific Commons (Area 4)	99,159	8	0.22%
The Benton in Fremont	96,037	9	0.21%
Pacific Commons (Kohls/Old Navy	90,880	10	0.20%
Total annual billing largest ten:	$1,285,565		2.85%
Total ALL annual billings	$45,139,420		

2012-13

Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	$216,919	1	0.51%
Seagate Technology	114,131	2	0.27%
Washington Hospital	105,407	3	0.25%
Pacific Commons (Kohls/Old Nav	95,188	4	0.22%
Ranch 99 Warms Springs Shoppi	90,954	5	0.21%
The Benton in Fremont	90,859	6	0.21%
U S Pipe	90,780	7	0.21%
Solyndra	89,164	8	0.21%
Lam Research	88,904	9	0.21%
Kaiser Hospital	83,879	10	0.20%
Total annual billing largest ten:	$1,066,186		2.52%
Total ALL annual billings	$42,339,311		

2011-12

Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
Western Digital	$269,619	1	0.66%
Solyndra	210,366	2	0.52%
NUMMI/Tesla	148,978	3	0.37%
Evergreen Oil	133,925	4	0.33%
Washington Hospital	112,361	5	0.28%
Caravan Trading Co. & Bake	103,048	6	0.25%
The Benton in Fremont	86,531	7	0.21%
Kaiser Hospital	84,813	8	0.21%
Gateway Plaza	81,681	9	0.20%
U S Pipe	76,091	10	0.19%
Total annual billing largest te	$1,307,413		3.22%
Total ALL annual billings	$40,630,578		

Source: USD Customer Service Team

UNION SANITARY DISTRICT

Ten Principal Industrial Rate Payers by Levy (continued)

June 30, 2017

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

2009-10			
Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
NUMMI	$549,041	1	1.48%
Western Digital	227,410	2	0.61%
Evergreen Oil	136,078	3	0.37%
Washington Hospital	128,056	4	0.34%
Full Bloom	122,577	5	0.33%
The Benton in Fremont	78,484	6	0.21%
The Tropics Trailer Park	77,194	7	0.21%
Solyndra	73,694	8	0.20%
Lam Research	73,316	9	0.20%
Union Square	71,960	10	0.19%
Total annual billing largest ten:	$1,537,810		4.13%
Total ALL annual billings	$37,217,073		

2008-09			
Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
NUMMI	$525,177	1	1.50%
Western Digital	273,113	2	0.78%
Washington Hospital	146,515	3	0.42%
Evergreen Oil	136,727	4	0.39%
Hilton Hotel	77,798	5	0.22%
Full Bloom	75,086	6	0.21%
The Benton in Fremont	73,693	7	0.21%
Union Square	73,546	8	0.21%
The Tropics Trailer Park	72,481	9	0.21%
Kaiser Hospital	67,334	10	0.19%
Total annual billing largest te	$1,521,470		4.33%
Total ALL annual billings	$35,103,885		

2007-08			
Rate Payer	Total Annual Billing	Rank	% of Total Annual Billings
NUMMI	$496,063	1	1.51%
Western Digital	274,533	2	0.84%
Washington Hospital	139,089	3	0.42%
Evergreen Oil	114,815	4	0.35%
U S Pipe	82,993	5	0.25%
DS Waters/McKesson	79,118	6	0.24%
Union Square	74,001	7	0.23%
The Benton in Fremont	69,198	8	0.21%
The Tropics Trailer Park	68,061	9	0.21%
MMC Technology/Maxtor	66,597	10	0.20%
Total annual billing largest ten:	$1,464,468		4.46%
Total ALL annual billings	$32,851,938		

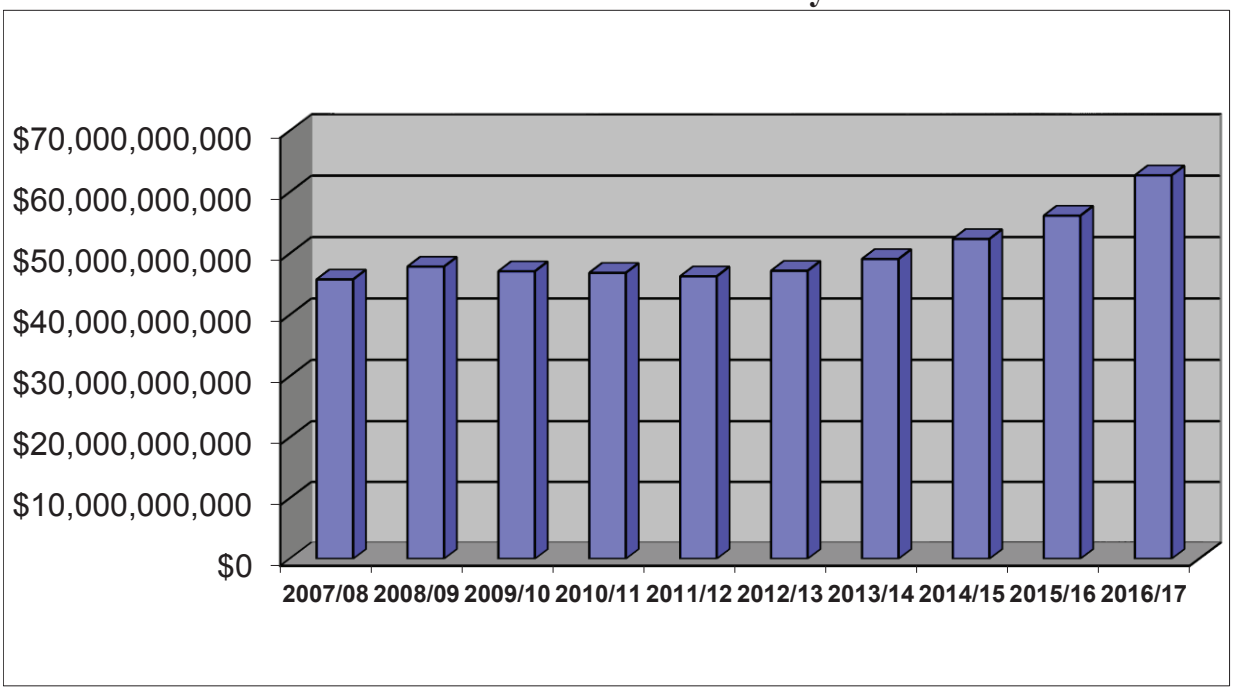
Source: USD Customer Service Team

UNION SANITARY DISTRICT

Fiscal Year Assessed Valuation for All Properties in the Tri-City Area
Valuation of taxable property within Union Sanitary District

		% Change
2016/17	$62,748,855,394	11.69%
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%

Assessed Valuation for Tri-City Area



Includes property in Fremont, Newark, and Union City.

Source: Alameda County Office of the Auditor-Controller

UNION SANITARY DISTRICT

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Use Permit (1)	State Revolving Fund Loans Payable (2)	Principal Total	# of Parcels	Total Debt/ Parcel
2017	$0	$44,272,413	$44,272,413	95,997	461
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

Source: USD internal accounting records

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)
2017	$67,617,052	$35,910,541	$31,706,511	3,127,110	1014%
2016	59,634,122	33,609,699	26,024,423	3,127,110	832%
2015	54,941,712	32,630,756	22,310,956	3,127,110	713%
2014	50,004,485	32,914,966	17,089,519	4,086,647	418%
2013	46,744,639	34,154,742	12,589,897	4,429,320	284%
2012	44,754,760	29,919,730	14,835,030	4,429,320	335%
2011	43,131,063	30,449,295	12,681,768	3,584,000	354%
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%

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

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

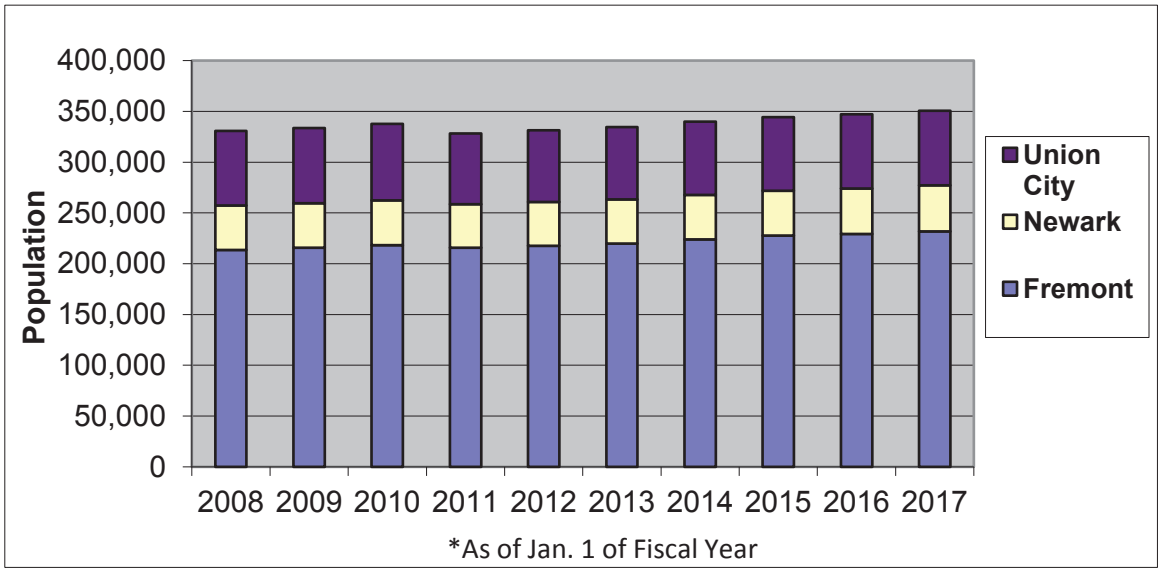
(3) According to the District's Debt Management Policy, the targeted minimum debt service coverage ratio is 130%, which is higher than the standard 120% typically used to secure revenue bonds.

Source: USD internal accounting records

UNION SANITARY DISTRICT

Demographics
Population Served*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fremont	213,512	215,636	218,128	215,711	217,700	219,926	223,972	227,582	229,324	231,664
Newark	43,872	44,035	44,380	42,764	43,041	43,342	43,856	44,284	44,733	45,422
Union City	73,402	73,977	75,054	69,850	70,646	71,329	72,155	72,412	72,952	73,452
Total	**330,786**	**333,648**	**337,562**	**328,325**	**331,387**	**334,597**	**339,983**	**344,278**	**347,009**	**350,538**
Total % Change	0.96%	0.87%	1.17%	-2.74%	0.93%	0.97%	1.61%	1.26%	0.79%	1.02%



Source: CA Dept. of Finance (www.dof.ca.gov)

UNION SANITARY DISTRICT

Demographics of Population Served
(Calendar Year)

		Per Capita Income	Median Household Income Data	Unemployment Rate
2016	Fremont	$40,563	N/A	3.4%
	Newark	N/A	N/A	4.1%
	Union City	$60,218	N/A	4.3%
2015	Fremont	$40,563	N/A	3.7%
	Newark	$31,043	N/A	4.1%
	Union City	$59,111	N/A	4.4%
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	Extremely Low	21950	25050	28200	31300	33850	36350	38850	41350
4-Person	Very Low Income	36550	41750	46950	52150	56350	60500	64700	68850
Area Median Income:	Low Income	56300	64350	72400	80400	86850	93300	99700	106150
$97,400	**Median Income**	68200	77900	87650	**97400**	105200	113000	120800	128550
	Moderate Income	81850	93500	105200	116900	126250	135600	144950	154300

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

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	% of Total City Employment 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fremont											
Tesla	Auto Manufacturer	N/A	3.12%	2.68%	2.75%	2.81%	1.45%	N/A	N/A	N/A	N/A
Fremont Unified School District	Education	N/A	2.47%	2.38%	2.75%	2.81%	2.90%	3.27%	3.02%	1.52%	1.51%
Washington Hospital	Healthcare	N/A	2.68%	2.68%	2.75%	1.70%	1.76%	1.98%	1.81%	2.18%	2.16%
Western Digital	Hard Drives and Electronics	N/A	2.68%	2.68%	2.75%	1.22%	1.26%	1.20%	1.81%	0.91%	1.05%
Lam Research	Technology	N/A	2.68%	2.68%	2.75%	1.41%	1.45%	1.00%	0.96%	0.84%	1.14%
Newark											
Newark Unified School District	Education	N/A	4.20%	3.10%	3.20%	3.30%	3.40%	3.40%	3.40%	3.40%	N/A
Logitech	Computer Accessories	N/A	3.00%	3.00%	3.10%	3.20%	3.00%	N/A	N/A	N/A	N/A
WorldPac	Auto Part Distribution	N/A	0.90%	1.70%	1.30%	1.30%	1.40%	1.40%	1.40%	1.40%	N/A
Risk Management Solutions	Catastrophe Risk Management	N/A	1.40%	1.20%	1.20%	1.30%	1.30%	1.30%	1.30%	1.30%	N/A
VM Services Inc	Technology	N/A	1.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Union City											
Southern Wine & Spirits	Beverages	N/A	3.67%	3.44%	3.44%	3.54%	3.71%	1.13%	1.16%	2.32%	2.22%
New Haven Unified School District	Education	N/A	3.10%	3.01%	3.01%	3.07%	3.22%	3.69%	3.76%	3.70%	3.84%
City of Union City	Government	N/A	1.27%	0.98%	0.96%	0.98%	1.04%	1.00%	1.17%	1.13%	1.13%
Wal Mart	Retailer	N/A	1.20%	2.34%	2.34%	2.40%	2.52%	1.62%	1.65%	1.86%	1.77%
Abaxis, Inc.	Biotech	N/A	1.20%	1.11%	1.11%	1.14%	1.19%	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.

Source: CA Dept. of Finance website,
New Haven Unified School District
Cities of Fremont, Newark and Union City

UNION SANITARY DISTRICT

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
System operations and maintenance (CS Support, FMC, T&D, Warehouse)	52.45	53.45	53.45	50.45	51.45	38.00	39.00	43.00	45.00	51.23
Engineering and construction (CIP)	9.00	10.00	8.00	8.00	7.00	8.00	8.00	6.00	6.00	6.00
Collections System Maintenance (CS)	25.00	25.00	23.00	23.00	24.00	22.00	22.00	22.00	22.00	21.00
Office of the General Manager (GM)	2.00	2.00	3.00	1.00	2.00	3.00	2.00	2.00	2.00	2.00
Finance (FIST)	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Information systems (IT)	5.00	5.00	5.00	5.00	5.00	5.00	4.00	5.00	5.00	5.00
Administration department (Adm Specialist, MMT, non-HR OST)	13.00	14.00	13.00	14.00	15.00	14.00	16.00	15.00	15.50	15.50
Customer and community services (Rest of TS)	20.00	20.00	18.00	19.00	19.00	19.00	19.00	19.00	21.00	21.00
Human resources (HR)	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Total # of Employees	131.45	136.45	131.45	128.45	131.45	117.00	118.00	120.00	124.50	129.73
Average years of service of employees as of 6/30/17:	10.60	10.54	11.25	11.97	11.70	13.66	13.04	12.27	11.23	10.06

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

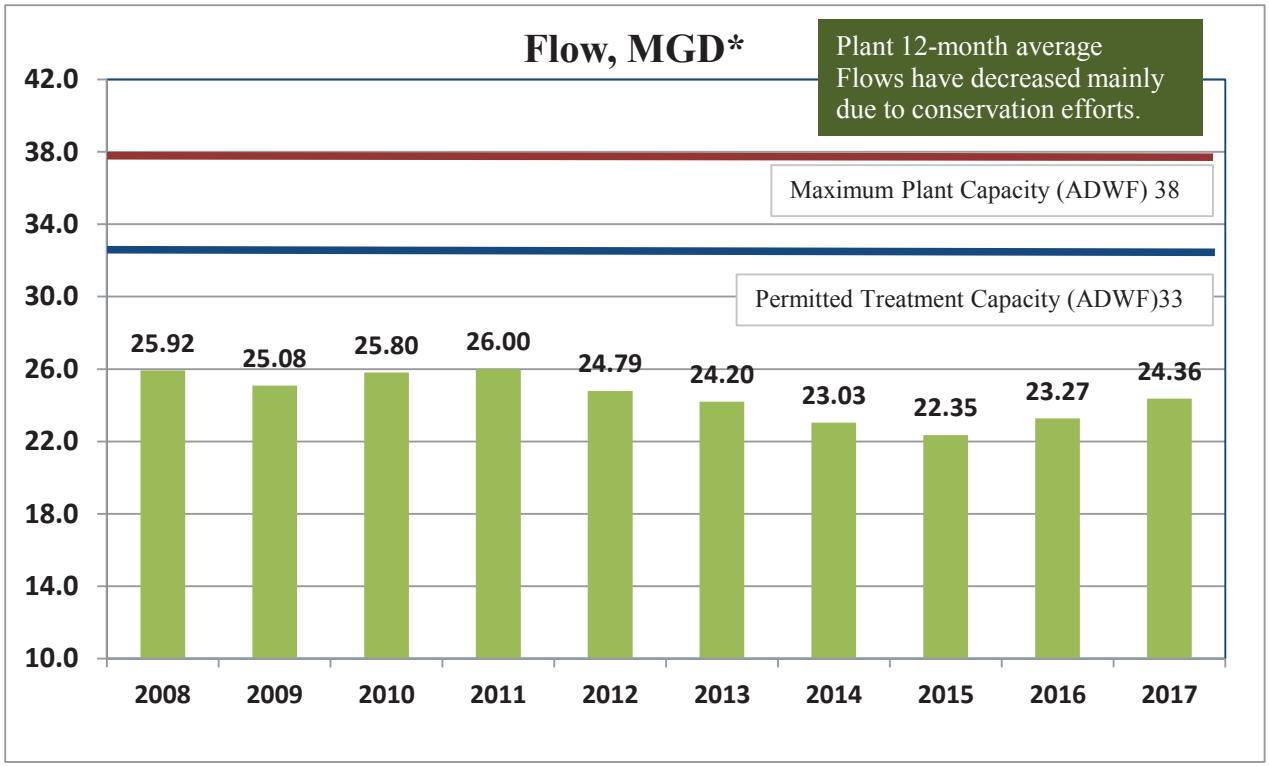
Source: USD Human Resources Dept.

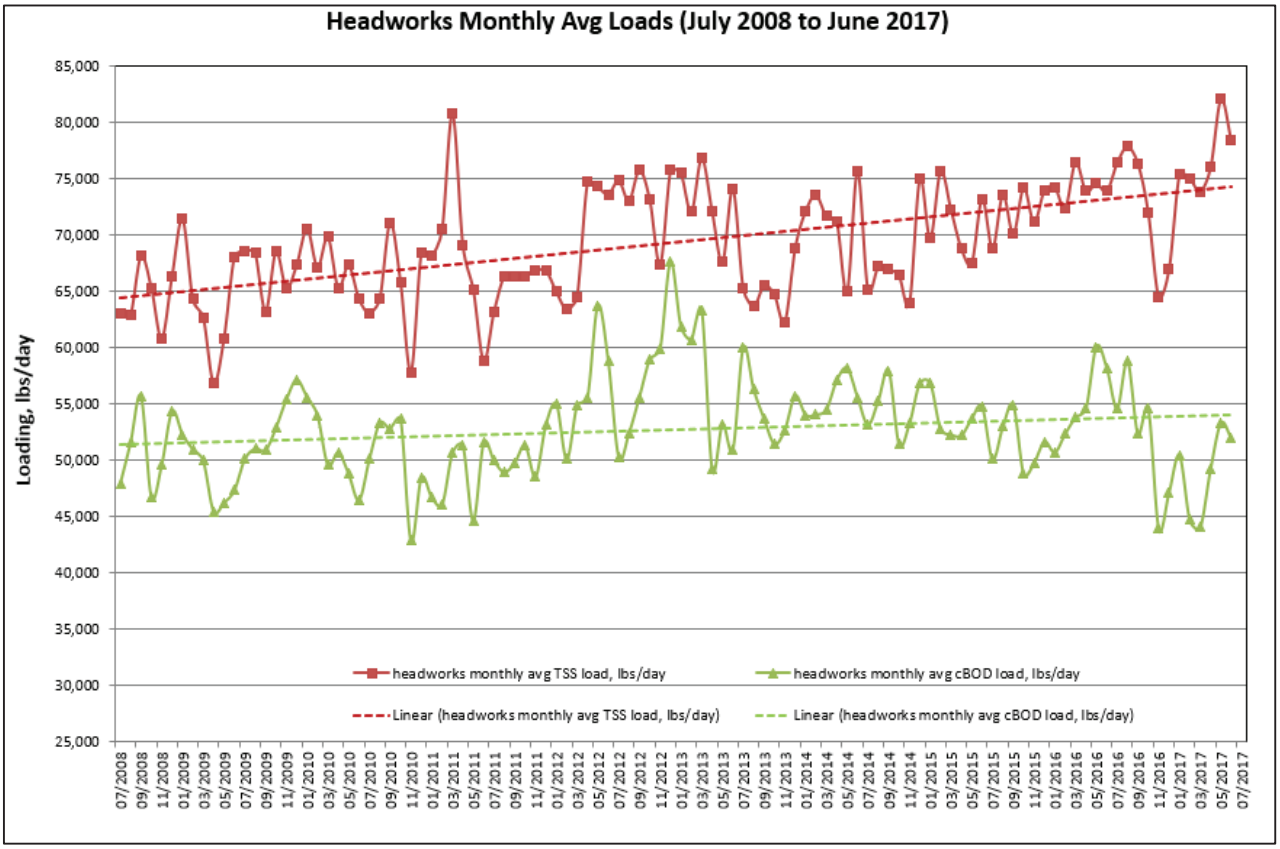
UNION SANITARY DISTRICT

Operating Indicators by Function/Program

Average Daily Flow

Plant Flow Data





Source: USD Treatment and Disposal Work Group

*Million gallons per day

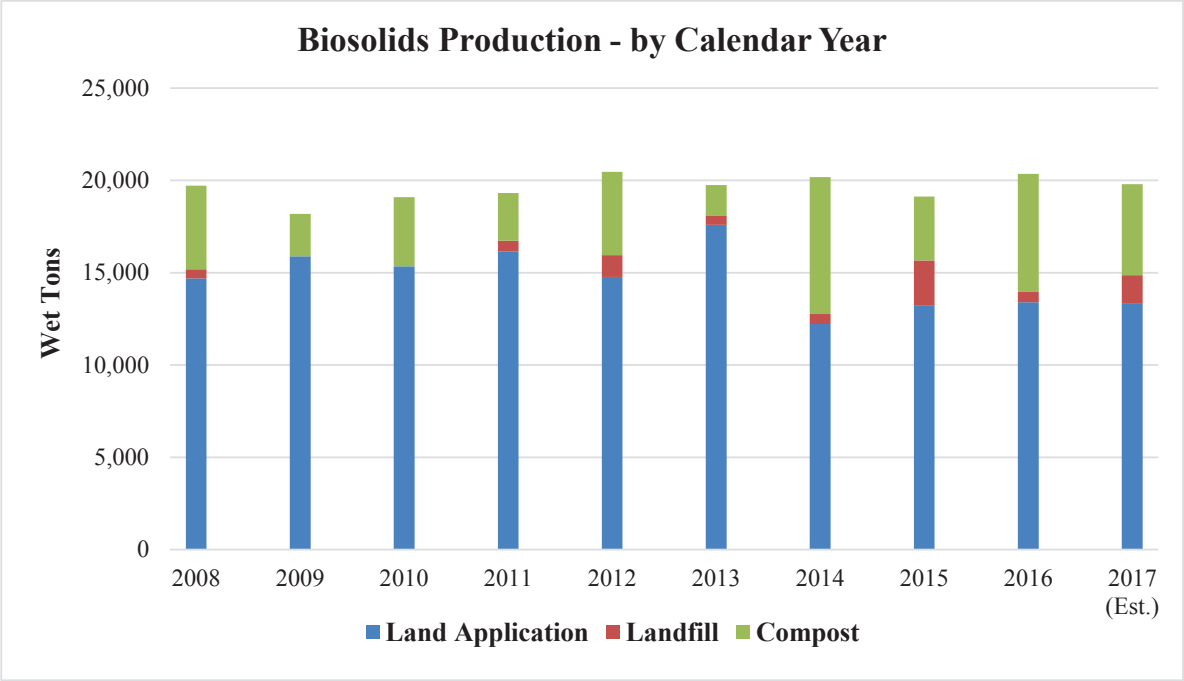
UNION SANITARY DISTRICT

Operating Indicators - Biosolids
Last Ten Calendar Years

Function/Program

Biosolids

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (Est.)
Land Application	14,697	15,891	15,348	16,160	14,770	17,597	12,212	13,212	13,395	13,350
Landfill	491	0	0	571	1,187	501	545	2,450	563	1,510
Compost	4,523	2,291	3,751	2,585	4,501	1,642	7,414	3,470	6,399	4,930
Total (in Wet Tons)	19,712	18,182	19,099	19,315	20,458	19,741	20,171	19,132	20,357	19,790



Source: USD Treatment Disposal Work Group

UNION SANITARY DISTRICT

Miscellaneous Statistics
6/30/2017

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:	131.45 full-time equivalent employees
CEO:	General Manager
CFO:	Business Services Manager (Vacant)
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:	350,538
Number of Parcels	95,997 (86,310 Residential; 3,125 Non-Residential; 6,562 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:	$380.05 annually per single family residential dwelling unit

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